



## SUBMISSION 29

**INBYE Mining Services Pty Ltd**  
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9<sup>th</sup> August 2006

The Chairman  
House Economics Committee  
The Hon.B.Baird  
C/- Parliament House  
**CANBERRA ACT 2600**

Our Ref: A-0054

Dear Sir,

**RE: IMPORT REPLACEMENT AND POTENTIAL TO EXPORT  
UNDERGROUND COAL MINING LONGWALL EQUIPMENT**

I have written to thank you and the members of your committee for visiting Inbye Mining Services, on Wednesday last week, to discuss the current and future direction of Australia's service industries and the state of Australia's manufactured export and import competing base.

In order to support your visit, and the discussion we had, I have taken the opportunity to explain, in this letter and its attachments, the business that Inbye Mining Services is involved in, and the issues that the Australian government should address to support the Australian manufacturing industry.

**Inbye Mining Services Pty Ltd**

Inbye Mining Services Pty Ltd is a small 100% Australian owned and managed company, located at Rutherford in the Hunter Valley of NSW.

Inbye Mining Services was formed 6 ½ years ago, expressly to design and manufacture locally (in Australia) Longwall Mining Chain Conveyors, competing with imported equipment, designed and manufactured by essentially two overseas multinational companies.

The two companies in question are Joy Manufacturing with head quarters in USA, and DBT (Deutsche Bergbau Technik GmbH) with head quarters in Germany.

Both these companies have branches in Australia, have the capacity to manufacture locally, but choose not to, and use loop holes in the Tariff Scheme to minimise the cost of importing their products.

In particular, on Tariff Scheme that can be referred to, is the 'Enhanced Project By Law Scheme'.

**Enhanced Project By Law Scheme**

A brief overview of this scheme and our objection to same is attached.

Any Tariff protection can, and will assist small, but growing, Australian manufacture, in having a competitive price advantage, provided the tariff established is applied, and not bypassed, as we believe the 'Enhanced Project By Law Scheme' is being used to do.

We request that this loop hole be abolished.

# SUBMISSION 29

## The Resources Boom

Coal Mining in Australia is dramatically affected by the current world resources boom.

These are three (3) major mining technical centres in Australia associated with this resources boom, namely Perth WA, Mackay QLD and the Hunter Region of NSW. Inbye Mining is strategically located in the Hunter Region, has a presence in Mackay and the Coal fields of QLD, and is growing as a support service industry to the coal mines in NSW and QLD.

Inbye has been and is using this opportunity to develop its own longwall mining products, for sale in Australia, and potential export overseas.

## Opportunity to Export – Ausmine

Ausmine is an organisation of Australian manufacturers supplying the Australian Coal Mining Industry with the objective of reaching a target of exporting mining equipment to the value of A \$6 Bn by the year 2010.

## Australian Government Assistance

As discussed there are a number of areas where the Australia Government can assist the Australia manufacturers of mining equipment as follows:-

- Continue the implementation of the R&D Concession scheme
- Maintenance of the Export Market Development Grants (EMDG) and the expansion of the scheme by way of additional monetary support to potential Australia exporters (e.g. By way of monetary assistance with costs associated with mining equipment exhibitions – as the German government does).
- Maintaining the existing Tariff protection levels.

We at Inbye believe that opportunities exist for an Australian owned company to participate in the Longwall Equipment supply market by concentrating on quality products, exemplary aftermarket service and maximising Australian manufacture and supply.

In building a portfolio of complementary products, Inbye believes that it can achieve the critical mass needed to be competitive in the Australian and International marketplace.

Unfortunately, despite the rhetoric, the international marketplace is not a level playing field.

We trust that your visit to Inbye has been fruitful and our comments will be of use to your committee's enquiry.

Thank you once again for including Inbye as one of the companies you visited in the Hunter Region of NSW.

Yours faithfully

**INBYE MINING SERVICES PTY LTD**

Mark O'Toole  
General Manager

## **ASSISTANCE TO AUSTRALIAN MANUFACTURERS SUMMARY OF POSITION**



### **ENHANCED PROJECT BY LAW SCHEME**

'A loophole being used by multinationals to avoid tariffs at the cost of Australian manufacturing'. This scheme should be abolished.



### **R&D TAX CONCESSION SCHEME**

'Allows Australian manufacturers scope to develop a range of new products and product improvement'. This scheme must be maintained.



### **EXPORT MARKET DEVELOPMENT GRANTS**

This scheme assists Australian manufacturers and should be expanded to provide fully funded Australian pavilions at International trade shows, including travel expenses.



### **MAINTAIN EXISTING TARIFF LEVELS**

Although modest, the existing levels are sufficient to provide an advantage to Australian manufacturing.



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### Overview of Inbye Mining Services

- 100% Australian owned Company
- Located at Rutherford NSW (near Maitland)
- Currently employing 45 permanent employees
- The Company regularly takes on additional workshop personnel, by way of casuals plus labour hire, during periods of high production through the workshop, increasing the total employees to some 80 persons.

### Attachments

- Tariff Duty Concessions for Eligible Projects – The Enhanced By Law Scheme
- Longwall Mining Equipment – Description
- Longwall Mining Equipment Products manufactured by Inbye
- Sketches of a Longwall Mining System

### Copy sent to

Mr. Craig Emerson MP, Deputy Chair  
Mr. Joel Fitzgibbon MP  
Ms. Sharon Grierson MP  
Mr. Stewart McArthur MP  
Mr. Michael Keenan MP

Ms Sharon Bryant, Inquiry Secretary, Economics Committee  
Mr Andrew McGowan, Inquiry Secretary, Services Inquiry

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## TARIFF DUTY CONCESSIONS FOR ELIGIBLE PROJECTS THE ENHANCED PROJECT BY LAW SCHEME

Inbye Mining Services believe that **the Enhanced Project by Law Scheme is being abused** by certain companies in the mining industry, aided and abetted by certain Customs Duty Consultants.

