

Australian Democrats Dissenting Report

1.1 The Democrats disagree with the conclusion of the main Report, and believe that these Bills should not be passed in their current form.

1.2 The SIP is a valuable industry support mechanism, and has had a positive effect on the industry as it has adjusted to major tariff reductions in the last ten years. The extension of the scheme for a further five years has unanimous support. The Democrats have publicly expressed our support for the extension of the SIP, and would be very pleased to vote for legislation that achieved this.

1.3 However, the Democrats do not support the making this extension conditional upon a further program of tariff reductions. We support the TCFUA's submission that the Federal Government is seeking to force the industry to accept tariff reductions as the price for further industry assistance despite there being no evidence that this will result in benefits to Australians.

1.4 We do not believe this is necessary at this time. The Democrats believe that a more suitable approach would be to extend the SIP until 2009, and then review the need for a further round of tariff cuts post-2010 closer to that time. Guaranteed tariff reductions that will not come into effect until after this round of SIP funding expires do not need to be included in this legislation. We will support the uncoupling of the two aspects of the Bill during the Senate debate.

1.5 The Democrats Industry Policy states the belief that manufacturing and industry have been undermined by an array of Government policies including reduction in tariffs, restrictions on the R&D tax concession, cuts to industry assistance programs, an unsympathetic tax system, heavy compliance costs from poor implementation of the new tax system, and a failure to engage in strategic industry and regional development planning. The Democrats believe the fundamental problem is this (and previous) Governments' blind faith in market solutions and untrammelled competition policy. We support the freezing of any further reductions in tariffs and reducing them only if our trading partners do so.

1.6 As stated in the ACTU submission to the Committee Inquiry, this industry "has experienced substantial employment losses over the past decade and policies that seek to decrease tariffs further when our trading partners are not following our lead will only exacerbate the problem."¹

1.7 We fully support the SIP, and appreciate that many firms are understandably concerned with certainty and the need to base their future capital investment decisions on guaranteed reimbursement through the SIP. They have been particularly concerned

1 Submission 1, Australian Council of Trade Unions, p. 5.

with the timing of the Bills, and are keen to see them progress through the Parliament as soon as possible, to secure the SIP before an election.

1.8 The Democrats remain concerned, however, that while the advantages of the SIP are enjoyed by only a relatively small number of firms in this industry, the effect of the tariff cuts will be felt on a much broader scale. Small to medium sized enterprises do not undertake the levels of major capital investment that are covered by the SIP thresholds. However, these are the businesses that will be disproportionately affected by the tariff cuts. Smaller margins and volumes of production render smaller enterprises much more sensitive to fluctuations in tariff levels, and evidence presented to the Committee Inquiry demonstrated that the potential for job losses is therefore considerable.

1.9 While the SIP is unanimously supported, coupling this scheme with mandatory tariff reductions is unnecessary and will disproportionately affect firms at the smaller end of the industry, with a potentially devastating effect on employment, particularly in regional areas.

Senator Aden Ridgeway