

Rules of Origin Study
Productivity Commission
PO 80
BELCONNEN ACT 2616
Australia

Dear Sir

Thank you for the opportunity to examine, and provide comment on, the draft report entitled 'Rules of Origin under the Australia – New Zealand Closer Economic Relations Trade Agreement'.

New Zealand is Australia's third largest export market by volume with 33 million litres shipped and fourth largest in value terms after the United States, United Kingdom and Canada with FOB value of \$A99 million. Imports of wine from New Zealand in 2002-03 were 5 million litres with a value of \$48 million (total wine imports were 17 million litres valued at \$139 million).

Because of the parity and scale of wine tariffs imposed by both New Zealand and Australia there is minimal impact from rules of origin set under the Australia – New Zealand Closer Economic Relations Trade Agreement.

However, the Australian wine industry is very actively involved in the WTO negotiations where we are strong supporters of the *change of tariff classification (CTC) test* — where a good is transformed if there is a change in tariff classification, using the Harmonized Commodity Description and Coding System. However, we recognize the shortcomings of the harmonized tariff code system for this purpose. We also concur that the transaction costs from changing to this method would be significant.

Consequently, the Winemaker's Federation of Australia supports the interim recommendations in the report, but also would suggest that for all the minor tariffs (< 5%) they should immediately be harmonised at the lowest level.

Tony Battaglione
Director, International & Regulatory Affairs
Winemakers Federation of Australia

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