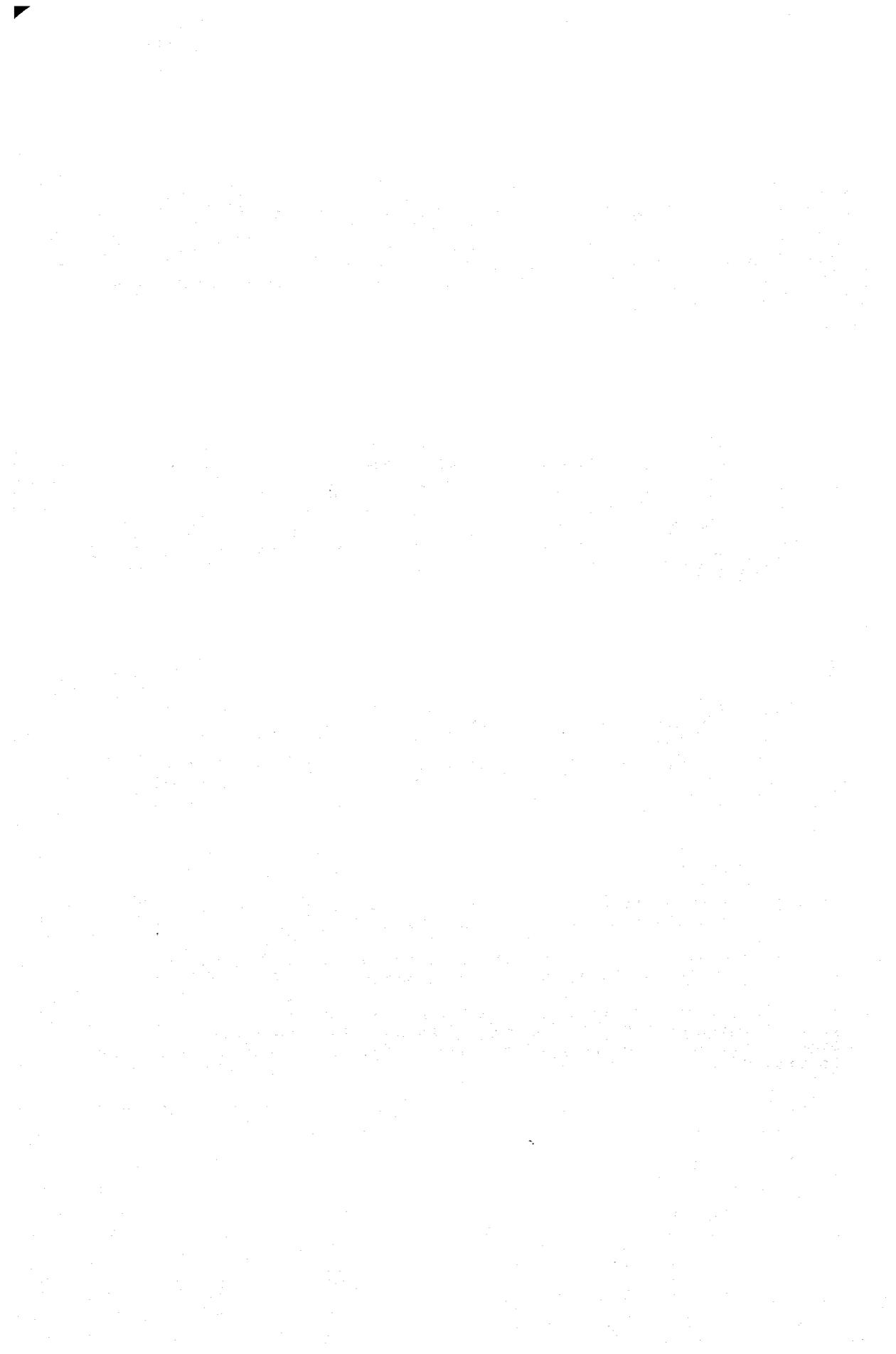


1988

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

CUSTOMS TARIFF AMENDMENT BILL 1988
EXPLANATORY MEMORANDUM

(Circulated by the Authority of the
Minister for Industry, Technology and Commerce,
Senator The Honourable John N Button)



CUSTOMS TARIFF AMENDMENT BILL 1988

GENERAL OUTLINE

The purpose of this Bill, which includes 3 Schedules, is to enact a range of changes to the Customs Tariff Act 1987 (the Harmonized Tariff).

