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Mr Jim Roberts
Inquiry Research Manager
Productivity Commission
PO Box 80
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Dear Mr Roberts

Thank you for forwarding copies of submissions to the Productivity Commission's review of general tariff arrangements. You indicated comments would be welcome on aspects of any submission concerning the role of ISONET and ISOs.

In the submission by Mayne Logistics E A Roche, an opinion is offered on page 5 that ISO has a conflict of interest in providing information concerning level of local content, because ISO's prime role is to encourage local manufacturing. While I understand such a conclusion could easily be reached, the method of operation of the Tariff Concession Scheme and the Project By-law Scheme ensure no such conflict occurs.

Tariffs are in place to afford a measure of competitive advantage to local industry over imports. Changes to the Customs Act in 1996 placed the responsibility on the importer for demonstrating that local industry would not be disadvantaged by concessional relief from duty. Importers may perform their own research, and if that research is satisfactory to Customs or AusIndustry, duty relief may result where no manufacturer of substitutable or equivalent goods is discovered. Or importers may use ISO to perform the research. ISO has been promulgated as a "prescribed organisation" under the Customs Act for Tariff Concession Applications, and is referred to in ACNs 98/22 and 98/27 regarding Project By-law requests, but there is no requirement to use ISO.

ISO does not make determinations on behalf of an importer, or for that matter, Customs or AusIndustry. ISO is not an "adjudicator" of the Schemes, and does not determine substitutability or equivalence. ISO is a research organisation whose information is accepted by Customs and AusIndustry as being authoritative concerning the abilities of local industry.

The ability for ISO to provide advice concerning whether "at some further stage down the line" local goods can perform the required function depends on how well the requirements are specified. The decision on whether the advice provided is adequate

to allow a determination of equivalence of function rests with the delegate. There is no conflict in a system which allows the delegate to have the best possible information about local industry capability, by using an organisation such as ISO which has no direct or financial stake in the outcome of the determination. There would be greater conflict of interest if the word of the importer or his Customs broker was accepted as authoritative about the abilities of local industry to compete.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Chris Neill".

C H NEIL
Executive Director
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