Spoonful of sugar reform a taxing burden on local sector

Aussie output is struggling against tax-free imports, **Heather Ridout** and **Dick Wells** write

AT a time when the federal Government is looking at policy renewal to lift our competitiveness, it contradicts itself by continuing a sugar tax that favours imports over Australian-produced food and beverages.

The now unnecessary sugar tax was introduced in 2003 to fund the Sugar Industry Reform Program and inject efficiency into an industry reeling from low world sugar prices, natural disasters and structural problems.

Today things are very different for the sugar industry, principally because the world price has almost doubled from $230 a tonne in 2003 to near record highs of $450 a tonne.

Meanwhile, Australian manufacturers continue to face a 3c/kg tax on sugar to fund a support scheme for the sugar industry that is likely to be around $140 million underspent. But despite the big underspend, the sugar tax remains, and Australian food and beverage manufacturers bear an impost that has contributed more than $50 million to the federal Government's coffers.

Let's be clear about one thing. We don't object to the Government providing support for the sugar industry to restructure. What we have always strongly opposed is the undermining of the competitiveness of Australian food and beverage manufacturers with an inequitable tax as part of the funding formula.

On top of the sugar tax, the doubling of the price of sugar, a key input for Australian food and beverage manufacturers, has undermined their competitiveness. They use 90 per cent of the 1 million tonnes of sugar consumed each year in Australia.

The few cents a kilo may not sound like a great deal, but for a small to medium-sized Australian food or beverage manufacturer, the tax costs $100,000 to $300,000 a year. It goes up to $1 million for larger businesses.

While the tax is applied to imported sugar, it is not applied to imported manufactured products. This means that their international competitors are not hit with the same impost.

Local jam producers, for example, such as Golden Circle, SPC Ardmona and Cottee's — making a product with a very high sugar content — pay the tax on sugar inputs, while the imported product is tax free.

The pressure on company budgets caused by the tax has meant that spending on investment and innovation, critical for Australian manufacturers in their efforts to remain internationally competitive, has been impeded.

The high value of the Australian dollar adds to their difficulties, increasing costs and hindering efforts to expand overseas.

Much of Australia's food and beverage sector is based in rural and regional areas, where investment and employment are critical to the wellbeing of communities.

As the middle classes in major Asian markets grow, demand for high-quality Australian products will continue to rise.

We should be doing everything we can to assist Australian manufacturers to capture these opportunities, not put unwarranted imposts on them that affect their competitiveness both at home and offshore.

Abolition of the sugar tax will help us return to a more level playing field and remove an unwarranted burden on a sector that employs more than 200,000 people and makes a substantial and growing contribution to Australia's crucial export effort.

The impost handicaps the viability of an important industry sector and it should be removed at the earliest opportunity.

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