

Bills Digest
No. 106 2000-01

Customs Tariff Amendment Bill (No. 4) 2000

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INFORMATION AND RESEARCH SERVICES

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No. 106 2000-01

Customs Tariff Amendment Bill (No. 4) 2000

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Law and Bills Digest Group
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Customs Tariff Amendment Bill (No. 4) 2000

Date Introduced: 6 December 2000

House: House of Representatives

Portfolio: Justice and Customs

Commencement: As specified in the Main Provisions section of this Digest

Purpose

The major amendments proposed by the Bill to the *Customs Tariff Act 1975*:

- reduce the duty on thirty tariff subheadings from 5% to free as part of a settlement between Australia and the United States over assistance provided to Howe and Company Pty Ltd
- accord a 5% tariff margin to imports to Australia from Angola and Madagascar; and
- re-introduce a 5% rate of duty on imports of covers of woven fibreglass fabric.

Background

The major amendment proposed by the Bill is the reduction of duty on thirty tariff subheadings from 5% to free. The origin of the proposed reduction is a settlement between Australia and the United States relating to assistance provided to the Australian leather manufacturer, Howe and Company Pty Ltd.

Howe and Company Pty Ltd

Since 1994 Howe and Company Pty Ltd (Howe) has been the major division of Australian Leather Holdings, a private company 49% controlled by the Perth listed building products and property company Schaffer Corporation, with the NRMA, Rothschilds and the South Australian Superannuation Fund as minority shareholders.¹

In the last financial year, Australian Leather Holdings sales totalled approximately \$200 million, its before tax profit was \$12 million and its automotive trim division which

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represents more than 70% of the business, has an order book worth approximately \$170 million a year for the next five years.² Australian Leather Holdings is estimated to process at least 1.5 million hides a year, with 92% of them exported to most of the big names in the motor industry.³

The global car leather market is a \$3 billion a year market.⁴ Australia is the world's fourth largest hide producer behind the US, Brazil and Argentina.⁵

The Dispute

In 1995 Howe won a \$US75 million contract to supply leather for car seats used by General Motors in the US.⁶ As more contracts followed, the two companies that previously dominated the US market requested that the US government launch a World Trade Organisation (WTO) challenge based on assistance Howe was rewarded under export assistance grants. Subsequently, the WTO ruled that Howe had to pay back \$30 million it had received in government assistance.⁷

The Clinton administration also threatened to impose tariffs on imports of Australian wine, beef, car parts and other unrelated goods unless Australia required Howe to repay \$30 million of government grants the WTO had declared illegal.⁸

Government Response

On 21 June 2000 the Federal Government announced that it would remove tariffs on a wide range of consumer products, including microwave ovens, skis, home glassware, pruning knives, outboard motors, food mixers, hair clippers, condoms, digital tape recorders, video projectors and vacuum flasks to end the long running Howe dispute.⁹

The Government announced that the tariff reductions could reduce prices of the 30 items affected by up to 5%, cancelling out the price rises from the GST and that there is no known manufacturer in Australia for the products subject to the tariff reduction.¹⁰

The Settlement

Under the settlement between Australia and the US:

- Howe will be required to repay \$7.2 million over 12 years
- automotive leather will be ineligible for grants under government industry schemes
- tariffs on a range of products will be suspended for 12 years,¹¹ and
- the Government has also agreed to remove leather from eligibility for support under the Textile, Clothing and Footwear (Strategic Investment Program) Scheme and the Automotive Competitiveness and Investment Scheme.¹²

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Main Provisions

Items 1-3 of Schedule 1 of the Bill add Angola and Madagascar to the list of Least Developed Countries in Schedule 1 of the *Customs Tariff Act 1995*. Schedule 1 of the Act contains a list of countries and places to which special rates of duty apply. The effect of the amendment is to accord a 5% tariff margin to imports to Australia from Angola and Madagascar. The proposed amendments are taken to have effect from 1 July 2000.

Items 4 and 5 of Schedule 1 of the Bill reduce the duty on thirty tariff subheadings from 5% to free as part of the settlement between Australian and the United States over assistance provided to Howe and Company Pty Ltd. The proposed amendments are taken to have effect from 1 July 2000.

Item 9 of Schedule 1 of the Bill substitutes new **items 17 and 17A** in Part II of Schedule 4 of the *Customs Tariff Act 1995*. Item 17 provides concessional entry for goods that have been exported from Australia and are subsequently reimported in an unaltered condition. The proposed amendments are intended to clarify the operation of the concession so that goods produced in Australia are not granted the concession if drawback or refunded duties have been claimed on them and not repaid to the Commonwealth or if the goods were excisable but excise has not been paid. Additionally, the proposed amendments are intended to ensure that goods are not granted the concession if they contain components that were previously imported duty free under the Tradex Scheme or the Manufacturing in Bond scheme. The proposed amendments are taken to have effect from 14 August 2000.

Item 10 of Schedule 1 of the Bill reintroduces a 5% rate of duty on imports of covers of woven fibreglass fabric. The reintroduction follows the identification of a local manufacturer for such goods. The proposed amendment is taken to have effect from 1 September 2000.

Endnotes

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- 1 *The Age*, 22 July 2000.
 - 2 *The Age*, 22 July 2000.
 - 3 *The Age*, 22 July 2000.
 - 4 *The Age*, 22 July 2000.
 - 5 *The Age*, 22 July 2000.
 - 6 *The Age*, 22 June 2000.
 - 7 *The Canberra Times*, 22 June 2000.

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- 8 *The Age*, 22 June 2000.
- 9 *Joint Media Release*, Minister for Trade and the Minister for Industry, Science and Resources, MVT64/2000, 21 June 2000.
- 10 *Joint Media Release*, Minister for Trade and the Minister for Industry, Science and Resources, MVT64/2000, 21 June 2000.
- 11 *The Age*, 22 June 2000.
- 12 *Joint Media Release*, Minister for Trade and the Minister for Industry, Science and Resources, MVT64/2000, 21 June 2000.

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