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Mr H Plunkett
Assistant Commissioner
Productivity Commission,
P O Box 80
BELCONNEN A.C.T. 2616

7 July, 2000

Dear Mr Plunkett

RE: GENERAL TARIFF ARRANGEMENTS

Further to my recent note, I write concerning the Commission's draft report on General Tariff arrangements.

We note that consideration is being given to the removal of the last 5% of the General Tariff. We further note that, in the Commission's view, the overall effects should not be large and that their realisation need not be delayed. The fact that the system of Tariff Concessions would be rendered obsolete if the General Tariff were extinguished has, likewise, been noted.

While the proposed changes may not have a large effect **overall**, they will not impact on every sector of industry in the same way or with the same result. We are very concerned to find that the Commission is considering treating us no differently from other industries as the emphatic view of our Executive is that our situation is quite special. In our submission of 20/01/2000, we were at pains to spell out the radical re-structuring that has taken – and is taking – place in our industry consequent upon the Tariff reductions and a technological transformation (refer especially to our Appendices C1 & C2). The deployment of capital and the reductions in employment were mentioned, along with the uncertainties about Government intentions.

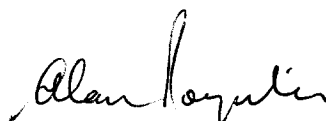
At page 5 of our submission, we indicated the connection between fibres/filaments used in our industry and the end products. About one third of the fibres/filaments fall within Tariff Chapter 39 and two-thirds fall within Chapter 54. Thus, with the duties on the fibres/filaments frozen for the next few years under the Government's TCF arrangements, we fear that we may be stuck with high costs on inputs, and falling duties and prices on the finished end products. Clearly, the duties on inputs and end-products should move together (not diverge). For some of our members already struggling, the extra strain of the temporary distortion may well be too much; yet, without this avoidable strain, they may very well come through. Accordingly, we request that the duties on finished brushware be maintained for as long as possible, preferably until the TCF arrangements have run their course. (An alternative approach might be for the Australian Customs Service to issue a T.C.O. to waive the duties on the problematical fibres/filaments **when for use in factories producing brushware**. We have looked at this before but have been

put off by the apparent reluctance of the A.C.S. to issue T.C.Os with end-use qualifications. On reflection, however, we wonder whether it might prove to be feasible were it to be recommended by the Productivity Commission.)

In terms of industrial re-structuring, the **rate** of change is a crucial factor. When the Tariff Review Program was getting under way, a report by W.D. Scott & Co was commissioned by A.C.M.A. One of the main findings, as we recall it, was that the pace of the wind-down is important. Obviously, it takes time to research, plan and implement major changes in the scope and direction of corporate activities. If the pace of change is too fast, needless losses can be sustained. It is recollected that Professor Geoffrey Blainey has also commented on undue haste. In the present case, the Commission has concluded that there is not a lot to choose between almost immediate implementation of the cut in Tariffs and implementation at the start of year 2005; yet it has focussed on "sooner" rather than "later". Speaking for the brushware industry, we must say that we are apprehensive about the early abolition of the General Tariff on brushware, and we would not welcome, for example, a commercial misjudgement of the kind described in Appendix F to our submission of 20/01/2000.

Lastly, we turn to the relatively high barriers erected by a couple of Asian countries against certain of our products; we also refer to China's use of its monopoly in hog bristles used in paint brush manufacture. There is no mention of these in your draft, and we take this to mean that the Commission sees these matters as being outside its Terms of Reference. If this is correct then we are obviously free to raise them at a Departmental level.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Alan Poynter".

Alan Poynter
Executive Officer