

Review of Australia's General Tariff Arrangements



SUBMISSION NO: 85

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SUBMISSION BY :

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From: Davey, Colin [Colin.Davey@logistics.maynick.com.au]
Sent: 27 March 2000 16:13
To: 'gtr@pc.gov.au'

Attention: Claudia Leslie

Claudia,

Further to our recent telephone discussion, the attachment with this email contains information on two (2) projects for which I have been able to identify reasonably accurately those services provided and costs involved in relation to specific Customs related matters. This information is in response to the request made by Commissioner Mike Woods during my public hearing discussion in Sydney on Thursday the 27th January.

I apologise for the lateness of the information which is due primarily to the fact that I took ill shortly after my return from Sydney and have only been now in a position to be able to put together the information promised.

I sincerely hope it proves to be of assistance to the commission.

If you require clarification of any aspect or further information, please do not hesitate to contact me.

Regards,

Col Davey

*Copy Mr Davey on 31 March 2000 information
is cleared as a public submission*

Encl.



A. SCOPE OF CONSULTANCY SERVICES IN RESPECT OF MAJOR PROJECTS FOR CUSTOMS PURPOSES

* Identify that the project meets the Government's requirements to qualify as a major project under the various criteria applying to policy by-laws.

* Obtain from project proponent an itemised list of all equipment required for the project to specifically identify imported componentry.

* Examine the list of imported equipment to identify the following :-

(a) Goods which are free of Customs Duty in their own right

(b) Goods which may be eligible for entry under an existing Item 50 Tariff Concession.

(c) Goods which would attract 5% duty on import

* Prepare and lodge an initial submission referred to as a Project Advice which enables Customs to confirm or reject that the project in question is eligible in principle for Policy By-law consideration due to its conformance with current Policy criteria etc. Part of this initial submission usually involves at least one (1) visit to Canberra to clarify aspects of the submission and identify any policy concerns in respect of the project.

* Prepare and lodge Tariff Advice applications on identified items of equipment to obtain official Customs rulings in respect of those specific items. (This is necessary for two (2) reasons, firstly it confirms the classification arrived at by the Consultant and secondly, in the majority of instances, official rulings are required to be lodged in support of the various types of applications which need to be lodged later in the process.)

* Prepare and lodge Item 50 applications on those items of equipment which have been identified as being unavailable from Australian manufacturers. Information on local manufacturer capability is normally available from the following sources : -

1. Industry knowledge by the project operator or proponent.
2. Identification of potential manufacturers from the Kompas publication which contains Australian company information as well as products and services.
3. By utilising the services of the Industrial Supplies Office in the State or Territory where the project is to be undertaken. Depending on the services, the use of the ISO can involve a charge of in excess of \$100.00 per hour.

• Prepare and lodge what are known as the Item 45 Goods Requests on each separate importation supported by details of action taken in respect of efforts made to identify local manufacturer capability of the specific goods in each shipment. The Goods Requests also need to be supported by details of Tariff Advice ruling numbers, Tariff Concession numbers, approval dates, values of imported componentry, approximate import dates and overseas supplier details.

* Prepare and lodge any applications for refund of Customs duty which may arise as a result of the goods in question arriving in Australia prior to the final decision being made by Customs thus necessitating payment of duty at the time of importation. The fact that at the time the goods arrive valid applications seeking concession are in force with the Australian Customs Service then enables refunds to be approved if Item 45 is granted subsequent to the importation of the goods.

B. DETAILS OF PROJECT No. 1 WHICH INVOLVED ALL OF THE ABOVE SERVICES

1. Number of major Areas of the plant which needed to be identified for Policy By-law purposes - 13
2. Tariff Advices required to be obtained during the course of the project - 14.
3. Number of applications for Tariff Concessions - 5.
4. Number of Item 45 Goods Requests necessary to be lodged to identify individual imports - 6.
5. Number of Refunds of Duty required to be lodged - 9.

The above project required in excess of 500 hours of Consultancy Services over approximately twelve (12) months. This was a combination of time spent at meetings with Customs / Client / Manufacturers / Associated Organisations as well as the preparation, lodgement and finalisation of all submissions. It would be very difficult to place a dollar value on each application or submission lodged with Customs as the amount of time required to research the various applications and submission as well as their preparation, can vary tremendously.

Also if an application is lodged and processed by Customs and no objections are received from local manufacturers, then naturally the amount of time required to be spent on that application is considerably less than on one where local manufacturers do raise objections. In such cases, it is necessary to address their concerns step by step in order to identify whether or not their objections are valid or inconsistent with Government policy.

Industry Consultancy costs would range from \$120.00 per hour to in excess of \$200.00 per hour.

C. DETAILS OF PROJECT No. 2 WHICH ALSO INVOLVED ALL OF THE ABOVE SERVICES

1. Number of major Plant Areas which needed to be identified for Policy By-law purposes - 37.

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2. Tariff Advices required to be obtained during the course of the project - 38.
3. Number of applications for Tariff Concessions - 25.
4. Number of Item 45 Goods Requests necessary to be lodged to identify individual imports - 20.
5. Number of Refunds of Duty required to be lodged - 26.

This project involved in excess of 1400 Consultancy hours over a two (2) year period. However, in the early stages of the project, a considerable number of hours were expended at the request of the project proponent in an effort to have Customs treat the project as a single entity requiring one (1) only approval. It had been pointed out the project proponent at the time that although this had been the Government policy in the past, the Policy had changed prior to their committing the project for construction. However, the project proponent in this instance, did elect to pursue this course of action in an effort to minimise project costs. Their efforts were unsuccessful.

Approximately 100 hours would have been devoted to the initial approach for a single approval.

Also towards the close of this project, there were four (4) separate applications which were the subject of objections by local manufacturers which involved a considerable amount of research and effort to resolve the issues with the Australian Customs Service. One (1) of these four (4) issues is still an ongoing concern and is currently under consideration by the Administrative Appeals Tribunal.

SUMMARY

As it can be seen from the above, the current Government policies are quite involved in relation to pursuing duty relief on major projects. There are a number of extremely contentious areas where interpretation by the ACS of particular aspects are in total conflict with commercial reality. An example of such a case is the Government interpretation of Capital Equipment for major projects.

There is no denying that considerable duty savings can be obtained particularly on large pieces of equipment which are not available from local manufacturers. However, the policy by-law requirements are such that there are many instances where smaller items of equipment or equipment which is obtained from local sub-contractors who have a need to import specialised items for such equipment, makes it commercially non-viable to pursue Item 45 or Item 50 submissions.

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