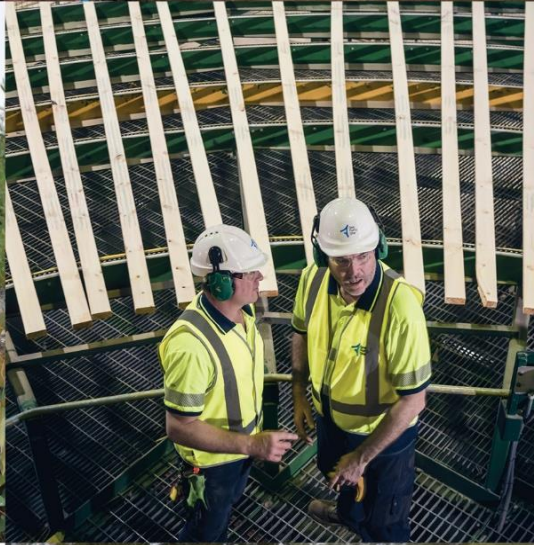
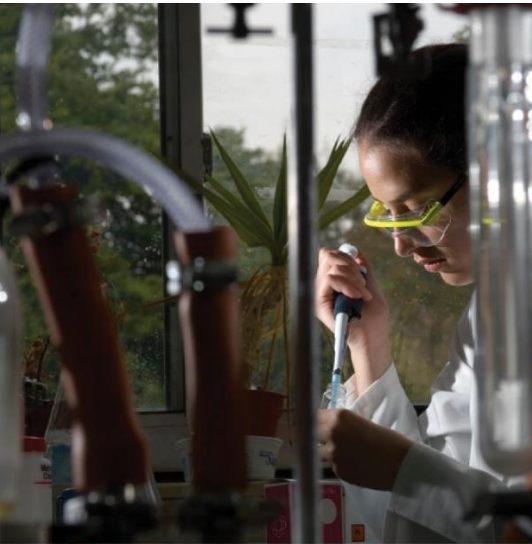




Australian
Forest
Products
Association

AUSTRALIA'S FOREST INDUSTRIES

SUBMISSION to the Treasury Consultation on the proposed
removal of Nuisance Tariffs



April 2024

Australian Government Department of Treasury

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About Australian Forest Products Association (AFPA)

The Australian Forest Products Association (AFPA) is the peak national industry body representing the Australian forest, wood and paper products industry's interests to governments, the general public and other stakeholders on matters relating to the sustainable development and use of Australia's forests and associated manufacturing and marketing of wood and paper products in Australia.

To whom it may concern,

RE: Submission to the Treasury Consultation on the proposed removal of Nuisance Tariffs

AFPA welcomes the opportunity to provide this submission to the Treasury consultation on the proposed removal of "Nuisance Tariffs" to help inform a good policy outcome and avoid unintended consequences.

AFPA is the peak national industry body representing the interests of Australian forest, wood and paper products industries. Our member companies' operations are materially linked to market and this submission will identify the key issues including lack of data, transparency of process, risk to sovereign capability and oversight on new market players from developing economies.

Tariff lines applicable to the Australian forest, wood and paper products industry.

Of the 500 tariff lines identified in the consultation paper there are 119 tariff lines that directly relate to wood and paper products. Under Chapter 44 - Wood and articles of wood; wood charcoal there are 47 listed lines and under Chapter 48 - Paper and paperboard; articles of paper pulp, of paper or of paperboard there are a further 72 listed lines of tariff identified for removal.

Due diligence on impacts to industry.

In the discussion paper it states that

"These tariffs have been identified as a nuisance to Australian businesses, imposing unnecessary administrative costs and compliance burdens. Removing these tariffs will save Australian businesses both time and money, boost economic productivity, reduce red tape and help simplify Australia's trade system. These tariffs do nothing to protect Australian businesses because they apply to goods that often arrive under a concessional rate."

