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HOUSE OF REPRESENTATIVES

# CUSTOMS TARIFF AMENDMENT BILL (No. 6) 1997

EXPLANATORY MEMORANDUM

(Circulated by the Authority of the
Minister for Customs and Consumer Affairs,
the Honourable Warren Truss, MP)

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CUSTOMS TARIFF AMENDMENT BILL (No. 6) 1997

## GENERAL OUTLINE

The purpose of this Bill, which includes 3 schedules of amendments, is to enact a range of amendments to the *Customs Tariff Act 1995*.

Schedule 1 reduces the rate of Customs duty on aviation gasoline by 0.6 cents per litre from \$0.18003 per litre to \$0.17403 per litre from 3 July 1997.

Schedule 2 implements the Government's decision on Industry Commission Report No. 58 titled "The Automotive Industry" by inserting the phase-down of Customs duty rates from 15% to 10% for passenger motor vehicles and certain passenger motor vehicle components from 1 January 2005.

Schedule 3 inserts a phase-down of Customs rates of duty for textiles, clothing and footwear articles from 1 January 2005. This results from the Government's decision on Industry Commission Report No. 59 titled "The Textiles, Clothing and Footwear Industries".

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## FINANCIAL IMPACT STATEMENT

The reduction in the duty on aviation gasoline will return \$0.7 million (combined customs and excise duty figure) to users of avgas. There will be, however, savings for the Government through a reduction in administrative costs of providing aviation terminal and enroute navigational services by Airservices Australia.

It is difficult to predict the actual impact on revenue of the proposed tariff cuts on passenger motor vehicles (PMV) and related components, and textiles, clothing and footwear (TCF) in 2005.

Assuming the Australian PMV market will continue growing at its recent historical rate, and that import penetration will grow to account for all new growth in the domestic market, it is estimated that the revenue foregone in fiscal year 2005 will be \$500 million.

It should be noted that there are a number of variables such as the rate of growth in the PMV market, the comparative consumer preference for imported vehicles, and exchange rate fluctuations, which influence the price and amount of duty payable on imported vehicles, that can affect the estimates of tariff revenue.

The estimates for the loss of revenue on TCF goods is assessed to be \$200 million in fiscal year 2005. This is based on actual import figures for financial year 1996/97, and adding an assumed 5% annual increase in imports.

## REGULATION IMPACT STATEMENT

SCHEDULE 1 - REDUCTIONS IN THE CUSTOMS DUTY ON AVIATION GASOLINE

### PROBLEM OR ISSUE IDENTIFICATION

Most general aviation operators use piston engined aircraft powered by aviation gasoline (avgas). They contribute to the cost of air traffic control and navigation services provided by Airservices Australia (Airservices) through excise and customs duty on avgas. This system of cost recovery is inequitable in that many general aviation operators (for example, agricultural operators) only rarely use the services provided by Airservices, yet still pay the duty.

### SPECIFICATION OF THE DESIRED OBJECTIVE

As part of its aviation policy, the Government has undertaken to implement, after consultation with the aviation industry, a more equitable system for funding general aviation's contribution to Airservices Australia. In the interim it has stopped any increases in Airservices component of the avgas duty, apart from Consumer Price Index increases.

While major changes to Airservices charging system are yet to be introduced, the 0.6 cents per litre reduction addressed in this legislative amendment is in line with the Government's policy objective. The reduction results from close scrutiny by Airservices of the forecast cost of services provided to general aviation and a review of the forecast level of activity by the general aviation sector in 1997-98.

### IDENTIFICATION OF OPTIONS

Two options were available:

(a) Retain the levels of duty at the previous rates until a new system of charging is introduced which fully addresses the Government's policy objective.

(b) Reduce the level of duty on avgas as subsequently implemented in Excise Tariff Proposal No. 2 (1997) and Customs Tariff Proposal No. 5 (1997). This Bill only addresses alterations made in the Customs Tariff Proposal.

### ASSESSMENT OF IMPACTS

(a) Retention of the avgas duty at the previous rate would have meant that general aviation operators would not have received a justifiable reduction in the price they pay for avgas.

(b) The selected option will deliver savings to users of avgas in the order of $0.7m in 1997-98 in customs and excise duty. The users who will benefit include private aircraft owners, sport aviation participants, flying training school operators, agricultural aircraft operators and smaller charter operators. Where applicable, there will be an opportunity for aircraft operators to pass on savings to end users such as student pilots, farmers and charter customers.

