

SUBMISSION NO. 8



25 January 2011

Mr Kevin Bodel
Inquiry Secretary
Joint Standing Committee on Treaties
Parliament House
Canberra ACT 2600

Dear Mr Bodel,

Re: JOINT STANDING COMMITTEE INQUIRY INTO ANZCERTA

Thank you for your letter of 21 January 2011, inviting representatives of the TFIA to appear at a public hearing in relation to the Joint Standing Committee's Inquiry into the ANZCERTA Exchange of Letters proposing amendments to Article 3 and Annex G of the Agreement.

We welcome this opportunity and look forward to presenting at the Hearing scheduled for Wednesday 2 February in Melbourne. The TFIA will be represented by:

- Mr Peter Waddell, CFO, Stafford Group (and Board Member, TFIA)
- Ms Jo-Ann Kellock, CEO, TFIA

As requested, attached is a completed Hansard Witness Form for each of the above representatives. We will arrive at the Hearing venue by 11.00 am as suggested, and will also accompany the Committee to the industry visit at Stafford Group at 2.00 pm.

While we will raise all issues of concern to the Australian TCF industry at the Hearing next week, I do feel I should make comment already on representations made by Mr Clougstoun, representing the Department of Foreign Affairs and Trade, during the public session that was held on Monday, 22 November 2010 (as recorded in Hansard).

Responding to a question from Senator Cash (TR3 of Hansard), Mr Clougstoun noted that the advantage New Zealand manufacturers enjoy over Australian manufacturers is the duty drawback on fabrics and trims that are incorporated into suits that are exported to Australia. He also stated that "the strength of the Australian dollar, labour rates and so on" were also major concerns.

This is all true, but it infers that the competitive advantage enjoyed by New Zealand manufacturers in the Australian market over our domestic producers has nothing to do with the ANZCERTA arrangements and the proposed amendments to these as reflected in the

exchange of letters. But to the contrary, ANZCERTA distorts the relative competitiveness and further exacerbates the pressures confronting Australian producers.

Duty drawback is a fact of life in international trade. Indeed Australian exporters benefit considerably from the ability to take advantage of such provisions and the TFIA has no complaint with any country making full use of such arrangements as long as there are no other distortions in the system. But it is the combination of duty free entry of finished product ex New Zealand under ANZCERTA and ability to avoid duty on the input materials that creates the significant advantage for New Zealand producers over their Australian counterparts. This is the reason behind the extensive litany of intermediate goods complaints under ANZCERTA throughout the 80's and 90's.

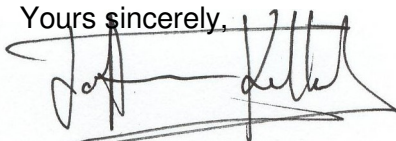
As our general tariffs have been progressively reduced over time, and Australia's own manufacturing base consequently eroded, the extent of these concerns has lessened. However the Australian suit industry, especially at the high quality end, has proven relatively resilient and competitive against global competition generally, yet this has continually been pressured – and now threatens to be undermined – by the distortions introduced by ongoing changes to the ANZCERTA arrangements.

The amendments proposed by the Exchange of Letters will further water down the ANZCERTA rules of origin provisions, meaning that less and less added value needs to be carried out in New Zealand. This means that New Zealand manufacturers will be able to utilise very expensive, high quality 3rd country fabrics (which they can access duty free whereas Australian manufacturers are subject to significant duty payments on such quality fabrics) and target the only market where Australian producers have managed to maintain a foothold. This accords the New Zealand industry and unfair advantage and will lead to the demise of a once strong and proud Australian industry sector, boasting product development and manufacturing support for iconic household names such as Anthony Squires, 1096 etc., and which still employs some 250 skilled workers around Australia.

Unfortunately, noting the ongoing relaxation of rules of origin under the various trade agreements that Australia is party to, it would appear that Australian industry concerns are largely ignored. I would hope that this will not prove to be the case again, with this issue.

We look forward to elaborating on our concerns at the public hearing. Thank you.

Yours sincerely,



Jo Kellock
CEO