Unfortunately, the discussion paper takes a very narrow view on industry impacts. This paper only looks at the impacts on importing business and not the impact on domestically manufacturing capability and sovereign capability. Furthermore, it does not look at the impact on new markets with may result from the absence of tariffs from developing

economies without the environmental protections or established quality control regimes through the supply line.

In the absence of available data on the volumes and the quantum of tariffs attached the different line items it is not possible to provide clear and concise feedback on the changes. The retention of data on commercial in confidence grounds not only limits the ability to provide useful feedback it creates concerns on the accuracy of data from commercial interests that would be overcome with proper transparency.

Collectively, we understand, there is more than \$100 million of trade goods coming to Australia through the 119 tariffs lines even though the collection of tariffs is low largely due to tariff concessions through trade agreements. This demonstrates that the tariff is sufficient providing a mechanism to exclude the proliferation of untrusted new entrants and the tariff concessions through free trade agreements allows countries with trusted systems to enter the market and provide quality, responsibly sourced timber products through our supply chain.

Paper and Paperboard Products

There are 72 listed lines from the paper and paperboard sector – the single largest sector impacted by the reforms. The Australian pulp and paper industry is a diverse sector employing almost 15,000 people, generating products that are essential and widely used. Overall demand is growing, with increases being driven by ecommerce, plastic replacement programs and an accelerating circular economy.

Australian companies are Emissions-Intensive and Trade-Exposed, operating within international commodity markets. The sector is high volume low margin so changes to policy settings that reduce competitor costs or increase production costs will likely have significant, detrimental impacts.

In Australia our manufacturers are being hit by the double whammy of increasing costs through the safeguard mechanism and the significant costs required to transition to renewable energy and the reduction of costs of importers through the removal of nuisance tariff. This further reduces the competitiveness of our domestic produces with international competitors.

During the COVID pandemic our lack of sovereign capability was exposed with the inability to source imports such as toilet paper and timber products used in construction. Increased international instability with the war in Ukraine and the ban on wood products from Russia has further exposed our reliance on unreliable external suppliers. This change has the potential to further increase our reliance on imported products and reduce our sovereign capability.

Wood, ply, and engineered wood products.

Under Chapter 44 - Wood and articles of wood; wood charcoal there are 47 listed lines the third largest grouping impacted by the changes. While the tariff can still have impacts on our sovereign capability the removal of tariffs removes an important contact point with respect

of illegal logging. Engineered wood is often made from different timbers often sourced from countries outside the country of manufacture. The traceability of these wood products from countries is particularly difficult especially in relation to conflict timber that is potentially sourced through the grey trade that may not be adequately captured by illegal logging laws. Also while the tariffs may be relatively small it provides a signal of vigilance which will discourage dishonest or suspect business entities in developing economies (with poor oversight) entering the market. There has been a lot of conjecture about conflict timber from Russia being funnelled through third party countries and the removal of the tariffs would increase the risk of this approach.

Australia already relies on imports for 25% of the timber needed to build our homes and this is set to double by 2050. In 2021, 55% of the timber Australia used to build houses came from the Baltic Sea. With half of that coming from Russia and the former Soviet Union countries of Estonia, Latvia and Lithuania. Not only is this supply line at risk due to increased geopolitical tensions due to the war in Ukraine; the reduction in tariffs will increase the risk of new businesses channelling illegal timber through third party countries especially through engineered wood products.

As economies around the world decarbonise, the demand for timber products is set to grow even more and imported timber will become even more difficult to secure and more expensive to buy. Any extra competition on our domestic production is likely to reduce our sovereign capability and impact on the reliability of supply.

Thank you for providing AFPA with the opportunity to provide this submission. If you have any questions regarding this submission, please contact Richard Hyett, Director of Policy via email richard.hyett@ausfpa.com.au.



**Australian
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AFPA is the peak national industry body representing the resources, processing, and pulp and paper industries covering the forest products value chain.

AFPA represents all elements of the value chain from the sustainable harvesting of plantations and multiple use natural forest resource including forest establishment and management, harvesting and haulage, processing of timber resources and manufacture of pulp and paper.



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