



Industry and Infrastructure Branch
Labour Market, Environment, Industry and Infrastructure Division
Treasury
Langton Cres
Parkes ACT 2600
By email: NuisanceTariffs@treasury.gov.au

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Nuisance Tariff Consultation – Submission by the Optical Distributor and Manufacturers Association (ODMA)

Key points

- Optical products being imported from the European Union (EU) are subject to nuisance tariffs.
- Traditionally the impact of those tariffs was ameliorated by tariff concession orders (TCOs).
- Two TCOs were recently removed, creating a significant cost and compliance burden on Australian businesses.
- The nuisance tariffs primarily apply to EU imported optical products as CHAFTA has already removed them from Chinese products, the other major source of optical goods.
- Removing these tariffs would return to the longstanding policy position and ensure Australian companies no longer face the recent increased compliance and cost burden imposed on them. It would also level the playing field between optical manufacturers from the EU and China.

Background

ODMA is the peak body of wholesalers, manufacturers and importers of optical products in Australia and our members constitute the majority of the wholesale optical industry.

We welcome and commend the Government's proposed removal of nuisance tariffs and appreciate consideration of our submission. ODMA, on behalf of the optical industry in Australia, has been advocating for the removal of a number of nuisance tariffs since October, 2022.

The key tariffs with the potential to affect ODMA members have, until recently, been covered by various Tariff Concession Orders (TCOs). These TCOs have been in place for decades given Australia's essentially non-existent domestic manufacturing capabilities in our sector.



Unfortunately, on 7 July 2022 the Australian Border Force (ABF) made a decision to revoke the TCO for plastic spectacle frames (the Plastic Frames TCO)¹ that has been in place since 2003, with retrospective effect from 13 May 2022. This decision was made following an application from one small, boutique, luxury Australian eyewear manufacturer, operating from regional New South Wales. We understand the production capacity of this manufacturer to be in the low thousands.

The ODMA filed an appeal against the ABF decision on 5 August 2022. However, that appeal was rejected on 15 September 2022. The ABF has since expanded on this decision and revoked an additional TCO (0315708) covering metal frames from 23 May 2023.

The effect of the nuisance tariffs

The effect of revoking the TCO means the \$4 billion optical dispensing and eyewear industry, which we estimate sells more than 5 million frames each year, is now faced with a 5 per cent tariff on millions of frames imported annually.²

This decision has, after decades of nil tariffs for the industry, increased costs for retailers and consumers, unnecessarily exacerbated cost of living pressures on the millions of Australians who use optical products and contributed to the upward pressure on inflation.

The decision has also created significant additional red tape and uncertainty for our members who are now faced with further administrative burdens when determining which products and countries the tariff applies to. We are aware of a number of instances where this has resulted in members needing to spend time changing paperwork and challenging incorrect tariff charges.

While we are not able to quantify these costs for our members, a recent Productivity Commission research paper suggested that the costs for a business of trying to access a preference or concession are an average 0.9–2.8 per cent of the value of the imports to which the preference was applied, in order to avoid paying the tariff of 5 per cent of the value of imports.³

Such administrative costs are particularly concerning for our small business members, many of whom also face cashflow challenges given the retrospective nature of the TCO revocation. At the same time, they are also experiencing rapidly increasing power bills and interest rates alongside a declining economic outlook.

The reimposition of this tariff also does nothing to assist the company which sought it — the owner of that business has even stated publicly that “The proposed tariff won’t make a monetary difference to my business”⁴ — but it does have a serious negative impact on the

¹ Tariff Concession Order number: TCO 0315725.

² [Optometry and Optical Dispensing in Australia - Market Size 2007–2028](#)

³ [The Nuisance of Tariffs, Productivity Commission, August 2022, p2.](#)

⁴ [Manufacturer explains why it sought controversial revocation of eyewear tariff concession - Insight \(insightnews.com.au\)](#)



rest of the industry and its customers. As a result, we consider that these tariffs are consistent with the description of the Treasurer, the Hon. Dr Jim Chalmers MP when he stated, “Australian workers and businesses are not protected by these tariffs, but they still have to navigate the red tape involved and bear the costs of complying with the tariff regime⁵”. These tariffs do nothing but increase costs to businesses and consumers and achieve no benefit for local manufacturing.

Nuisance tariffs to remove

We note that at present the draft nuisance tariff list does not include the tariffs that create a significant burden on our industry. We have outlined below the tariffs that we consider should be removed through this process and request that Treasury and the Government give this close consideration.

HS Code	Description	Tariff
9003	FRAMES AND MOUNTINGS FOR SPECTACLES, GOGGLES OR THE LIKE, AND PARTS THEREOF:	-
9003.1	-Frames and mountings:	-
9003.11.00	--Of plastics	5%
9003.19.00	--Of other materials	5%
9003.90.00	-Parts	5%
9004	SPECTACLES, GOGGLES AND THE LIKE, CORRECTIVE, PROTECTIVE OR OTHER:	-
9004.10.00	-Sunglasses	5%
9004.90.00	-Other	5%

In the case of plastic and metal spectacle frames, this would simply return the industry to the situation that existed for almost twenty years before the revocation of the relevant TCO. In the case of the other products in Table 1, the removal of the tariffs would merely maintain the status quo brought about by current TCOs, thereby creating certainty for the industry.

The removal of these tariffs would also reflect the nil tariff already in effect under numerous free trade agreements including AANZFTA, AUSFTA, AUKFTA, CHAFTA, CPTPP, JAEPA, KAFTA, PACER and RCEP. As a result of these agreements, optical products are imported tariff-free from more than a dozen countries, including China which accounts for a significant proportion of optical product imports.

⁵ <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/tariff-reform-cut-costs-businesses-and-boost>



OPTICAL DISTRIBUTORS AND MANUFACTURERS ASSOCIATION OF AUSTRALIA LTD

Suite 41, 14 Narabang Way Belrose NSW 2085 | PO Box 264 Terrey Hills NSW 2085

P 02 9450 0765 E amanda@odma.com.au odma.com.au ABN 31 001 783 071

Given the unfortunate delay in progressing the EU-FTA – which we were hopeful would be a solution to these nuisance tariffs – were the tariffs listed in Table 1 not removed as part of this process, Australian businesses would essentially be encouraged, by virtue of government policy, to preference Chinese-made goods over those from European countries.

We appreciate the consideration of our submission and would be happy to answer any questions Treasury may have.

Kind regards

A handwritten signature in blue ink, appearing to read 'A/Trotman', is written over a horizontal line.

Amanda Trotman
CEO
ODMA

Ph 0427 353 564

Email: amanda@odma.com.au