

**Irvine, Jill**

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**To:** gtr@pc.gov.au  
**Subject:** Draft Report - Review of Australia's General Tariff Arrangements

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REVIEW OF AUSTRALIA'S GENERAL TARIFF

ARRANGEMENTS.

Dear Sir,

I would like to comment on the Custom's advices contained in pages 142 and 155 of the draft report, as it relates to the effect on Australian component manufacturers of the 1988 item 43 policy initiatives by Senator John Button and the comments stating the changes were made for budgetary reasons and to streamline the policy by-law system.

Taking the comments on page 142 first, quite without warning or promulgation by way of notices or circulars, Customs in 1995 dramatically changed the previously publicised split consignment policy, by applying the concession to components only in cases where the whole machine was being imported. It is from reading the comments made on page 142 of the draft report that I have become aware that the reason for the tightening up of the policy was the belief that the Australian component manufacturers were being disadvantaged by the then existing split consignment policy.

One of the prime driving influences of the Button initiatives, as it related to items 43/52, was to enable local manufacturers of components to have an involvement with major Australian projects. The then item 43 provisions, that having capital machinery components manufactured in Australia would not adversely affect split consignment approvals (in fact the more local content the more favourable the considerations would be for applications), supported the view that these concessions were to encourage local industry involvement.

With the 1995 Customs initiated change, local industry's involvement in split consignments was eliminated. Only the importation of whole machines would be considered for split consignment concessions. This change had costly effects on projects that were commenced under the 1988 policy guidelines, but were processed under the 1995 restricted policy. Being encouraged by Government to include the maximum commercially feasible content of Australian componentry in project machinery, the restricted policy resulted in these applications being refused as complete machines were not being imported.

The 1995 change not only excluded the Australian manufacturers from the projects being considered for split consignments but reduced the number of applications being successful and the number lodged, to the added cost to the project proponents.

As for the comments on Page 155, in theory there should have been no budgetary implications involved in the then split consignment policy as the whole equipment involved were dutiable at a duty free rate in the Customs Tariff. Additionally, as the publicly stated prime aim of the Governments project by-law policy was to reduce unnecessary costs to project proponents, the change initiated by Customs resulted in a direct increase in unnecessary costs for the affected projects.

Should the Government opt not to remove the general tariff rates on 1 July 2001, I would request that, as the reasons given by Customs for the restricted changes made in 1995 are unsatisfactory, and that the earlier split consignment policy assisted project proponents and local componentry manufacturers, the split consignment provisions be changed back to that operating on and from 1 January 1988.

Kind regards,

MICHAEL HAYWOOD