



A MODEST MEMBER

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Tariff feather beds for the foreign giants

Many people are worried about the amount of overseas control of Australian industry.

I haven't yet read the Treasury White Paper on overseas investment so I won't argue about whether we should be concerned about this problem.

But I will take a quick look at the treatment we give some of the biggest of the overseas companies which surely must encourage them to come here with their ears back.

The group with the biggest overseas control (87.8 per cent) is the automobile industry.

We looked at this sector recently and noted that they and the Australian component manufacturers received a consumer subsidy of about \$300 million a year.

Another group with 78 per cent overseas control is the chemical industry and we will examine a small section and see how tenderly we treat them.

There has recently been a Special Advisory Authority report on resins of the propylene type. This was notable, even for an SAA report, for its brevity and paucity.

It recommended the existing rate of 40 per cent be continued, supported by a very high support price which effectively insulates the Australian industry from the production of cheap polypropylene from Japan.

He, of course, makes no attempt to estimate the percentage value of his recommendation. Now let's look at the history of it all.

ICI, the giant UK company, began making low density polyethylene (LDPE) here in 1957 with no protection.

Union Carbide, the giant US company, started in 1961 and then the duties started to climb, reaching 60 per cent in 1966.

They are now 40 per cent with very high support prices.

The poor performance of our chemical industry is generally excused because the throughput to supply the Australian market is not sufficient to give economies of scale.

By having two companies making the same product, the economies of scale were halved.

There followed a grim succession of SAA reports and temporary and permanent protection was at last arranged to make the feather bed for these two giants comfortable enough.

At this stage there was no Australian producer of high density polyethylene (HDPE) but Hoechst, the giant German company, evidently thought they ought to be in the act.

Before they started, Mr H. W. Lukin, managing director of Henry York and Co. who was the managing agent for Hoechst here, had this to say in May 1964:

“I’m sure the manufacturing process will be well able to meet world competition. The new company will be a separate entity in formation and will compete on price and quality at world prices.”

But when Hoechst began production in 1966, they said they needed a tariff of 60 per cent which is still the rate.

At this stage there was no one producing polypropylene (PP) in Australia.

But as PP is, to some extent, substitutable for LDPE and HDPE it was thought wise to put a 40 per cent duty on PP so that cheap imported PP would not present awkward competition to the makers of LDPE and HDPE.

At this stage, the giant Shell Company saw the opportunity to start making PP, which they did in 1971, thinking that the 40 per cent tariff would be sufficient.

But having got started, they quickly went to the Tariff Board asking for more protection.

And as they felt the system wasn’t working quickly enough, they went to the SAA as well, asking for emergency protection of 60 per cent, plus generous support duties.

Evidently if a large camel, particularly an imported large camel, is troubled by the abrasive winds of competition, and if he can get his head through the flap of the Australian economic tent, it isn’t long before he insinuates himself in altogether and lies down on the feather bed we have prepared so carefully, with the SAA standing ready to smooth out any lumps that may appear.

It is true that he and the other camels may find the bed a bit crowded and they may snarl at each other in the way that camels do, but they know that we will look after them even if it ruins us!

And Fred is outside the tent, exposed to all the biting winds of competition. He pays extra for his poly-pipe and for all his plastic products.

And, even more important, he finds that the costs of his general housekeeping are increased because of the expense of keeping the camels inside the tent comfortable.

So if he himself sometimes complains a bit like a camel you really can’t blame him.