Costs to fuel company suppliers of avgas and to the Government in administering the change to rates of duty have been minimal.

The financial benefit to avgas users far exceeds the small administrative costs associated with implementing the changed rates of duty.

## CONSULTATION

Airservices conducts a regular program of consultation with peak aviation industry bodies on a range of major issues, including its proposed schedule of charges for the following year. The proposed reduction in the duty on avgas was raised in Airservices consultation with industry in April 1997, in advance of finalising prices for its services for 1997-98. Aviation industry representatives were not opposed to the reduction.

Airservices will consult extensively with the aviation industry on new charging arrangements before major changes are implemented.

## CONCLUSION AND RECOMMENDED OPTION

The preferred option is to implement the legislative changes to formalise the 0.6 cents per litre reduction in the duty on avgas notified in Special Commonwealth Gazette No. S261 on 2 July 1997 and was tabled in the House of Representatives in August 1997 as Customs Tariff Proposal No. 5 (1997). This course is consistent with the Government's policy objective in respect of Airservices' charges to general aviation. It delivers savings to the aviation industry with only minimal administrative costs.

## IMPLEMENTATION AND REVIEW

The reduction in duty was implemented in July 1997 through the Tariff Notice and Proposal process under section 273EA of the *Customs Act 1901*. This process permits immediate changes in the level of duty. In this matter it avoids the speculative trade in fuel products, which could adversely affect revenue projections. As noted, implementation incurred minimal administrative costs.

This reduction in avgas duty precedes a major review of Airservices charges to industry, including the use of duty on avgas as a means of recovering the costs of services to the general aviation sector. Airservices will consult extensively with the aviation industry before new charging arrangements are implemented.

## SCHEDULE 2 - REDUCTIONS IN THE TARIFFS ON PASSENGER MOTOR VEHICLES

## PROBLEM

The issue faced was to formulate a tariff phasing schedule that continued to reduce the level of assistance for the Australian passenger motor vehicle (PMV) industry towards levels provided to other Australian manufacturing industries and provide reduced PMV prices for consumers, while ensuring that the Australian industry remains viable in the global automotive industry.

The existing arrangements for the automotive industry were introduced in 1993 and are scheduled to last until 31 December 2000. At the centre of the arrangements is a steadily declining tariff (2.5 per cent per year) on PMVs and original equipment (OE) automotive components which would result in a tariff of 15 per cent in the year 2000.

The Government review of post-2000 arrangements for the automotive industry was initiated in 1996, reflecting the long lead times for investment in this industry. The review, informed by an Industry Commission Inquiry and the advice of a specially constituted Automotive Manufacturing Council, was intended to determine a strategy to encourage the future development of a sustainable, prosperous and internationally competitive industry having regard to Australia's international obligations and commitments. Central to this review was the question of what should happen to tariffs post-2000.

On 5 June 1997, the Government announced that from 1 January 2000 the tariff will be at 15 per cent and will remain at that level until 31 December 2004. The Government will legislate for the tariff to be reduced to 10 per cent on 1 January 2005. The tariff on aftermarket components, presently 15 per cent, will remain at this rate until 1 January 2005, when it too will fall to 10 per cent.

Tariff arrangements are administered by the Australian Customs Service.

OBJECTIVES

The objective of this initiative is to determine post-2000 tariff arrangements for the automotive industry.

OPTIONS

The Government announced its decision on 5 June 1997 that tariffs on PMVs and OE will remain at 15% from 1 January 2000 to 31 December 2004, and will then fall to 10% on 1 January 2005. There are no other options for consideration.

IMPACT ANALYSIS (COSTS AND BENEFITS) OF THE DECISION

The major parties affected by the decision to reduce the tariff are PMV manufacturers and component producers, consumers, other industries, and the Government. Estimates of the size of possible benefits and costs are difficult to ascertain.

Benefits

- Cheaper PMVs

Consumers will be the greatest beneficiaries from the scheduled reduction in the tariff to 10% in 2005. They will pay lower prices for motor vehicles, both imported and locally produced. This will reduce transfers from consumers to government and the Australian PMV industry. Consumers may also benefit from a widened choice of products. However, as tariffs are being frozen at 15% from 2000 to 2004, the benefits to consumers will be lower than under a situation where tariffs had continued to fall over this time.

