

SUBMISSION BY THE AUCKLAND REGIONAL CHAMBER OF COMMERCE ON THE AUSTRALIAN AND NEW ZEALAND PRODUCTIVITY COMMISSIONS INTERIM REPORT ON STRENGTHENING ECONOMIC RELATIONS BETWEEN AUSTRALIA AND NEW ZEALAND

INTRODUCTION

1. The Auckland Regional Chamber of Commerce and Industry appreciates the opportunity to make a submission on the joint interim report of the Productivity Commissions of Australia and New Zealand on strengthening trans-Tasman economic relations.
2. **The Auckland Chamber confirms that it would welcome any opportunity provided to be heard in support of this submission.**
3. The Auckland Regional Chamber has a corporate membership of more than 6000 and is dedicated to the strengthening of the Auckland's status as New Zealand's pre-eminent commercial, industrial and communications region and to assisting the development of the region in creating a desirable environment for its 1.4 million citizens.

CONTEXT

4. The Auckland Chamber is pleased to note that the Productivity Commissions interim report has adopted a number of the Chamber's suggestions in our submission (May 2012) on the original consultation document seeking ideas on strengthening trans-Tasman economic relations.
5. These suggestions included strong support for the Productivity Commissions to recommend in their final report in December to keep the momentum moving towards a genuine single economic market with initiatives that:
 - Are outward-ward looking and complement other trading agreements and exchanges with other trading partners; and in particular
 - Complement the productivity-enhancing policies and reforms that each country needs to pursue in order to make the most of new opportunities in Asia;
 - Get on with completing unfinished business, such as harmonising business law and the portability of retirement savings;
 - Remove costly rules of origin on trans-Tasman trade;
 - Further liberalisation of transport services, investment flows and measures to facilitate business travel and tourism.
6. Accordingly, we strongly encourage the Commissions to highlight and reinforce with specific actions and timeframes all the above proposed initiatives in its final report. They are reforms that are of critical concern to business and which we believe should be implemented in the short term, as suggested in the interim report at pages 13-to-16.

REFORM AGENDA LONG-TERM

7. We note that the Commissions don't prescribe an 'end point' to trans-Tasman integration. We tend to agree that how far things should go and at what pace needs to emerge from respective countries' public policy processes that focus on identifying the achievement of net benefits for both countries along the way.
8. In this context, both countries obviously remain sovereign nations. And according to the interim report "this in turn effectively rules out some higher forms of integration, such as monetary union." The report has ruled out a single currency, saying it would not generate net benefits.
9. We agree that a strategic initiative towards a common currency would not be a good idea, certainly at this stage of our comparative development. Rather, the challenge is to meld the different regimes to make doing business across the Tasman as simple as possible while at the same time looking after the best interests of both nations.
10. Sometimes this may mean sticking with single national institutions, other times this may mean looking at joint oversight.
11. At the same time, as we noted in our earlier submission we agree that it is now time to extend CER beyond people, goods and services, to capital, with the aim to ensure its free flow across the Tasman. In an integrated (single) market for people, goods and services, it should be no more difficult for capital to flow across the Tasman than it is to flow from the North Island of New Zealand to the South Island or from one Australian state to another.
12. As CER's 30th birthday approaches, faster action to strengthen the trans-Tasman market is needed to address a host of specific 'money' issues that would make it easier for business in each country; e.g. streamlining banking, company registration, accounting and securities regimes and removal of taxation impediments.
13. Accordingly, we are disappointed that the interim report simply highlights the complexities of the double taxation rule and recommends further assessment. As we previously submitted, the topic has been debated for more than two decades, and we reiterate our belief that the issue needs to be addressed as part of 'celebrating' CER turning 30 next year.
14. Currently, company income and dividends to shareholders is taxed twice if they cross the Tasman but only once if they remain within its source country. In principle, removing a tax barrier that works against trans-Tasman investment is similar to removing a tariff on trans-Tasman trade.
15. The double taxation issue continues to be the biggest unresolved issue for business in both countries. We strongly recommend the commissions put forward a framework of action to address the concerns of business in the final report due in December.

CONCLUDING COMMENTS

16. We suggest that the 30th anniversary of CER offers the opportunity for the Productivity Commissions of each country to seek out an appropriate bold next step – or step change - on which to drive deeper economic integration and collaboration through which our respective business communities can boost productivity and living standards in respective countries.
17. In particular, the Chamber suggests the Commissions' put forward a progressive future-focused agenda that will extend CER to capital flows (see interim report, page 14) as well as implement the items of unfinished business and other proposed initiatives identified in the interim report covering expansion of trade in goods and services, taking a more outward-looking approach e.g. to make the most of new opportunities in Asia, case-by-case coordination of government services, people mobility and CER governance (see pages 13-16).
18. We strongly agree that establishing a clearer leadership and oversight role for CER, building on existing governance arrangements and the annual meeting of Prime Ministers, would help lift the momentum of the CER agenda while providing greater continuity, cohesion and foresight.
19. Our suggestions and recommendations for the Productivity Commissions' final report to identify a bold 'step change' strategy to strengthen economic relations between Australia and New Zealand are put forward in the positive spirit of achieving a measurable long-term boost in New Zealand's productivity of mutual benefit to both nations.
20. We look forward to discussing them further and working collaboratively with the Commissions to ultimately achieve an enduring outcome from this singularly important joint CER improvement process.

Michael Barnett

Chief Executive

10 October 2012