

LARGE COLOUR TV SETS*Published
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The IAC draft report, "Certain Consumer Electronic Equipment and Components", as literature, isn't in the Le Carré class but it does unfold an intriguing plot of clandestine goings on in high places. The sums of money these goings on have taken from Australian consumers to benefit six Australian based but substantially foreign owned manufacturers are too large to have been credible in a mere novel, but are OK in an IAC report. Further, in typical low key style, the report tells us of what must have been the loss of several millions of dollars as a "... direct transfer from the Australian community to Japanese exporters."

The Japanese are voluntarily limiting their exports of large (48cm and over) colour TV sets to 5% of the Australian market. Why the Japs should want to do anything so extraordinary is the stuff good stories are made of.

Any form of industry assistance taxes one group to benefit another, but only in the case of direct payment from consolidated revenue - a bounty or a subsidy - is the extent of the tax evident to the ordinary voter. All of the other many forms which protection takes including the more common tariffs, import quotas, monopoly franchises, preferential government purchasing and voluntary export restraints are to greater or lesser degree clandestine arrangements not easily brought within the knowledge of voters. They are thus beyond the reach of democratic discipline and as such are taxation without meaningful representation. One can but presume that the wish to avoid public scrutiny is why the recipients prefer almost any form of protection to direct cash subsidy.

Perhaps the least open of all arrangements is a voluntary export restraint (VER). A VER is a deal, usually made under duress, but sometimes made in return for a reciprocal favour, by which an exporting country agrees not to export more than the agreed quantity of a good for which there is greater demand at profitable prices. For example, faced with a threat by the United States that they will impose import quotas on Australian beef, we "voluntarily" restrict our beef exports to them. That way we get a bigger quota than that which was threatened, and the USA avoids legal breach of the General Agreement on Tariffs and Trade code, even though

the deal is achieved by the clear threat that the code will be broken if Australia doesn't acquiesce. It's all a bit like saying yes to avoid being raped.

Unlike most items bought for personal use, travellers may not bring home even one colour TV without paying 35% duty on all but the picture tube itself - about 24% over all. Even so colour TVs are good buying. The landed cost plus 24% should put an approximate ceiling over Australian TV prices but it doesn't. Clearly some other form of protection is operative. Even if the tariff were all, the wealth transferred away from consumers would be quite high, - \$55 per set or \$8,500 per year per employee in the Australian industry.

Tariff validation legislation is usually rushed through the parliament in the dying hours of a session, but at least the legislators must sanction it, at least a government does run an outside risk that parliamentarians rushing home will study and reject or amend the bills, and at least the press and interested parties can read the legislation. The Large Colour TV Export Restraint arrangement worked out with the Japanese had no such sanction or publicity.

Of the six Australian manufacturers, three, Matsushita, Sanyo and Sharp, are wholly owned by Japanese TV manufacturers; two, AWA-Thorn and RANK-NEC, have substantial Japanese shareholding, and the remaining company, Philips, is 75% owned by the Dutch and 25% owned by Australian shareholders. It makes little difference to the Japanese companies whether they make their profits at home or in the subsidiary. Beside, since their subsidiaries are also importers, they can make super profits from the remaining 5% of the high priced market.

There would be no point in the Japanese limiting their exports if other countries were to fill the gap which they had vacated. Australian colour TV is all broadcast by the PAL system, patented by AEG-Telefunken of West Germany. AEG-Telefunken don't care who makes PAL receivers just so long as they get their royalties, and the terms of the PAL franchise agreements, until recently, restricted Singapore and Hong Kong exports. Most other countries either did not make and use PAL equipment or were overpriced. Thus Japan had no serious contenders for the Australian market.

The cosy situation has changed. In July 1984 the last PAL patent will expire, Taiwan and Korea are now making PAL sets and the restrictions on Singapore and

Hong Kong have been largely lifted. Japan is unlikely to maintain a VER to profit others, and the industry has come squealing that they need a complete ban on all imports of large Colour TVs and a 30% tariff on all of small sets including the tube. If the request were granted it would make the industry even more highly protected than motor cars or textiles, clothing and footwear. The request is itself an indication of how much consumers were paying for the VER arrangement.

We should not blame the dreadful multinationals for all this. Our government has not only been a party to the back room dealing but encouraged it. In 1975, the Whitlam government announced that it wished to see 95% of large sets made in Australia but it was unwilling to achieve the goal by openly subsidising Australian production or by taxing imports. The Fraser government retained the policy. The department told the IAC inquiry that, "Regular discussions have ... been held between Japan and Australia which have helped the Japanese industry to operate in a manner consistent with the Australian Government's policy."

This has been the real Colour TV set scandal. Sheltered by the VER and sheltered from public scrutiny, the Australian industry taxes TV set buyers about \$40 million a year, while it has developed into an uncompetitive assembler of foreign made integrated circuits and an uncompetitive cabinet maker. Australia would be better served if parliament's preoccupation with scandals was directed to the real issues.