The scheduled reduction in the tariff on PMVs will also lessen costs on other areas of the economy. To the extent that PMVs are capital inputs to other industries, tariffs impose higher business costs and lead to lower demand for these products. Reductions in the price of PMVs, through lower tariffs, will be beneficial to other industries.

- Improved production efficiency

Improvements in the performance of the automotive industry are expected from a further fall in the tariff rate. Evidence from the lowering of tariffs since the mid 1980s shows that the increased competitive pressure from reduced assistance has significantly improved productivity, quality and export orientation in the industry, and has facilitated the industry's readiness to take advantage of other reforms (for example, the improved institutional framework in the labour market).

Costs

- Reduced activity and less profitable performances in the PMV and component sectors and related industries

It is possible that under a reduced assistance scenario there could be output and employment losses in the PMV and component manufacturing industries. Profits and wages could be put under greater pressure as imports become more competitive. This outcome depends on how the manufacturers respond to the increased price pressure, and present indications are that the industry is embarking on a new round of investment and anticipating continued strong growth in exports. In the event of a negative reaction to the scheduled tariff reduction, Victoria and South Australia would be expected to suffer more than any other regions, as these states contain the vast majority of automotive production activities, including all four PMV manufacturers.

Any increase in import penetration and any fall in Australian PMV sales which might result from a fall in the tariff could have an adverse effect on the suppliers of raw materials and other inputs to the Australian PMV industry.

- Expected lower Government revenue

Falls in the tariff rate could be expected to provide lower revenue levels to the Government, unless the increase in imported vehicles sold is sufficiently large to compensate for the lower revenue per vehicle.

CONSULTATION

Consultation was very broad throughout the Industry Commission inquiry into the Automotive Industry, and through the Automotive Manufacturing Council, established to advise the Industry Minister during the review. Opportunities were provided for all affected parties to participate in the review process and state their views.

IMPLEMENTATION AND REVIEW

The proposed legislation is expected to be tabled in November 1997. A further review of the Automotive Industry Arrangements is scheduled to be undertaken in 2005, to take account of Australia's APEC commitments and progress on market access.

SCHEDULE 3 - INTRODUCTION OF TCF LEGISLATION: REDUCTION IN TARIFF RATES IN 2005

BACKGROUND

The government has decided to retain post-2000 TCF tariff rates at the rates reached on 1 July 2000 until 31 December 2004, and then reduce them as shown in Table 1 below.

Table 1: *Reduction in TCF tariffs on 1/1/2005*

| | Clothing & finish textiles | Cotton sheeting & fabrics | Sleeping bags, table linen | Carpets | Footwear | Footwear parts | Other (eg. yarns, leather) |
|---|---|---|---|---|---|---|---|
| 2000-2004 | 25 | 15 | 10 | 15 | 15 | 10 | 5 |
| 2005 | 17.5 | 10 | 7.5 | 10 | 10 | 7.5 | 5 |

The decision is implemented in this Bill.

OPTIONS

As the Government has made its decision on post-2000 TCF tariff rates, no options are considered in this regulation impact statement. However, the impact of the decision is analysed against the status quo which would have prevailed post-2000; ie. a continuation of the TCF tariff rates reached on 1 July 2000.

IMPACT ANALYSIS (COSTS AND BENEFITS) OF DECISION

There is no simple calculation to estimate the costs or benefits of tariffs. A number of models were employed to attempt to calculate the overall cost of TCF tariffs on the wider community. The models make assumptions about the allocation of resources and the flow-on effects of reducing tariffs.

The Monash model commissioned by the Industry Commission (IC) concluded that reducing TCF tariffs to 5 per cent by 2008-9 would produce a long term gain in real consumption of $100 million a year.

An alternative model by Econtech found that post-2000 reductions in TCF assistance would deliver a long run gain of $50 million a year. Econtech noted that these potential long run gains had to be balanced against the fixed short term adjustment costs from job losses in TCF.

BENEFITS

- Cheaper TCF Products

Consumers should benefit from the 7.5 percentage point drop in the highest tariff to 17.5 per cent in 2005. Other TCF tariffs will then range to as low as 5 per cent. Apart from the tariff reduction, the combination of Government and industry initiatives during the tariff pause period should help TCF industries to achieve internationally competitive production efficiencies.

- APEC Commitments

In APEC Australia has agreed to free and open trade by 2010. In 2005 the highest tariff rate in the clothing and other finished textiles sector will be within striking distance of achieving our APEC commitment. To achieve the APEC goal will require only relatively modest rates of tariff reduction compared with the reductions in protection which the industries have sustained in recent years.

