

Coles Myer Ltd

ABN 11 004 089 936

04 March 2004

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

Dear Mr Williams,

Productivity Commission Interim Research Report: Rules of Origin under the Australia - New Zealand Closer Economic Relations Trade Agreement

Coles Myer Ltd appreciates this opportunity to comment on the Interim Research Report released by the Productivity Commission.

Coles Myer previously lodged a brief submission on 15 October 2003. The comments outlined in that submission related only to the food side of our trans-Tasman operations. Our apparel and hard goods divisions have experienced serious concerns in respect to the rules governing cross-border trade.

Whilst we note that several major manufacturers have contributed to the Inquiry it is worth mentioning that Coles Myer indirectly represents numerous small and medium sized manufacturers in trans-Tasman trade. Coles Myer purchases goods from local suppliers and arranges export to New Zealand. The value of this trade is approximately \$26 million per annum. Our experience reflects the issues confronted in this export/import process.

We have specific concerns in relation to the ANZCER Rules of Origin and the application of Mutual Recognition Arrangements.

In respect to the RoO we have found that the interpretations attaching to the 'last place of manufacture' and qualifying content are a constant cause of uncertainty. This is notwithstanding the good faith declarations of manufacturers and the best efforts of all parties along the supply chain to understand and comply with the rules.

The detailed nature of these concerns is similar to those expressed in other submissions to the Inquiry. In our view the doubt created by particular official interpretations, particularly in regard to apparel, has a negative impact on trade and traders. The prospect of post importation audit activity overturning preference eligibility status is a cause of enduring anxiety.

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In addressing these issues we have pursued a number of avenues in an effort to clarify the situation and ensure our company complies with the relevant laws. However, as the Commission is aware this is a difficult undertaking made more onerous by the lack of consistency and uncertainty of interpretations applied by government agencies.

One simple learning we draw from this is that, from the perspective of a normal trader, certain aspects of the trans-Tasman trade arrangements have evolved to become complex and potentially risky. For example, a successful challenge to preference eligibility based on a particular interpretation of the rules could result in expensive retrospective claims for duty. No company can afford this cost or the disruption caused to business.

This risk factor can and in some instances does influence buying behaviour by encouraging a diversion of trade to low risk sources.

In our experience traders are increasingly burdened with rising costs and new fees. Post September 11 security arrangements continue this trend. We therefore support all initiatives that remove unnecessary administration, processes, fees, charges and costs from the cross border supply chain.

But our primary interest as a trader is for clear, consistent and transparent rules.

This outcome is only possible if we remove the causes of uncertainty that infect the current rules and their interpretation by the various government agencies. Thus we support the interim recommendations proposed by the Commission:

1. Replacing the 'last place of manufacture' rule, aligning eligible costs rules and adopting standard definitions based on ANZSIC.
2. Applying a waiver to provide duty free entry for CER goods for which the tariff difference is 5% duty or less.
3. Reducing the regional value content to 40 % immediately followed by a further reduction to 30%.

These amendments are consistent with the spirit and intention of the CER Agreement. They will, in our opinion, further the fundamental aim of encouraging greater trade in goods manufactured and produced within the jurisdiction of the trans-Tasman partners.

As a major trader of goods between New Zealand and Australia Coles Myer recognises that improved arrangements in line with the Commissions proposed interim recommendations will enhance the competitiveness of a large range of New Zealand and Australian origin goods.

Yours faithfully,
COLES MYER LTD

T.A. CURTIS
Customs & Trade Services Manager