

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

Subject: Research Study: ANZCERTA Rules of Origin

Dear Mr Williams,

Further to our recent telephone conversations, the Institute is pleased to participate in the review of the ANZCERTA rules of origin. Please accept the following as our interim submission. We look forward to receiving the Commission's draft report in December and will provide further input then after consulting our members.

## **CIAL**

The Carpet Institute of Australia is the national industry association representing carpet manufacturers as well as suppliers of goods and services to the Australian carpet industry. CIAL members production accounts for 80% of total domestic sales.

## **Australia/ New Zealand Trade in Carpet**

New Zealand is the largest export destination for Australian carpet and vice versa.

2-way trade flows over the past 4 financial years, are shown below:

**Table:** Australia/ New Zealand Trade in Carpet

	99/00	00/01	01/02	02/03
Imports from New Zealand (\$m)	71	61	41	53
Share of total carpet imports (%)	46	43	34	37
Exports to New Zealand (\$m)	30	29	29	33
Share of total carpet exports (%)	45	40	39	43

For the period as a whole, Australia's carpet imports from New Zealand and exports to New Zealand accounted for at least 40% of total import/ export activity, underscoring the importance of ANZCERTA to the carpet industries of both countries.

## **Rules of Origin**

The Institute has canvassed its members in relation to the Productivity Commission's reference and the responses received indicate a strong preference for retaining the current rules of origin. The ANZCERTA rules of origin are well understood by the Australian carpet industry, and there is no apparent desire to move to an alternative system.

CIAL members are particularly concerned to ensure that the rules of origin facilitate free and fair trade between the treaty partners and do not give rise to unintended consequences.

The 50% regional value content threshold is seen as appropriate although problems can occur at the margin. Exchange rate movements may cause shipments of the same products to have different levels of local content. This creates significant difficulties when a company enters into a contract under one set of circumstances and finds that they need to fill the contract under a different set of circumstances. To overcome the problem we suggest that consideration be given to specifying a band for the Australia/New Zealand exchange rate within which fluctuations do not affect the calculated regional value content figure.

Consistent with the intent of the ANZCERTA rules of origin, CIAL would wish to ensure that preferential entry is only accorded to carpet and carpet tiles converted from fibre or at least yarn to a finished floor covering, in either country. Semi processed products (eg undyed carpet or unbacked carpet) imported from a third country and processed to finished state in the free trade region should not in any circumstances qualify for tariff preference under ANZCERTA.

The rules governing entitlement to preferential rates of duty for trans- Tasman trade allow for different interpretations of eligible expenditure. In effect this means that it is more difficult for Australian companies to meet origin requirements. We recommend therefore that consideration be given to ensuring that the same rules and administrative interpretations apply in each country.

If there are any queries please don't hesitate to call me.

Yours sincerely



Allan Firth  
Executive Director  
17 October 2003