

Mr John Williams
Inquiry Research Manager
Rules of Origin Study
Productivity Commission
PO Box 80
Belconnen ACT 2616

Dear Mr Williams

Thank you for the opportunity to comment on the Commission's interim research report on ANZCERTA the rules of origin.

The Institute's comments on the interim report are as follows:

Interim report recommendation 1

- adoption of "principal firm"

CIAL has no objection to the proposal.

- valuation and coverage of eligible costs in Australia and New Zealand be aligned to achieve a single set of rules

CIAL supports the recommendation and agrees with the TFIA submission that there would be merit in both countries adopting rules and definitions similar to those contained in the Australia Singapore Free Trade Agreement.

- adoption of a standard definition of manufacturing based on ANZSIC

The proposal is strongly opposed by the Institute on the grounds that origin would be conferred by simple manufacturing processes such as applying a secondary backing to semi processed carpet. The proposal, if adopted, would encourage transshipment.

Interim report recommendation 2: waiver proposal

CIAL does not support this proposal. Our members understand and are comfortable with the existing arrangements, and compliance costs are not a significant issue for them. The waiver proposal may be relevant if the absolute level of tariffs is low on final products and intermediate goods, however, this is clearly not the case for textiles.

Interim report recommendation 3: reduce RVC threshold

CIAL supports the retention of a substantial transformation test expressed as a regional value content threshold set at marginally lower than the current rate of 50%. A marginal relaxation of the current threshold would benefit carpet manufacturers who import relatively expensive yarn systems from outside the CER area. We believe that a 40% threshold would be too low and 30% would be equivalent to having no local content requirement at all,

The Institute supports the TFIA proposal regarding the introduction of a tolerance for significant movements in the exchange rate.

Interim recommendation 4: in the longer, remove RVC threshold and align remaining non-zero MFN rates in Australia and New Zealand

There may be a case for eliminating the RVC threshold for individual products when their MTN rates in Australia and New Zealand are 5% or lower. In relation to the harmonization of non-zero MTN rates, this is fine in theory if the aim is to achieve common tariff treatment for final goods and intermediate products.

If there are any queries, please don't hesitate to call me on 03 9804 5559 Yours sincerely



Allan Firth
23 March 2004