

19th January, 2000

The Productivity Commission,
P.O. Box 80,
BELCONNEN ACT 2616

Dear Sirs,

RE: REVIEW OF AUSTRALIA'S GENERAL TARIFF ARRANGEMENTS

We have recently been provided with a copy of the Issues Paper and Terms of Reference etc in respect of the above review by our Customs Consultant.

Having examined the above documents and associated information made available by the Commission, we have identified what we consider to be two (2) items of major concern to our Company viz..

(A) The enormous discrepancy and resulting impact which would occur between the Truck Assembly Industry and their major competitors, i.e. the completely built up unit (CBU) importers, should a 2% reduction in the general tariff rate become a reality.

and

(B) The possibility that, due to the fact that Issues Paper states on page 3 that the Items listed for discussion are intended to be neither prescriptive nor exhaustive, the inquiry could make a decision to include as a recommendation, the removal of concessions Item 41 (b) of Schedule 4 of the Customs Tariff relating to the importation of goods for use as original components in the assembly or manufacture of specific types of trucks. Item 41 (b) is currently administered by virtue of by-law 9640025.

In addressing each of the of the above, we provide the following information:

(A) CBU verses locally assembled unit

Since the establishment of the Wacol Truck Factory in 1972, the majority of componentry imported by Volvo Brisbane, which is used as original equipment in the assembly or manufacture of trucks, has been eligible for duty free importation under various continuing by-laws.

There have always been a small number of components which have attracted duty, e.g. radiators and parts, propeller shaft assemblies and parts, suspension components etc. some of which pay the general rate of duty and some which attract 3% by virtue of being eligible to be entered under existing Item 50 Tariff Concessions.

During the past few years, the Wacol factory has undergone enormous rationalisation in respect of both productivity output and cost control in an effort to survive in an extremely competitive environment. As a significant portion of our production involves the exportation of vehicles, we not only have to be locally competitive, but world competitive as well. The Wacol factory has reached a point where it would be almost impossible to achieve further price reductions in

respect of the vehicles produced in the plant.

Under the present Tariff regime the amount of duty paid on components used in the assembly of our trucks fluctuates between \$300 and \$400 per vehicle.

As stated above, the major competitors to the Truck Assemblers are the importers of CBU vehicles.

Under the present Tariff arrangement CBUs attract 5% import duty. Should the Government ultimately decide to implement a reduction in the general rate of duty and dispense with the Tariff Concession System, CBU importers would reduce their current import duty costs by several thousand dollars per vehicle.

At the same time, the impact of a general tariff reduction on Volvo's imports would be negligible because of the fact that the majority of components are already duty free. As a result of such a general tariff reduction, the truck assembly industry would be unable to compete with the CBU importers under such a reduced Tariff regime and would be forced into closure.

Volvo Brisbane has identified the potential export market of South East Asian countries as being of priority importance. We are hopeful that we can work towards exporting in excess of 400 vehicles per year in the coming years. As such, the closure of the Wacol plant would not only have a huge impact on the current workforce, but would also result in the loss of a substantial amount of export revenue due to this lost export market.

In view of the above, we request that if a reduction in the general tariff rate of duty is considered by the Commission as the preferred option put to the Government, that consideration be given to the retention of a 5% duty impost on those tariff items which would impact adversely on the Truck Assembly Industry.

(B) The removal of Item 41 (b) By-law

We seek the Commission's advice in respect of the above by-law. We do not interpret the Issues Paper as including Item 41 (b) or other Schedule 4 concessional items with the exception of the Policy By-law Items of 45 / 46 / 56. However, as the Issues Paper states that the items listed were intended to be neither prescriptive nor exhaustive, we believe that the situation in respect of existing by-laws, other than the policy by-laws, should be clarified beyond doubt.

As with Item (A) above, the removal of the Item 41 (b) Concession would result in the majority of our imported componentry attracting the general rate of duty which would be deemed to apply. Accordingly, we would be faced with the payment of thousands of dollars duty per truck which would, once again, render us totally uncompetitive in the present market.

It is therefore of enormous importance to us know exactly what the Commission and the Government are likely to entertain in relation to the Item 41 (b) By-law.

It is our understanding that our Customs Consultant, Mr Colin H Davey of Mayne Logistics E A Rocke, has prepared and lodged a general submission paper in respect of other aspects of the inquiry and will be in Sydney on Thursday the 27th and Friday the 28th to be present at the public hearings and speak to his discussion paper. We hereby authorise Mr Davey to take questions and

make comment in relation to those aspects addressed in the submission.

If you require any further information or clarification of any aspect of the above, please do not hesitate to contact me. My telephone number is (07) 3258 7503 and my fax number is (07) 3271 3063.

Many thanks for your assistance. We await your advice in due course.

Yours faithfully,
VOLVO TRUCK AUSTRALIA PTY. LIMITED

JOHN CONDOS
GENERAL MANAGER