

7 July, 2000

Review of General Tariff Arrangements
Productivity Commission
PO Box 80
Belconnen ACT 2616

Draft Report on the Review of Australia's General Tariff Arrangement

The NSW Farmers' Association welcomes the opportunity to comment on the draft report for the Review of Australia's General Tariff Arrangements.

The Association broadly supports the Commission's recommendation to remove the General Tariff sooner rather than later and preferably on 1 July 2001. The General Tariff currently provides a small benefit to a select number of businesses who produce import competing products. On the other hand, the General Tariff imposes additional costs on many businesses and consumers who use or consume the goods under reference.

The Association supports the abolition of concessional arrangements for goods under reference on 1 July 2001 provided this follows the removal of the tariff. As stated in the draft report concessional arrangements raise a number of administrative and compliance costs yet yield a small benefit in terms of reduced tariff rates. Concessional arrangements on goods affected by the General Tariff will become obsolete once the General Tariff is removed.

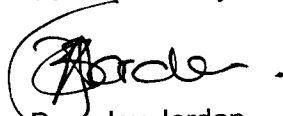
Following the removal of the General Tariff it may be the case that some businesses, previously protected by the General Tariff, try to pass on the cost of removing the tariff to suppliers in the form of lower prices. The Association requests that the Commission consider the possibility that prices to suppliers may unjustifiably decrease as a result of removing the General Tariff.

For example processors currently pay local pear growers about \$3,730 per tonne for dried pears. If processors can also purchase dried pears on the international market for \$3,730 per tonne, including any additional marketing and transport costs, the local grower would be receiving no benefit from the tariff. In such a case removing the 5 per cent tariff should not result in a decrease in the price paid to the producer.

If it is found that such a situation may arise, the Association suggests the Commission recommend a mechanism to prevent any unjustifiable decrease in prices to suppliers.

We look forward to the release of the final report.

Yours sincerely



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ECONOMIST