Schedule 1 contains a range of changes, as follows:

- (i) a further increase to the surcharge on aviation gasoline as part of new charging arrangements for general aviation gasoline;
- (ii) carry over of rates of customs duties on certain petroleum products into the Harmonized Tariff as a result of adjustments to the Import Parity Price (IPP) of indigenous crude oil from 1 December 1987;
- (iii) amendments which give effect to the Government's decisions on the Industries Assistance Commission's Reports on the Pulp, Paper, Paper Products and Printing Industries, Medical and Scientific Equipment and Glass and Glassware;
- (iv) amendments to implement certain changes in accordance with Australia's international trade agreements obligations;
- (v) amendments made in the context of the current Textiles, Clothing and Footwear (TCF) Sectoral Policy;
- (vi) amendments which were made to the Customs Tariff Act 1982 which had not been carried over to the Principal Act;
- (vii) amendments to correct anomalies created by the translation of assistance arrangements that existed prior to 1 January 1988 into the Harmonized Tariff;
- (viii) amendments to certain tariff structures which could result in misclassification; and
- (ix) amendments as a result of alignment, preferred drafting style and to correct minor drafting errors.

Schedule 2 contains amendments limiting the Consumer Price Indexation (CPI) increases for August 1987 and February 1988 on alcohol, tobacco products and refined petroleum products to around 6%.

Schedule 3 contains the following changes:

- (i) further amendments resulting from the Government's decisions on the Industries Assistance Commission's Reports on the Chemicals and Plastics Industries, the Pulp, Paper, Paper Products and Printing Industries and Glass and Glassware;
- (ii) amendments to rectify drafting discrepancies which could result in loss of protection; and
- (iii) an amendment to grant concessional entry to national or traditional costumes imported by recognized ethnic groups.

FINANCIAL IMPACT

The decision on the Pulp, Paper, Paper Products and Printing Industries will result in an estimated decrease in revenue of \$1.31 million in 1987/88, \$9.65 million in 1988/89 and \$21.79 million in 1989/90.

The impact of the decision on Medical and Scientific Equipment is difficult to assess and the duty reductions are likely to stimulate import growth in this already fast growing market. Such growth may completely offset the lower duty rate to be applied.

The decision on Glass and Glassware will result in an estimated decrease in revenue of \$95,000 in 1987/88, \$350,000 in 1988/89 and \$700,000 in 1989/90.

The decision on the hand-made rugs will result in revenue foregone during the period 1 January 1988 to 30 June 1988 of approximately \$90,000.

While it is difficult to estimate the impact in regard to the decision on pigments, it is considered that there will be a small increase in revenue.

Whilst there may be an initial reduction in revenue in regard to the decision on polyethylene terephthalate, this will be offset, at least in part, by the stronger competitive position of the relevant manufacturers.

The other changes in the Bill are expected to have minimal financial impact.

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NOTES ON CLAUSES

A Bill for an Act to amend the Customs Tariff Act 1987

Clause 1 - Citation - Customs Tariff Amendment Act 1988

Clause 2 - Date of Commencement

Sections 1 and 2 - date of Royal Assent

Section 3 - 1 January 1988

Section 4 - 3 February 1988

Section 5 - 7 days after the Royal Assent

Clause 3 - Provides that amendments in Schedule 1 shall operate on and from 1 January 1988

Covers - the Government, on 1 July 1987, introduced a 3.9 cents per litre surcharge on aviation gasoline as part of new charging arrangements for general aviation aircraft. As a consequence of revised charging arrangements, the surcharge has been increased by 0.5 cents per litre;

- on 14 December 1987 rates of customs duties were reduced on certain refined petroleum products as a result of adjustments to the Import Parity Price (IPP) of indigenous crude oil from 1 December 1987. This Bill carries these rates over into the Harmonized Tariff;

- amendments that give effect to the Government's decisions on the Industries Assistance Commission's Reports on the Pulp, Paper, Paper Products and Printing Industries, Medical and Scientific Equipment and Glass and Glassware.

In each case there is an industry-wide rate of 15% for most products. Necessary reductions in tariffs are to be phased in on a "tops down" basis;

- amendments to implement certain changes in accordance with Australia's international trade agreements obligations, being:

- General Agreement on Tariffs and Trade (GATT)

To modify the Harmonized Tariff following negotiations on Australia's proposed Harmonized System Schedule of Tariff Concessions;

- Australia New Zealand Closer Economic Relations - Trade Agreement (ANZCERTA)

To complete the Tariff phasing arrangements for certain plastic products under Article 4 of the ANZCERTA and to ensure that, in accordance with Articles 4 and 5, no goods of New Zealand origin become subject to increased tariffs or new quantitative restriction;

- Canada/Australia Trade Agreement (CANATA)

To incorporate Canadian margins of preference agreed to between the two Governments;

- South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA)/Papua New Guinea/Australia Trade and Commercial Relations Agreement (PATCRA)

To reflect the Government's intention in its decision on the Forum Islands Preference Scheme (which was introduced on 1 July 1986). Amendments are also necessary to the corresponding PNG rates to ensure that they also indicate a Free rate of duty; and

