



7 April 2017

Via email: economics.sen@aph.gov.au

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Inquiry into Treasury Laws Amendment (GST Low Value Goods) Bill 2017

Dear Committee Secretary,

TNT Australia Pty Ltd (**TNT**) is a subsidiary of FedEx Corporation following a global acquisition of the TNT Group by FedEx on 25 May 2016. TNT's global network now complements the FedEx network, which provides fast and reliable delivery to more than 220 countries and territories. In Australia, TNT provides a broad range of domestic and international transportation services to Australian businesses.

TNT is a member of the Conference of Asia Pacific Express Carriers (Australia) Limited (**CAPEC**).

TNT writes to express its concerns to the Senate Economics Legislation Committee in respect to its Inquiry into the Treasury Laws Amendment (GST Low Value Goods) Bill 2017 (the **Bill**).

TNT refers to the submission lodged by the CAPEC dated 5 April 2017 (the **CAPEC Submission**), and confirms and adopts the CAPEC Submission. TNT does not wish to repeat those submissions; however TNT wishes to emphasize some of its key concerns with the Bill below.

TNT supports the objective of a fairer tax system through a Vendor Collect Model (**VCM**), whereby overseas suppliers collect Goods and Services Tax (**GST**) at the point of sale and remit this GST component to the Australian Taxation Office (**ATO**) directly for low value imported goods.

However, TNT does not support the obligation proposed by the Bill which requires express delivery companies to capture and report additional vendor registration information, including the Vendor Registration Number (**VRN**) for business to consumer shipments or an Australian Business Number (ABN) for business to business shipments. It is our view that the information flow should be between the overseas supplier and the ATO directly. In particular, we have serious concerns about two key components of implementing the VCM as set out in more detail below:

1. Competitive Advantage of Australia Post

In 2012 Australia Post acquired Qantas' 50% interest in Star Track. In light of the decline of its traditional mail business, Australia Post has been investing heavily in its parcels business.

This included the appointment Robert Black, former TNT Australia managing director, as head of the Australia Post parcels business in November 2014. Mr Black ceased as Managing Director of TNT Australia in July 2014.

In its press release announcing the appointment of Mr Black, Australia Post noted that his *'significant international and local logistics expertise would further strengthen its parcel*

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services leadership team.¹ and *"In this role, Mr Black will be responsible for providing a world-class service to our customers with an unrivalled suite of ecommerce-driven logistics, supply chain and parcel delivery solutions for consumers, local and international businesses and online marketplaces."*

Subsequently, a number of senior managers have also ceased employment with TNT and moved to either Star Track or Australia Post.

It was also reported in 2014 that *'Australia Post has been upgrading its parcel capabilities in the past five years to build on the current e-commerce boom, and since [2013] has been integrating its Star Track parcels brand with the core network. A \$595m investment programme aims to develop the company's infrastructure to handle more than 320m parcels a year by 2019.'*²

TNT understands that Australia Post will be exempt from the proposed requirement to capture and remit the VRN of the supplier on low value imported goods. By its own admission, Australia Post actively and directly competes with express delivery firms, including TNT. The absence of any requirement for Australia Post to report the VRN provides Australia Post with a competitive advantage over the express delivery firms with which it directly competes, as it will not be subject to the same regulatory requirements and resulting cost consequences.

Given that the majority of low value parcels enter Australia via the postal stream (i.e. sending parcels via Australia Post), this will lead to a reduced recovery of GST which defeats the purpose of the Bill. Further, the lack of commensurate regulatory burden in the postal stream may lead to overseas suppliers choosing the postal stream in order to avoid customs detection; which once again, will lead to a reduced recovery of GST and a deficient data set for the ATO.

In TNT's view, the Bill is contrary to the Competitive Principles Agreement (**CPA**) entered into by the Council of Australian Governments (**COAG**) in 1995, which provides that government businesses (such as Australia Post) should not enjoy any net competitive advantage simply as a result of their public sector ownership, and governments are to ensure that they impose the same obligations on government business enterprises as they would on privately owned enterprises, with regulatory requirements and fees being listed as specific examples.

Australia Post already experiences a significant competitive advantage over TNT by its use of the postal stream to deliver parcels, while TNT must use the express parcel stream, which is subject to additional cargo reporting requirements. The more stringent reporting requirements imposed on TNT result in slower parcel clearance times and increased costs when compared to parcels brought into Australia by Australia Post via the postal stream. By requiring TNT to additionally report VRNs, Australian consumers will experience further processing delays and additional costs, and consequently, the competitive advantage already enjoyed by Australia Post will be further exacerbated.

2. VRN Collection - Practical Problems

Secondly, TNT objects to the overly burdensome and costly requirement that capturing and submitting such information will place on the express industry. From a practical perspective, the VRN collection requirement will result in substantial changes to TNT'S worldwide IT systems. Such large-scale change would take several years to complete, and come at a significant cost. Our IT systems account for delivery to more than 220 countries and territories, meaning that adding extra fields and logic for the requirements of one country only is problematic given the global nature of our business. Further, as TNT will not be involved in

¹ Australia Post media release 21 October 2014 <https://auspost.newsroom.com.au/Content/Default/02-News/Article/Appointment-of-new-Executive-General-Manager-Parcel-Services/-3/2/2978>

² 'Australia Post 2014 Annual Report available at auspost.com.au/annualreport2014/parcel-services.html



the collection of this GST revenue, the requirement to capture and report VRNs is a superfluous and highly inefficient one.

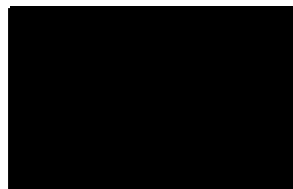
Conclusion

For the reasons set out above, TNT submits that the Bill in its proposed form, including the exemption of Australia Post from the VRN / ABN reporting requirement, is unworkable. TNT believes that any such exemption would be anti-competitive in nature as, among other things, it will further affect our ability to compete against Australia Post. The proposed model will lead to increased regulatory burden and resulting cost to the express delivery industry.

TNT therefore seeks appropriate amendments to the Bill (as set out in the CAPEC Submission). In addition, TNT confirms its support for the suggested alternate VRN collection and reporting models.

Finally, in terms of timing, we note that the proposed effective date for the proposed legislation is 1 July 2017. In our submission, having less than three months to implement any changes (which will of course depend on the form of the legislation adopted) is an unreasonably tight timeframe.

TNT is grateful to the Senate Committee for the opportunity to contribute to this Inquiry and for your consideration of this submission.



Yours sincerely,

Peter Langley
Managing Director, Australia/NZ/Pacific Islands
TNT Australia Pty Ltd