

FINAL SUBMISSIONS
to
PRODUCTIVITY COMMISSION
on the
ANZCERTA RULES OF ORIGIN STUDY
from
Rembrandt Suits Limited
New Zealand

Introduction

Rembrandt wishes to acknowledge the opportunity it was given to participate in the Rules of Origin Research Project and to comment on the Draft Report.

Rembrandt remains of the view that, in spite of problems for the Company early in the piece (following TCF categories coming under CER), the RoO regime has generally achieved its objective.

With the passage of time and the changing nature of the Industry on both sides of the Tasman, without updating and refinement the present RoO will be more of an impediment than a protector of locally based (Australian & New Zealand) manufacturing.

Rembrandt wishes to compliment the Commission on its recommendations which the Company felt addressed the issues for which the study was tasked to investigate. The recommendations were simple, practical and capable of easy implementation.

Lack of Local Raw Material & Componentry Manufacturers

In its original submission Rembrandt commented on Inefficient Raw Material Buying Decisions. It could have added “when such options are available”. Ten to fifteen years ago apparel manufacturing was supported by a diverse infrastructure of local raw material and componentry manufacturers, e.g Cloth Mills, non-woven fabric makers, label weavers, button makers, the list went on. These organisations are few in numbers these days. Without local componentry suppliers, achieving 50% local content is becoming increasingly difficult.

Exchange Rate Volatility

Although much has already been said on this subject, Rembrandt cannot express its opinions strongly enough that without a mechanism to address/offset the wide exchange rate swings it is frustratingly difficult to sell forward on an indent basis with any degree of certainty.

Intermediate Goods

It was disappointing, but not entirely surprising, to learn that Australian manufacturers, and others continue to raise this argument. The draft report's recommendations have not altered the situation in regard to Intermediate Goods and their effect. Rembrandt maintains that in spite of New Zealand's more liberal concession policy, by the time all factors are taken into account, including Australian Industry Assistance and the cost of Trans Tasman freight to NZ exporters, the price differential at retail level is marginal.

Local Manufacturers Competitive Advantage

Local manufacturers cannot compete on price with imports from low cost countries.

For local manufacturers to survive they need economical production volumes achieved through the exploitation of their competitive advantages. These competitive advantages we would suggest are – production flexibility, quick response deliveries, product innovation and top quality fabrications.

Under the former heading, e.g quick response and innovation, local manufacturers have given a very good account of themselves. However, 50% local content severely restrains their ability to import top-end European fabrics, (Which incidentally are almost exclusively woven from Australian and New Zealand wool.)

Increased Local Manufacturing

It is significant, and more than just a coincidence, that Rembrandt's New Zealand manufacturing output has increased, with extra staff employed over the last three seasons when the strengthening NZ dollar has allowed it to purchase and offer to the market higher quality European cloths.

It would be most unfortunate, indeed a tragedy, if a depreciating NZ dollar resulted in Rembrandt again having to restrict its range offerings and in turn cut back on local manufacturing output and jobs.

A 40% local content breakpoint would provide a more realistic content level and remove the uncertainty while helping to protect jobs, which of course is the very objective of RoO.

24/3/2004