Customs Tariff Amendment Bill 1988

Digest of Bill

Purpose

To make a number of amendments to the Customs Tariff Act 1987 (the Principal Act). The more important amendments relate to customs duties levels to the pulp, paper, paper products and printing industries; the medical and scientific equipment industries; and the glass and glassware industries. Other changes include duties on avgas and other petroleum products, amendments to the textile clothing and footwear plan, the Harmonised Tariff, and to limit indexation increases for August 1987 and February 1988 to a total of around 6%.

Background

The pulp, paper, paper products and printing industries were examined by the Industries Assistance Commission (IAC) in its Report No.401 delivered in February 1987. The Report noted the importance of the industries in Australia. It estimates that the industries comprise about 9% of manufacturing gross product and about 10% of manufacturing employment. Important user industries of converted paper products were found to include, food products, beverages, tobacco and business service industries. Libraries, public administration and educational institutions also accounted for a significant proportion of paper output.

In regard to existing assistance measures, the report notes that the level of assistance varies greatly, ranging from minimal levels to 50%. This range of assistance was considered in some instances to be an impediment to the industries potential for development.
The IAC’s preferred option, with respect to the pulp, paper, paper products and printing industries, was that tariffs be lowered to 15% over a two-year period, where current tariffs were above that rate. The Government has decided to accept the IAC’s recommendations with respect to most products. Reductions are to be phased in on a ‘tops down’ basis of 15% from 1 January 1988. The ‘tops down’ approach tackles the highest tariff rates first and continuing until all of the relevant tariff rates are reduced to a maximum tariff rate of 15%.

The medical and scientific equipment industries were examined by the IAC in its Report No. 402 delivered in April 1987. The Report noted the importance of the industries in Australia. It estimates that production and average employment in 1985–1986 totalled $500 million and 5460 people. The medical equipment sector was the largest contributor. The report also noted that the production and employment in the medical and scientific equipment industries accounts for 0.5% of all manufacturing in Australia. Although small, the sector is thriving, with employment in the medical equipment sub-industry rising by 17% between 1981–1982 and 1984–1985, compared with a 12% decline for the manufacturing sector as a whole over the same period.

In regard to existing assistance measures, the report notes that the level of assistance varies greatly, ranging from minimal levels to tariffs of 30%. The report notes that almost 90% of goods subject to protective duties enter Australia at minimum rates.

The IAC’s preferred option in relation to tariffs was a phased reduction of high tariffs to a maximum rate of 15%. The Government has accepted the main thrust of the IAC’s recommendations for reduced tariff assistance. Tariffs will be phased down, on a ‘tops down basis’, progressively over a two year period commencing from 1 January 1988 with the target rate of 15% being reached on the 1 January 1990.

The glass and glassware industries were examined by the IAC in its Report No. 404 delivered in June 1987. The Report noted the importance of the industries in Australia. It estimates that Australian manufacture of glass is worth about $1000 million per year. Flat glass and containers cover about 85% of Australian production with household, fibre, and scientific glassware making up the remainder. Approximately 25% of local glass consumption is met from imports. The number of people employed in the glass and glassware industries in 1984–1985 was approximately 5590.
In regard to existing assistance measures, the report notes that the level of assistance varies greatly. The import-weighted average rate of duty collected on all glass products in 1985–1986 was approximately 10%. However, tariff levels are relatively high for imports of goods already being produced by about 15% of the Australian glass industries, e.g. automobile safety glass, illuminating glass, glass fibre reinforcements etc., which are assisted by tariff rates of between 20% AND 40%.

The IAC's preferred option in relation to tariffs was a phased reduction of high tariffs to a maximum rate of 15%. The Government has accepted the main thrust of the IAC's recommendations for reduced tariff assistance. Tariffs will be phased down progressively over a three year period commencing from 1 January 1988 with the target rate of 15% being reached on the 1 January 1991. Reductions are to be phased in on the 'tops down' basis.

Outline

The Bill contains three Schedules, each of which operates from a different date.

Main Provisions

For a detailed analysis of the clauses of the Bill refer to the explanatory memorandum.

Clause 3 provides that amendments in Schedule 1 shall operate on and from 1 January 1988.

Schedule 1 of the Bill will amend Schedule 3 of the Principle Act. The major amendments are:

- increased surcharge of 0.5 cents per litre on aviation gasoline;
- carry over, to the Principal Act, of rates of customs duties on certain petroleum products that became operative on and from 14 December 1987;
- the rate of duty on various pulp, paper, paper products and printing articles will be reduced in phases, on a 'tops down' basis, to an industry-wide rate of 15% on and from 1 January 1988;
- the rate of duty on various medical and scientific equipment articles will be reduced in phases, on a 'tops down' basis, to an industry-wide rate of 15% on and from 1 January 1988;
• the rate of duty on various glass and glassware articles will be reduced in phases, on a 'tops down' basis, to an industry-wide rate of 15% on and from 1 January 1988;

• implement aspects of the Textiles, Clothing and Footware Industries plan, in particular, an increase from $1.35 to $1.45 in the customs value criterion for footwear.

Clause 4 provides that amendments in Schedule 2 operate on and from 3 February 1988.

The provisions of Schedule 2 limit the Consumer Price Indexation increase of August 1987 and February 1988 with respect to alcohol, tobacco products and refined petroleum products to around 6%.

Clause 5 provides that amendments in Schedule 3 shall operate 7 days after the Royal Assent.

Schedule 3 implements aspects of the Government’s decisions on the IAC’s reports on the Chemicals and Plastics Industries, the Pulp Paper, Paper Products and Printing Industries and Glass and Glassware Industries. The major amendments relate to decreases in duties to 15% with respect to tyre cord fabric and calendars; and increases in duties with respect to certain pigments to 20% and sanitary towels, napkins and napkin liners for babies and similar sanitary articles to 15%.

References

2. Ibid., Appendix L.
3. Ibid., pp.5–6.
5. Ibid.
6. Ibid., p.16.
7. Ibid., Appendix B.
8. Ibid., p.127.
9. Ibid., p.xii.
11. Ibid.
12. Ibid.
13. Ibid., p.9.
15. Ibid., Appendix B.
16. Ibid., pp.iii–iv.