COSTS

- Lower Government Revenue

Following the reduction in the tariff rate on 1 January 2005, duty revenue in 2004/05 is expected to decrease to around $470 million. This compares to about $675 million which would be the anticipated duty revenue for 2004/05 if the decrease did not occur.

SOCIAL IMPACT

Australia's TCF industries currently employ 74,000 people in the formal workforce and there are an estimated 23,000 full time equivalent outworkers. TCF tariff rate cuts have an impact on employment in these industries.

An alternative to the more substantial 7.5 per cent drop in the tariff rate on 1 January 2005, might have been the IC proposed reduction in tariffs from 2000. However, the Government adopted its approach because the tariff pause will enable Australia's TCF industries to consolidate and strengthen by investing, restructuring and identifying global business opportunities which are essential to achieve sustainable, internationally competitive industries.

The pause should allow TCF industries to be in a position to adjust adequately to the 7.5 per cent reduction in 2005. Tariff reductions required to meet the APEC commitment would be in line with the reductions which have occurred in recent years.

RELATED GOVERNMENT MEASURES

The Government is supporting this legislation with a range of TCF industry assistance measures which together aim to encourage investment, research and innovation, and the achievement of international standards in management, marketing, processes, and product design and quality. These assistance measures, which are consistent with Australia's World Trade Organization obligations, will be concentrated in the period of the tariff pause from 2000 to 2005.

CONSULTATION

The IC conducted an inquiry into the assistance arrangements for the TCF industries, receiving submissions from a wide range of affected parties. A number of Departments made submissions to the IC including DFAT, Transport and Regional Development, and Immigration. Over 150 submissions were presented by firms directly involved in the TCF industries. In addition, there were submissions from other interested parties including all State Governments, many local Governments, consumer groups, unions, primary industry representatives and foreign Governments.

Industry representatives, local and state Governments emphasised the employment consequences of a continued program of tariff cuts and the distortions in world trade. The consumer groups and some primary industry representatives pointed to the potential benefits from lower prices for TCF goods.

The Government took these submissions and additional views into account when making its decision.

IMPLEMENTATION AND REVIEW

The Government will review its tariff arrangements in 2005, to take account of Australia's APEC commitments and progress on market access. This review will also provide the Government with an opportunity to monitor the relative progress that other countries are making toward meeting their commitments.

CUSTOMS TARIFF AMENDMENT BILL (No. 6) 1997

**NOTES ON CLAUSES**

A Bill for an Act to amend the *Customs Tariff Act 1995.*

Clause 1 - Short Title - Customs Tariff Amendment Bill (No. 6) 1997

Clause 2 - Commencement

Subclause 1 - Clauses 1, 2 and 3 commence on the day on which this Act receives the Royal Assent.

Subclause 2 - Schedule 1 is taken to have commenced on 3 July 1997.

Subclause 3 - Schedule 2 is taken to have commenced on 1 September 1997.

Subclause 4 - Schedule 3 commences on 1 July 1998 immediately after the amendments of the *Customs Tariff Act 1995* made by Schedule 5 to the *Customs Tariff Amendment Act (No. 2) 1997.*

Clause 3 - This clause is the formal enabling provision for the Schedules to the Bill, providing that each Act specified in the Schedules (in this case the Customs Tariff Act only) is amended in accordance with the applicable items of the Schedules. The clause also provides that the other items of the Schedules have effect according to their terms. This is a standard enabling clause for transitional and savings items in amending legislation.

Clause 4 - This clause is the formal application provision prescribing that the amendments to a heading or subheading of Schedule 3, or to an item of Schedule 4 to the *Customs Tariff Act 1995* are applicable on and from the day of commencement listed in the Schedules of this Bill.

Schedule 1 provides that the amendment in this Schedule is taken to have commenced on and from 3 July 1997.

Covers - This change was notified in Special Commonwealth Gazette No. S261 on 2 July 1997 and was formally tabled in the House of Representatives as Customs Tariff Proposal No. 5 (1997) on 20 August 1997.

The amendment reduces by 0.6 cents per litre the Customs duty on aviation gasoline. The Customs duty on aviation gasoline contains a component to recover the aviation industry's contribution to the costs of aviation terminal and enroute navigational services provided by Airservices Australia.

