



SUBMISSION

by

**EMPLOYERS AND MANUFACTURERS'
ASSOCIATION (N) INC.**

to the

Australian Productivity Commission

on

**Rules of Origin under CER Draft Report
Comment**

2 March 2004
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Review of Rules of Origin – Draft Report Submission by Employers and Manufacturers Association (N)

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1. BACKGROUND

This submission is made by the Employers and Manufacturers Association (N) Inc. (EMA). The EMA is made up of approximately 7500 member companies covering the New Zealand region north of Taupo. This membership includes approximately 1500 manufacturers ranging from large to SME.

Within our membership there are a significant number of companies involved in the manufacture supply, distribution and use of products on a Trans-Tasman basis.

The EMA includes in its advocacy role a keen interest in trade (export and domestic issues) and that of compliance costs for our members both within the New Zealand market and under international agreements such as CER and the rules that apply within such agreements.

The EMA has focused its submission on core recommendations and our support for them in ensuring our members issues and opinions are represented.

EMA has contributed to and as such endorses, the submission lodged by Business New Zealand.

2. CONTACT

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3. SUBMISSION ON REPORT

3.1 Commission Report

The EMA strongly supports the introduction of measures to fix the current problems with the existing Ad-Valorem system of 50%.

We believe that the report reflects the thrust of submissions from our members and affiliated organisations.

The EMA considers the report to be a balanced document that covers the issues and debate over the Rules of Origin thoroughly.

3.2 Recommendations

The Commission has recommended an immediate measure of a waiver system which the EMA believes will achieve a fix for the majority of the issues faced by exporters on both sides of the Tasman. We have some concern that the gap between now and when tariffs are within the 5% range could run to several years and continue to cause problems to some CER trade.

We therefore support Interim recommendation 2 for the waiver to be introduced.

However we do not support the proposed use of a definition of manufacturing based on the Australian and New Zealand Standard Industrial Classification (ANZSIC) as we do not consider this to be sufficiently robust. There is existing “case law” that has provided clear guidelines and definitions in this area and we would commend the Commission’s consideration of this established precedent.

Our preferred short term solution was that of a change of the rules to Change of Tariff Heading with the second preference being the reduction to 40% Ad-Valorem.

As this solution does not appear in your recommendations and should the wavier recommendation not be acceptable, then the interim recommendation 3 would be supported fully.

Interim recommendation 4 for the long term of removal of the CER Content rules and application of a “principle firm” manufacturing test with a full tariff alignment is fully endorsed by the EMA as the optimum solution to problems and the most likely catalyst to produce a truly common market between Australia and New Zealand.

We would strongly encourage this target to be established and given a definitive timeframe for achievement.

3.3 Perceptions Comment

The EMA notes the perceptions held in some sectors of Australian industry that the New Zealand industry poses a significant risk to domestic Australian manufacture. However, we do not accept or share any such concern. Sectors such as clothing, textile and footwear simply do not have the capacity to threaten their counterparts within even one State let alone Australia.

Many other industry sectors are not focused on the same markets segments and even where capacity exists to directly compete it would be very unlikely to be able to gear up sufficiently to pose a threat to the viability of an efficient domestic Australian manufacturer with established market share.

Our message is simple; New Zealand manufacturers will not pose a threat following any of the rules of origin changes proposed.

The majority of New Zealand manufacturers already exporting into the Australian market, are doing so under the existing content rules without any advantage and without the various State assistance measures that may be available to Australian manufacturers and rarely win business based on price alone. It is incorrect to assume that New Zealand manufacturers face any less cost base than their Australian counterparts.

Many New Zealand and Australian companies operate manufacturing facilities on both sides of the Tasman for reasons of logistical efficiency, to ensure back up capacity, to share marketing resources and to allow specific product runs to be produced in one country. Our feed back from such companies is favourable for a change to the Rules of Origin.