- Malaysia-Australia Trade Agreement (MATA)

To maintain the current preference arrangements for natural rubber sheets;

- a series of amendments made in the context of the current Textiles, Clothing and Footwear Sectoral Policy, being:
 - . annual variations to the Developing Country exclusions from preference;
 - . the insertion of the 1988 tender quota rates of duty following the settlement of the relevant premium tender;
 - . the extension of the validity of the 1987 quota allocations; and
 - . an increase in the customs value criterion which determines whether footwear is subject to tariff quota from \$1.35 to \$1.45;
- carry over of rates of customs duties for alcohol and tobacco products into the Harmonized Tariff as a result of the August 1987 Consumer Price Indexation (CPI) increase for these products;
- carry over of the single and multiple period premium tender rates for Passenger Motor Vehicles which commenced on 1 October 1986. The premium tender rates for the single and multiple periods commencing 1 October 1987 were 0%;
- amendments made in the context of redressing assistance anomalies which have become apparent following publication of the Harmonized Tariff, being:
 - . polyethylene terephthalate (HS3907.60.00). Duties are reduced from 10% to 2% when used to make fibres and yarns;
 - . parts for leather coats, jackets, and the like (HS4205.00.10). An amendment to ensure that these goods are subject to quota;

- . hand-made rugs (HS5703.10.00). Duties reduced from 40% to Fre for certain hand-made rugs. This change involves the issue of a limit d t r m by-law for carpets made by using a hand-held electrically operated needle device entered for home consumption on or before 30 Jun 1988;
 - . men's or boy's suits (HS6203.1, 6203.2). An amendment to ensure that men's or boys' suits that consist of a jacket and a pair of shorts continue to be subject to quota;
 - . adjustable shoulder straps for brassieres (HS6212.90.10). To ensure these goods are not subject to quota and thus maintaining the arrangements that existed prior to the introduction of the Harmonized Tariff; and
 - . paper sheeters, slitters, slitter-rewinders and rewinders, and parts thereof (HS8441.10, 8441.80, 8441.90). Duties are increased from 2% to 15%, whilst other goods of the subheadings remain at 2%;
- a further amendment made in the context of the Government's decision on the Industries Assistance Commission's Report on the Pulp, Paper, Paper Products and Printing Industries. Duties on paper-making machines are reduced from 10% to 2%;
- amendments as a result of the restructuring of the tariff to correct existing inconsistencies in tariff drafting.

The changes cover -

- . blinds (HS3925.30.10, 3926.90.10). These goods are incorrectly specified within HS3926.90.10 and can only fall to HS3925.30.10. The rates of duty remain unchanged; and

th rap utic respiration apparatus (HS9019.20). To clarify the scope of the heading;

- amendments as a result of alignment, preferred drafting style and to correct minor drafting errors.

Clause 4 - Provides that amendments in Schedule 2 shall operate on and from 3 February 1988

- . Covers - to limit the total Consumer Price Indexation (CPI) increase for August 1987 and February 1988 on alcohol, tobacco products and refined petroleum products to around 6%. This accords with the Prime Minister's undertaking in his Ruby Hutchinson Memorial Address on 13 March 1987.

Clause 5 - Provides that amendments in Schedule 3 shall operate 7 days after the Royal Assent

- . Covers - further amendments resulting from the Government's decisions on the Industries Assistance Commission's Reports on the Chemicals and Plastics Industries, the Pulp, Paper, Paper Products and Printing Industries and Glass and Glassware, being:
 - . pigments (HS3206.10.00, 3206.20.00, 3206.4). Removal of a number of unnecessary subheadings. No change in customs duties for most goods. However, certain pigments which were dutiable at 10% have now increased to 20%;
 - . calendars (HS4910.00.00). Duties to phase down to 15% on 1 January 1990;
 - . tampons (HS5601.10.00). Duties on sanitary towels, napkins and napkin liners for babies and similar sanitary articles, of wadding increased to 15%. Duties on tampons remain at 2%; and
 - . tyre cord fabric (HS7019.20.10). Duties decreased from 25% to 15%;

- anomalies that have become apparent since the introduction of the Harmonized Tariff, being:
 - . graduated rules and machinery and hand scales (HS9017.20.10, 9017.80.10, 9017.90.10). To restore the intended duty treatment to these goods; and
 - . cords, cordage, braids and slaving (HS7019.20.20, 7019.90.20). To clarify the scope of HS7019.20.20. These goods are not regarded as "woven fabrics";
- amendment to grant concessional entry to national or traditional costumes imported by recognised ethnic groups. This change involves the creation of a new concessional item in Part II of Schedule 4 to the Principal Act.

