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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,

FedEx Express (**FedEx**), a subsidiary of FedEx Corporation, is the world's largest express transportation company, providing fast and reliable delivery to more than 220 countries and territories. FedEx has operated in Australia since 1989, offering a broad portfolio of transportation solutions to Australian businesses and communities.

FedEx writes to express its concerns to the Senate Economics Legislation Committee in respect to the Inquiry into the Treasury Laws Amendment (GST Low Value Goods) Bill 2017 (the **Bill**). FedEx refers to the submission lodged by the Conference of Asia Pacific Express Carriers (Australia) Limited (**CAPEC**) dated 08 April 2017 (the **CAPEC Submission**), and confirms its strong support of the views expressed therein.

Like CAPEC, FedEx supports the Bill, in so far as it endorses 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, FedEx 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**). It is our firm 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 the CAPEC Submission and highlighted as follows:

1. Competitive Advantage of Australia Post

First and foremost, FedEx 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 FedEx. 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. Further, the lack of commensurate regulatory burden in the postal stream (i.e. sending products via Australia Post) may lead to overseas suppliers choosing the postal stream in order to avoid customs detection; which in turn may lead to a reduced recovery of GST and a deficient data set for the ATO.

The Bill is also 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 FedEx by its use of the postal stream to deliver parcels, while FedEx must use the parcel stream, which is subject to additional cargo reporting requirements. The more stringent reporting requirements imposed on FedEx result in slower parcel delivery times and increased costs when compared to parcels bought into Australia by Australia Post via the postal stream. By requiring FedEx 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

Second and related to our objection to Australia Post's competitive advantage, FedEx 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 FedEx 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 FedEx will not be involved in the collection of this GST revenue, the requirement to capture and report VRNs is a superfluous and highly inefficient one.

For the reasons set out above, the 01 July 2017 go-live date for the legislation is overly ambitious and should be deferred to a later, more workable date. Having less than three months to implement any changes is an unreasonably tight timeframe.

FedEx acknowledges the VCM as the most sensible approach to achieving a fairer tax system in Australia, and commends the decision of Treasury to avoid a model whereby GST is collected upon arrival at the border. We are concerned, however, that the model in its proposed form, including the exemption of Australia Post from the VRN reporting requirement, is untenable. FedEx 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.

FedEx therefore supports the Bill, on the proviso that appropriate amendments are made that remove the additional data (VRN) reporting requirements on express carriers. FedEx refers to and reiterates its support for the suggested alternate VRN collection and reporting models, and the legislative amendments to the Bill as set out in the CAPEC Submission.

FedEx thanks the Committee for the opportunity to contribute to the Inquiry and for your consideration of this important matter.

Yours sincerely,



Kim Garner
Managing Director, Australasia
FedEx Express (Australia) Pty Ltd