Prior to the last election, the Government gave a commitment to freeze the airways component of aviation gasoline in 1996/97, except for movements in the Consumer Price Index, while working towards the implementation of a fairer system of funding for the general aviation sector's contribution to Airservices Australia.

In reviewing the costs of providing aviation terminal and enroute navigational services for 1997/98, the Government has accepted the recommendation of Airservices Australia to reduce the duty component on aviation gasoline by 0.6 cents per litre. This represents a 5% decrease in real terms.

Schedule 2 provides that the amendments in this Schedule are taken to have commenced on and from 1 September 1997.

Covers - These changes were tabled in the House of Representatives in Customs Tariff Proposal No. 7 (1997) on 3 September 1997.

In the "Building a Competitive Australia" initiatives of 12 March 1991, the then Government announced that the general rate of duty for passenger motor vehicles (PMV) and certain original equipment and replacement componentry for PMV would phase-down to 15% by 1 January 2000.

On 4 August 1996, the Treasurer asked the Industry Commission to inquire into the passenger and light commercial vehicle sectors and the component sector, including both original and aftermarket components, of the automotive industry.

The Industry Commission, on completing its inquiry, presented its Report titled "The Automotive Industry" - Report No. 58 - to the Treasurer on 26 May 1997.

Following receipt of this Report and further representations from automotive manufacturers, the Government decided to reduce the general rate of duty on PMV and certain components for PMV from 15% to 10% on and from 1 January 2005.

Peripheral amendments contained in this Schedule are:

- the maintenance of the margin of preference for goods manufactured in a country or countries with which Australia has a trade agreement ie. Canada, Forum Island Countries etc. except where the rate of duty has been reduced to Free.

- the continuance of the phase-out of the margin of preference for those countries (the more advanced developing countries and places) listed in Divisions 1 and 2 of Part 2 of Schedule 1 to the *Customs Tariff Act 1995*.

The amendments implement the following changes from 1 January 2005 -

- Amendment No. 1 reduces the general rate of duty on PMV componentry classified to one of the listed tariff subheadings from 15% to 10%. The 10% rate for developing countries is maintained for the more advanced developing countries, but for the less developed countries the rate falls from 10% to 5%. In two instances, for subheadings 8483.60.10 and 9032.89.11, the general rate of duty will be reduced from 13% to 10%. This is because the 15% rate legislated in 1991 will be further reduced to 13% on 1 January 1999 under Australia's commitment to the Word Trade Organization.

- Amendment No. 2 reduces the general rate of duty on new PMVs and certain componentry classified to one of the listed tariff subheadings from 15% to 10%. The 10% rate for developing countries is maintained for the more advanced developing countries, but for the less developed countries and Forum Island countries the rate falls from 10% to 5%. The Canadian rate will reduce from 7.5% to 2.5%.

- Amendment No. 3 reduces the general rate of duty on certain PMV componentry classified to one of the listed tariff subheadings from 15% to 10%. The 10% rate for developing countries is maintained for the more advanced developing countries, but for the less developed countries the rate falls from 10% to 5%. The Canadian rate will reduce from 7.5% to 2.5%.

- Amendment No. 4 reduces the general rate of duty on certain PMV componentry classified to one of the listed tariff subheadings from 15% to 10%. The 10% rate for developing countries is maintained for the more advanced developing countries, but for the less developed countries the rate falls from 10% to 5%. The Canadian rate will also reduce from 10% to 5%.

- Amendment No. 5 reduces the general rate of duty on certain PMV componentry classified to one of the listed tariff subheadings from 15% to 10%. The 10% rate for developing countries is maintained for the more advanced developing countries, but for the less developed countries the rate falls from 10% to 5%. The Canadian rate will reduce from 5% to Free.

- Amendment No. 6 reduces the rate of duty on used or secondhand PMVs classified to one of the listed tariff subheadings which attract a fixed rate of $12 000 for each vehicle of any origin plus an ad valorem rate of duty. The fixed rate of $12 000 remains unchanged. The ad valorem portion of the general rate of duty reduces from 15% to 10%. The 10% rate for developing countries is maintained for the more advanced developing countries, but for the less developed countries and Forum Island countries the rate falls from 10% to 5%. The Canadian rate will reduce from 7.5% to 2.5%.

Many non-PMV goods are classified to the same tariff classifications as PMV components. They would currently attract the 15% rate of duty applicable to PMV goods but for item 53 in Part III of Schedule 4 to the *Customs Tariff Act 1995*. Item 53 is the administrative means by which non-PMV goods are able to be entered at the general manufacturing rate of 5 percent.

