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New Zealand Productivity Commission
PO Box 8036
The Terrace
WELLINGTON 6143

BY EMAIL:

transtasmanreview@productivity.govt.nz

Dear Sirs

RE: STRENGTHENING ECONOMIC RELATIONS BETWEEN AUSTRALIA
AND NEW ZEALAND

1. Introduction

We wish to respond to issues arising from the Discussion Draft: Strengthening Trans-Tasman Economic Relations.

Heinz Wattie's Ltd produces, markets and distributes a wide range of packaged food in New Zealand market under a number of brands including Wattie's, Oak, Heinz amongst others. HWL employs over 1,700 people with manufacturing sites in Hastings, Christchurch and Auckland as well as a sales and marketing office based in Auckland.

Our comments relate to DR4.6 which reads as follows:

Closer Economic Relations Rules of Origin should be waived for all items for which tariffs in Australia and New Zealand are at 5 percent or less.

Australia and New Zealand could also reduce any tariffs that exceed 5 percent down to that level (by say 2015), allowing the trans-Tasman Rules of Origin to be abolished.

2. The Commissions' Explanation of this Proposal

It is claimed that "when tariffs are at 5% or less, there is no incentive for third parties to engage in trans-shipment, and thus no need for the associated RoO". The claim is then made that to waive tariffs for goods traded between Australia and New Zealand "would reduce compliance and administrative costs for a significant proportion of Trans-Tasman trade".

3. Background

It is important that the recommendations of the Commissions be placed in the correct policy perspective.

The New Zealand Government is currently committed to its tariff policy (no reductions in the normal rate) through to 2015, with a review scheduled in 2013 to determine what may happen post-2015.

The purpose of ANZCERTA is to enable preferential trade to take place between goods which are the origin of New Zealand or Australia. The Agreement specifically excludes preferences being granted to third countries.

The ability for Australian and New Zealand manufacturers to take dumping actions (but not countervailing) against goods from the other country was extinguished in 1990. This exclusion pertains to goods the origin of Australia or New Zealand only. There is no ability for third country goods to benefit from this exclusion.

It has been publicly stated on numerous occasions by government officials in recent years that the retention of tariffs in New Zealand has provided some "negotiating coin" for use in current and future trade negotiations.

4. HWL's Position

HWL is strongly opposed to the options proposed by the Commissions, which in our view are contrary to the above policy settings, which result in Rules of Origin being waived, and ultimately abolished.

It is with equal concern that we see the effectiveness of anti-dumping measures being diluted or removed by these proposals. HWL has been a user of the trade remedies legislation in New Zealand and some of our products currently have the assistance of dumping measures imposed against imported goods.

Generally speaking, anti-dumping measures exceed 5% (or the threshold price effectively exceeds a 5% uplift), and this provides a real incentive for suppliers whose goods are subject to anti-dumping measures to take steps to avoid these costs. The proposals recommended by the Commissions will simplify these techniques by enabling third country goods, trans-shipped through Australia, to defeat dumping measures by virtue of achieving Australian origin through trans-shipment. This cannot have been the intention of the Commissions when these proposals were developed.

HWL therefore submits that DR4.6 be removed, and not presented to Ministers.

5. HWL Fallback Position

In the event that the Commissions decide that the proposals should go to Ministers, we submit that the following should be included in the Report:

- ♦ Identify clearly the implications for anti-dumping measures (and safeguard measures), and therefore specifically exclude them.
- ♦ Make a clear distinction between trans-shipped goods and goods that enter the commerce of Australia and/or New Zealand. Such a waiver should only apply to goods that enter the commerce of either country, and trans-shipped goods should be specifically excluded.

6. Conclusion

HWL has serious concerns about these proposals. Our advisers have met with the New Zealand Productivity Commission on two occasions, and have confirmed to us that unless there is reconsideration, the above implications will flow from the Commissions' recommendations.

We request that these proposals be withdrawn immediately from any final Paper that goes to Ministers.

I am happy to meet with your officials as is appropriate to expand further on our submission.

Yours sincerely

Michael Gibson
Managing Director
Heinz Wattie's Ltd.