



9 February 2000

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Mr H Plunkett
Review of Australia's General Tariff Arrangements
Productivity Commission
PO Box 80
Belconnen ACT 2616

Dear Sir,

RE: CMEAA Industry Response to Review

- The members of CMEAA make up the majority of the companies operating in Australia that supply equipment, after market products and services in terms of training and maintenance of equipment for the construction and mining industry. Our submission to the inquiry takes into consideration local suppliers and importers, and the introduction of the GST in July 2000.

The two main areas that the Association would like to raise with the Commission are:

1. Support the removal of the tariff on equipment and after market products
2. Review and rationalise the TCOs.

Removal of tariffs

As you are aware the GST on equipment is based on the CIF value (10%) whilst duty is based on the FOB value with a maximum of 5% applicable to equipment in our industry. If the tariff remains the combined GST and tariff will just increase the burden to the industry.

- Also, the impost of duty in our industry, particularly on the cost of replacement parts, adds an unseen burden to the retail customer. With cost based on a "landed factor" the retail price includes the cost of duty during the stock carrying period. The additional burden of duty over the inventory turnover is greater than that in other industries where turnover of goods is faster. Local companies that stock equipment for the maintenance of the equipment would find the cost of stocking inventory relatively higher than the tariff costs.

One could also possibly argue that the Government infrastructure to monitor and collect tariff on these goods would out way the benefits it produces at rates of 3 and 5%.

Review of TCOs

Australia should recognise the benefits of a true "harmonised" International Coding system such that companies become globally competitive.

Small amounts of tariffs or duties only add to the retail price and create a disparity of prices in similar commodities subject to the accuracy of the party coding the items on arrival to Australia.

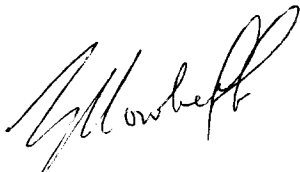
Currently a lack of clarity exists in many product categories, such as for road rollers where there are numerous classifications for basically the same product.

In terms of productivity the cost of finding and identifying tariffs, and seeking the minimum does not add value to any product and in the long term adds an unreasonable burden on the final purchaser as the mark up travels along the supply chain.

In summary, a properly managed GST with a clean identifiable value added at the final point of sale removes the burden of adding cost to goods in transit (including on the warehouse shelf). It also ensures no mark up is inserted as the wholesaling activity builds up a price as it passes through the supply chain.

Should you require any more information, please do not hesitate to contact me on 02 9884 7236.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'G. Vorobieff', written in a cursive style.

George Vorobieff
Executive Officer
COPY: R Farrar, President

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