- In Amendment No. 7, a finishing date of 31 December 2004 is inserted in item 53. This is the last day on which the 15% rate of duty will be applicable to PMV components.

- Amendment No. 8 inserts a similar administrative provision in the new item 53A which will commence on 1 January 2005. On this date the rate of duty on PMV and PMV componentry will phase-down from 15% to 10%. Item 53A will provide a phase-down from the new PMV rate of 10% to the general manufacturing rate of 5% for non-PMV goods. The new item contains a list of tariff classifications covering textiles, clothing and footwear goods (TCF) which are excluded from claiming the phase-down. It is Government policy that these TCF goods be entered at their substantive (10%) rate of duty.

Schedule 3 provides that the amendments in this Schedule shall operate from 1 July 1998.

Covers - The amendments contained in this Schedule implement the Government's decision in relation to Industry Commission Report No. 59 of 9 September 1997 titled "The Textiles, Clothing and Footwear Industries".

On 9 December 1996, the Treasurer directed the Industry Commission to inquire into and report on the TCF industry. He asked the Commission to report on early stage processing of raw materials, top-making and tanning and higher value-added manufacturing, including spinning, knitting, weaving, fabric and leather dyeing and finishing.

Following receipt of the Report and having considered further submissions from industry organisations, the Government decided the existing tariff phasing regimes on TCF goods would continue through to 1 July 2000. These duty levels will be maintained until 1 January 2005 when tariff rates will reduce to 17.5% for clothing and finished textiles; to 10% for cotton sheeting and fabrics, carpet and footwear; and to 7.5% for sleeping bags, table linen and footwear parts.

The changes maintain the margins of preference for goods manufactured in a country or countries with which Australia has a trade agreement ie. Canada, Forum Island Countries etc. except where the rate of duty has been reduced to Free.

The amendments implement the following specific changes -

- Amendment No. 1 reduces the general and more advanced developing country rates of duty on clothing and other finished textile goods from 25% to 17.5%. The rate of duty for less developed countries for the same subheadings will reduce from 20% to 12.5%. The tariff subheadings to which these reductions apply are displayed in the list to Amendment No. 1.

- Amendment No. 2 reduces the rates of duty on panty hose of tariff subheading 6115.11.10 from the general and more advanced developing country rate of 25% to 17.5%. The less developed country rate of 20% phases to 12.5% and the Canadian rate from 15% to 7.5%.

- Amendment No. 3 reduces the general and more advanced developing country rates of duty on cotton sheeting, certain fabrics and footwear from 15% to 10%. The less developed country rate of 10% will reduce to 5%. The tariff subheadings to which these reductions apply are displayed in the list to Amendment No. 3.

- Amendment No. 4 reduces the general and more advanced developing country rates of duty on carpets of tariff subheading 5705.00.90 from 15% to 10%. The less developed country rate of 10% will reduce to 5% and the Canadian rate from 5% to Free.

- Amendment No. 5 reduces the general and more advanced developing country rates of duty on certain textile goods (eg. bed linen, curtains, tarpaulins, sleeping bags) from 10% to 7.5%. The less developed country rate of 5% will reduce to 2.5%. The tariff subheadings to which these reductions apply are displayed in the list to Amendment No. 5.

- Amendment No. 6 reduces the general and more advanced developing country rates of duty on certain textile goods (eg. knitted or crocheted fabrics, tents, etc) from a rate of 10% to 7.5%. The less developed country rate of 5% will reduce to 2.5%. The new Canadian rate of duty will be Free. The tariff subheadings to which these reductions apply are displayed in the list to Amendment No. 6.

- Amendment No. 7 reduces the general and more advanced developing country rates of duty on certain footwear parts from 10% to 7.5%. The less developed country rate of 5% will reduce to 2.5% and the Canadian rate of 7.5% to 5%. The tariff subheadings to which these reductions apply are displayed in the list to Amendment No. 7.

- Amendment No. 8 amends the list of tariff headings and subheadings in item 53A of Part III in Schedule 4 which are excluded from claiming the concessional phase-down to the 5% general manufacturing rate of duty for non-PMV goods. The new list of excluded tariff subheadings are for TCF goods which by amendments contained in this Bill will phase-down to a general rate of 10% on 1 January 2005. It is the Government's intention that these goods should attract their substantive (10%) rate of duty.

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