Customs Tariff (Coal Export Duty) Amendment Bill 1989

Date Introduced: 1 March 1989
House: House of Representatives
Presented by: Hon. Barry Jones, M.P., Minister for Science, Customs and Small Business

Digest of Bill

Purpose
To provide an exemption from export duty for certain exempt coal which is blended with coal from other mines.

Background
The coal export duty was introduced as part of the 1975–76 Budget under the Customs Tariff (Coal Export Duty) Act 1975 (the Principal Act). At that time, world coal prices were high and the duty was introduced to extract some of the windfall profits of coal exporters. Since then, coal exporters have experienced a deterioration in the international market for their coal. In 1987–88, despite maintaining its position as the world’s largest coal exporter, record production levels, and some growth in export volume, the Australian coal industry suffered a further decline in overall export revenue. The industry’s total export earnings fell by more than 12% to approximately $4.8 billion, representing approximately 12% of Australia’s export revenue. This was largely due to reduced prices in world markets, higher freight rates, and the appreciation of the Australian dollar. Although industry production of saleable coal in 1988–87 fell by 8% to 137 million tonnes, there was growth of 4% in export volume to a record 102 million tonnes, and a 3% growth in domestic coal usage to 44 million tonnes. Steaming coal export volume grew by 3.7% in 1987–88. Coking coal export growth was 5% in 1987–88, reflecting an increase in steel production in Australia’s major markets and an increased use in Japan of lower quality semi–soft coking coal.1 Commonwealth collections from the coal export duty are estimated at $52 million in 1988–89, an increase of 3.1% on 1987–88.2

A number of amendments have been made to the Principal Act to exempt certain types of coal from duty and to vary the rate of duty for other types. In 1983, the Government received representations from CSR and Thiess Dampier Mitsui for relief from the export duty on production from the Moura and South Blackwater mines in the Bowen Basin in Queensland. In order to obtain a product of a quality suitable to meet export contract specifications, both mines blend quantities of higher quality, higher cost, underground coal with their open-cut coal. Consequently, producers’ costs had been increased to such an extent that the imposition of the export duty on the open-cut coal in the exported product had significantly affected the rate of return of these producers.
In 1984 the Government provided an exemption from export duty for high quality coking coal (HQCC) which was blended from underground and open-cut coal providing that, on average there is at least 15% of underground coal in the blended coal and all of the resulting blend was produced at the same mine. The exemption also applied to HQCC, produced at the same mine, where at least 15% of the total production of exported coal, on average, had been produced from underground mines. The effect of these provisions was that the Bowen Basin Moura and South Blackwater mine HQCC coal blends are exempt from export duty if exported as a single blend, but lose that exemption if further blended with coal from other mines before export.

Main Provisions
The Bill be deemed to operate from 1 July 1988 (clause 2).

Clause 3 will extend the existing exemption from export duty where HQCC is blended with other coal from other mines before export.

References

For further information, if required, contact the Economics and Commerce Group.

3 March 1989

Bills Digest Service
Legislative Research Service

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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