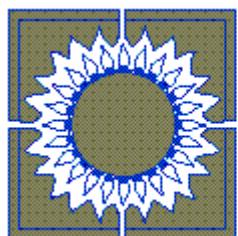


Submission to
Dept of Foreign Affairs and Trade
On
An Australia-Japan Free Trade Agreement
January 2007
By the Gas Industry Alliance



**GAS
APPLIANCE
MANUFACTURERS
ASSOCIATION OF
AUSTRALIA INC.**



Executive Summary

This brief submission outlines the impact of an Australia – Japan Free Trade Agreement (FTA) on the importation of gas appliances into Australia.

The Gas Industry Alliance (GIA) is a joint initiative of key downstream industry associations with a key focus on coordinating the activity of the downstream gas industry organisations.

The proposed Australia – Japan Free Trade Agreement will have a modest impact in the short run with a negligible impact over the medium to longer term.

Introduction

The Australian gas appliance marketplace is well served by quality appliances manufactured in Australia and appliances imported into Australia from a wide range of overseas manufacturers.

By international measure, the Australian gas appliance marketplace is minuscule due to the comparative small population and Australia is therefore is a net importer of gas appliances.

Gas appliances are tested against the relevant Australian Standards irrespective of the country of manufacture.

The Gas Industry Alliance

The Gas Industry Alliance is the action group for the owners and operators of gas infrastructure and gas distribution, appliance and equipment industries.

It aims to develop and grow the use of gas in Australia in the domestic and commercial sectors.

Membership

GIA is an alliance of downstream gas-related associations. The foundation members are:

- Energy Networks Association.
- Gas Appliance Manufacturers Association of Australia.
- LPG Australia.
- National Association of Food Equipment Suppliers.

The Gas Industry Alliance has the following **objectives**:

1. Promote the awareness and positive image of gas in the Australian market.
2. To facilitate the development of innovative gas appliances and equipment and their utilisation in the Australian market.
3. Provide a united voice for all stakeholders in developing and implementing nationally consistent gas industry policy that impacts gas usage.
4. Act as a primary source of advice to the Australian Gas Industry Trust and to encourage the development of relevant funding proposals.
5. To provide accurate information to consumer bodies, industry and government about the gas industry.

Impact of an Australia-Japan Free Trade Agreement

An Australia – Japan FTA will modify, reduce and eventually eliminate tariffs placed on imported gas appliances from Japan, and Australian manufactured gas appliances exported to Japan.

The change in tariffs will be exclusive, assisting Australian and Japanese trade against non-Japanese manufactured products.

The effect of tariff removal will be modest on both imports from and exports to Japan due to:

- Exchange rate variations in the Australian Dollar versus the Japanese Yen. Exchange rate variations will have a greater impact on wholesale prices than the removal of tariffs. Such exchange rate variations occur constantly, while the removal of tariffs being a ramp or step function of short duration will be of very limited impact.
- Exchange rate variations in the Australian Dollar versus the leading European currencies, including the Euro-impact on wholesale prices. Should purchase contracts be written in US Dollars as a cross-rate, then again both the exchange rates of the currency of origin and the US Dollar will impact on the landed wholesale price
- The substantial reputation of Japanese gas appliances in Australia generates and supports existing business, and as such, a small downward movement in wholesale appliance price will be of modest impact.
- The Japanese marketplace is well supplied with Japanese and European manufactured product against which Australian product must compete. Cultural differences, promotion of “home-grown” products by Japanese manufacturers to the Japanese marketplace and Australian manufacturing capacity will restrict Australian built gas appliances to several niche markets
- The ability of Chinese, Korean and Taiwanese manufacturers to design, develop, manufacture and export a range of appliances globally and competitively, overwhelms any impact of an FTA.

Conclusion

The creation of an Australia – Japan Free Trade Agreement will have a modest impact of short duration on trade and counter-trade in gas appliances and negligible impact thereafter in light of exchange rate shifts and non-Japanese manufacturing ability.

Contact Information

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