### **Purpose of Customs Duty**

The application of customs duty, where applicable to imported goods, is a form of protection for the local Australian manufacturer i.e. import replacement.

In simple terms, it gives the local manufacturer a slight advantage price wise, and assists with the creation of jobs.

### **The Tariff Concession Scheme**

Is a system and mechanism for granting concessional entry for specific imported goods, not made locally, as a means of helping local industry.

Should an importer wish to apply for a Tariff concession for a specific item of equipment, an application is submitted to Customs, which is in turn advertised (gazetted) to allow local industry to object, if an equivalent product is made, and available locally.

The flaw with this scheme is **that it costs the local manufacturer to object**. In reality, it should cost the potential importer, the company applying for the Tariff concession. **This is how it used to be.**

### **The Enhanced Project by Law Scheme**

Is a scheme to provide tariff duty concession for major projects, in certain industry sectors. In our case the coal mining sector.

The applicant has an obligation to ensure, and provide evidence that equivalent goods **are not produced in Australia, or are not technologically equal, or superior**, to the proposed imported goods.

The flaw in this scheme, is that the applicant can gain approval, before it is made public, (in some instances 18 months before) at which time it is too late for the local manufacturer to object, or participate in the project.

It is our view, that this scheme is being abused, on the basis that the applicant is claiming the equivalent locally made product is technologically inferior to the imported product, or the applicant is circumventing the local supplier completely.

It would be a brave person to argue that a "Holden" is technically superior to a "Ford" or visa versa. This is an example of an appropriate comparison, where the locally made product is being claimed to be technically inferior to another similar product (or an imported product).

# SUBMISSION 29

A very questionable and subjective claim, when other companies in the same industry have purchased the locally made product, to replace a competitor's product, and are experiencing extremely successful operation and use of the equipment. The reality is, that the scheme is being abused and used to minimise the cost of the imported product, (by deleting Customs Duty), when a subjective decision is made to purchase the imported equipment.

## **Inbye Mining Services Pty Ltd**

Inbye Mining Services Pty Ltd is a wholly owned Australian Company, designing and manufacturing locally, underground coal mining longwall chain conveyor equipment.

Inbye has successfully partitioned the Australian Customs Service to revoke and deny the granting of several Tariff Concession Orders for various Longwall Mining Equipment, thereby establishing our credentials as a local manufacturer and supplier. **This has been at the cost to Inbye.**

## **The Competitors**

Inbye's main competitors are 2 large overseas multi national companies, who could and have in the past manufactured locally, but choose not to, to feed their factories overseas with work.

Inbye is able to compete with these 2 large multi national companies technically. An added commercial advantage is gained with the assistance of the tariff duty protection (all be it a very small percentage), the cost of sea freight, and at times, the foreign currency exchange rate.

## **Conclusion**

Allowing the granting of an enhanced project by law concession solely on the basis of questionable superior technology, without the chance to challenge the claim, in our view, makes a complete nonsense of the scheme.

One may as well not have any tariff protection at all.

## **AusIndustry**

Is the government department that administers the Enhanced Project By Law Scheme.

Inbye has discussed the disadvantages the scheme is setting the local manufacturers at and how the scheme is being abused.

Inbye were told that in March 2005 the scheme was to be abolished. This has not happened infact it has had the period of operation extended.



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### Longwall Mining Equipment – Description

Please find attached sketches that illustrate a Longwall Mining System.

A Longwall Mining System consists of the following major items of equipment

1. **Roof Supports** – hold the roof up in the underground mine
2. **Shearer** – coal cutting machine
3. **Chain Conveyor (AFC & BSL)** – which convey the coal and load onto the longwall belt conveyor

**Inbye Mining Services** design and manufacture item 3 – the Longwall Chain Conveyors

Other items of equipment that make up the total Longwall Package of Equipment (not shown on sketch)

4. **Cable & Hose Handling System** – Monorail System – the major supplier in Australia is an Australian Company in NSW.
5. **Electrical Power Supply** – Electrical Transformers, Distribution Switch Gear and Cables – a number of Australia Companies supply this equipment.
6. **Hydraulic Pump Station** – supply hydraulic fluid to the Roof Supports – pumps and motors imported – Australian Companies, including Inbye, can manufacture these systems.



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### Longwall Mining Products Designed and Manufactured by Inbye Mining Services

- Inbye design and manufacture Longwall Chain Conveyors, namely:

Product	Sale Price (approx.)
<b>Armoured Face Conveyor</b>	\$7.5 to \$8M
<b>Beam Stageloader</b> (Incorporating a Crusher)	\$1.0 to \$1.2M

- Inbye also design and manufacture other associated products, such as the underground belt conveyor tail end, called the longwall Bootend.
- Inbye import specialist componentry for these products that are not manufactured in Australia, namely

Component	Duty Paid
Flameproof Electric <b>Motors</b> 3300V – ex UK	3%
Soft Start Fluid <b>Couplings</b> – ex Germany	5%
<b>Gearboxes</b> for U/G use – ex Germany	5%
Heavy Duty Specialist Chain – ex Germany	3%
<b>Specialist Sprocket Rings</b> – ex Germany	5%

- Despite the imported items required to complete the Inbye products, the Australian content is still high

Product	Percentage of Australian Content (labour & materials)
<b>Armoured Face Conveyors (AFC)</b>	75%
<b>Beam Stageloaders (BSL)</b>	70%
<b>Longwall Bootends</b>	100%



# SUBMISSION 29

## LONGWALL MINING SYSTEMS - 4 KEY COMPONENTS

