AUSTRALIAN
LOGISTICS COUNCIL

Thursday 5 February 2015

Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

2015-2016 Budget Submission

The Australian Logistics Council (ALC) welcomes the opportunity to contribute to the 2015-16 Budget process.

By way of background, ALC is the peak national body representing the major and national companies participating in the freight logistics industry

ALC recognises the challenging economic environment the Government faces and acknowledges its strong commitment to investing in infrastructure to boost productivity. In conjunction with ALC's support for the Government's infrastructure investment program, we suggest three modest budget initiatives that will assist in improving the productivity of the Australian economy.

The collection of GST on low value goods

The Productivity Commission found, as part of a broader inquiry into the retail industry, that goods sourced overseas should face the same tax regime as goods sourced domestically.

The Government has now received the business case and possible implementation plans for reform to low value parcel processing from a Taskforce charged with considering the Commission's recommendations.

It is also the case that at a meeting of the Council on Federal Financial Relations held on 28 March 2014, the Treasurer agreed to a request from the States collectively to further explore options around lowering the value at which GST is applied to the importation of goods into Australia.

Over the life of this Government, three different collection mechanisms have been tested:

1. collection at Border;
2. taxation on the financial transaction; and
3. collection at time of purchase through overseas suppliers

across five different thresholds:

Impact Structure

1. $0;
2. $100;
3. $200;
4. $500; and
5. $1000 (no change)

ALC members report that whilst generally speaking options 2 and 3 would have limited impact on members, option 1 would have significant impact, particularly if a low collection threshold was implemented.

They report the identification of shipments that would become subject to GST and the subsequent reconciliation of records would lead to the imposition of significant additional costs.

These costs could be ameliorated through introducing greater levels of mechanisation or automation. However, ALC is told this will impose considerable initial capital expenditure and ongoing operating and maintenance costs to members.

ALC members also report that irrespective of any option chosen there will be costs imposed as a result of the need to store some goods if GST has not been paid, (which of course would increase if threshold is low or zero) in the circumstance where a consumer may have made an overseas transaction unaware of a GST liability that must be subsequently met before goods are released (or who otherwise chooses not to pay the additional liability and forfeit the goods).

ALC seeks reassurance that should the Government pursue any of these options, it will prepare a rigorous regulatory impact statement meeting the requirements of the Best Practice Regulation Handbook with costs for these imposes fully factored into the statement.

ALC also reiterates its suggestion that the one-off costs to the freight logistics industry involved as a result of this possible change be compensated through netting out of the first year of GST collected from low value importations an amount that would be provided to industry before adding the collected money through the GST pool in subsequent years.

This is because it is important that burdens on industry are adequately taken into account if there is to be a change to tax law. This includes proposed changes to the GST threshold for overseas goods. ALC believes industry participants should not bear the full costs imposed as a result of changes in the law made for revenue purposes.

National Heavy Vehicle Regulator (NHVR) funding

ALC believes that the NHVR should have the primary role in regulating the operation of heavy vehicles in Australia.

That is why ALC has been advocating that the NHVR commence to play a greater role in the enforcement of the Heavy Vehicle National Law in recent submissions to the National Transport Commission.

These submissions have been made because ALC members have found that the inconsistent enforcement practices of jurisdictional regulators who provide services to the NHVR under service agreements add to the costs of business and impinges on efficiency and therefore productivity.

It is also the next natural phase in the national regulation of heavy vehicle industry.

ALC believes it is desirable for the Commonwealth to provide the capital to the Regulator so as to facilitate the computer system that ALC understands is necessary for it to collect the funds that will allow it to self-fund recurrent costs rather than rely on capital infusions from jurisdictions.

This one off investment will mean that the Regulator can then be freed from uncertainty of income streams and so as to permit it to perform its public interest role of administering a single rule book for the Australian road freight industry, thereby unlocking an estimated $12bn in productivity benefits.

Exploring the development of a single national access regulator for utilities

ALC notes support for a single national access regulator for utilities on pages 294-297 of the Draft Report of the Competition Policy Review (the Harper Report).

ALC has long supported the idea of national institutions being responsible for the seamless administration of services essentially provided within a national market.

For that reason, it has supported the establishment of institutions such as the National Heavy Vehicle Regulator and the Office of National Rail Safety, and is attracted to the establishment of a body suggested by the Panel.

As a first step a single economic rail regulator could be established.

The benefits are:

- a single economic regulator would reduce uncertainty – as it delivers a consistent approach to key regulatory rules – e.g. cost of capital, contracting approaches, network rules
- the regulatory regime would differ according to circumstances: for instance there would be different rules for grain versus coal networks, different rules for vertically integrated vs non vertically integrated track providers. However, any differences would have an economic rationale
- having a single national economic regulator would reduce the risk of regulatory capture
- the volume of rail work for the national regulator would allow the creation of a specialised centre of rail expertise rather than spread over 6 different organisations, as is currently the case; and
- the movement of freight across state borders by rail would have the same access rules throughout the country, an appropriate outcome given the effective single national market that exists in Australia in the 21st Century.

Whilst acknowledging that the Review is yet to file its final report, ALC believes that the benefits to national productivity in the implementation of such an idea are such that an amount of money should be appropriated in the Budget to facilitate the exploration of this idea.

Thank you again the opportunity to contribute to the process. Please contact me on 0418 627 995 or at Michael.kilgariff@austlogistics.com.au should you wish to discuss these matters further.

Yours sincerely

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