

Trade, travel and tourism

Trade

- 5.1 In 2005, trans-Tasman merchandise trade was worth \$14.4 billion; trade in services another \$4.7 billion, and two-way investment was \$61.8 billion.¹
- 5.2 Australia's exports, worth \$9 billion, include refined petroleum (\$595m); computers and computer parts (\$534m); passenger motor vehicles (\$447m); and medicaments (\$419m). Imports from New Zealand, worth \$5.4 billion, include paper and paperboard (\$292m); crude petroleum (\$282m); non-monetary gold (\$229m); wood products (\$216m) and other food products (\$207m).²
- 5.3 A particular trade issue brought to the attention of the committee was that of Rules of Origin.

Rules of Origin

- 5.4 At the 2004 Closer Economic Relations meeting held in Queenstown, New Zealand, Australian and New Zealand Ministers agreed to adopt a Change in Tariff Classification (CTC) approach to the Rules of Origin (ROO) used in the Australia – New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). Following extensive consultation with industry throughout 2005, negotiations for the ROO
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1 Department of Foreign Affairs and Trade, *New Zealand Country/Economy Fact Sheet*, p. 1.

2 Department of Foreign Affairs and Trade, *New Zealand Country/Economy Fact Sheet*, p. 1.

were concluded, and agreed to by Australia and New Zealand's Trade Ministers, in February 2006. The ROO amendments are scheduled to come into force on 1 January 2007.³

Factory Cost Method Rule of Origin (ROO) under ANZCERTA

Currently, Article 3 of ANZCERTA specifies that to be deemed originating goods, goods that are not wholly obtained in Australia or New Zealand must meet two requirements:

- a) The last process in the manufacture of the goods must be undertaken in Australia or New Zealand; and
- b) At least 50% of the factory or works cost of the goods consists of Australian or

New Zealand materials, labour and overheads, calculated as follows:

$$RVC = \frac{TC - VNM}{TC}$$

Where

- RVC is the regional value content
- TC is the total factory cost
- VNM is the value of non qualifying content (i.e. content that is not classified as from the region)

The total factory cost includes all material and labour costs directly associated with the manufacture of the good and overhead costs that can be assigned to the production of the good such as depreciation, licence fees and rent.⁴

3 Department of Industry, Tourism and Resources, *submission 29, Vol 2*, p. 72.

4 Department of Industry, Tourism and Resources, *submission 29, Vol 2*, p. 72-73.

Change in Tariff Classification (CTC) ROO

The proposed amended ANZCERTA Article 3 adopts a CTC ROG for all tariff items (though some tariff item ROOs also incorporate an RVC or chemical reaction requirement). Though the amended Article 3 is scheduled to start on 1 January 2007, manufacturers and importers/exporters are still able to use the factory cost method for verifying the origin of goods, if they choose to, up until 1 January 2012. The CTC approach to ROO is based on transformation of imported materials using the World Customs Organization's Harmonized System of Tariff Codes the HS Code. A CTC ROO requires an imported material to come from a different part of the HS Code than that of the exported product in other words, the materials undergo a specified change in tariff classification as a result of the production process. CTC rules may specify that changes are required at the chapter level (HS code two-digit), the heading level (four-digit) or the subheading level (six-digit). Examples of CTC rules in the proposed ANZCERTA ROO schedule are:

- CTC rule at chapter level:
 - “Change to heading 6603 from any other chapter”
- CTC rule at heading level:
 - “Change to heading 2712 from any other heading”
- CTC rule at subheading level:
 - “Change to subheading 370710 from any other subheading”⁵

5.5 In a submission to the Joint Standing Committee on Treaties' inquiry into ROO Albright and Wilson (Australia) Limited, a chemical company state that, if the change to CTC goes ahead, this would adversely affect their business by allowing a New Zealand detergent producer to purchase ingredients from China that, under CTC, will qualify for duty free entry into Australia. Accordingly this will:

. . . not only adversely affect trade across the Tasman (reducing exports from Australia to New Zealand) but will also jeopardise the ongoing viability of our manufacturing operation in Yarraville. It should be noted that other Australian exporters of detergent raw materials will probably be similarly affected, and local (Australian) producers of detergents will be disadvantaged by the ability of New

5 Department of Industry, Tourism and Resources, *submission 29, Vol 2*, p. 73.

Zealand competitors to enjoy lower cost inputs and duty free entry into Australia of finished detergent products.⁶

5.6 Accordingly Albright and Wilson (Australia) Limited requested that the RVC method be exclusively applied for a five year period.⁷

5.7 The committee also took evidence from the Department of Industry, Tourism and Resources regarding the issue of “Men’s and Boy’s Suits”. The Department was able to confirm that there would be “no impact”⁸ on this trade with the change in Rules of Origin classification.

5.8 In a supplementary submission to the inquiry the Department of Foreign Affairs and Trade stated that:

. . . the Australian and New Zealand Governments, and industry on both sides of the Tasman are of the view that the proposed adoption of new ANZCERTA ROO based on a change of tariff classification approach will bring significant benefits to trans-Tasman trade by reducing costs for business and simplifying the rules.⁹

5.9 The Joint Standing Committee on Treaties’ (JSCOT) *Report Number 80* commented that Albright and Wilson’s concerns should have been raised “much earlier in the negotiation stages.”¹⁰

5.10 JSCOT made a recommendation that “Austrade make greater use of its database of businesses to consult at a business level as was done during negotiations for AUSFTA.”¹¹

5.11 The Committee notes that JSCOT supported the Rules of Origin changes.

Infrastructure

5.12 An issue that came to the Committee’s particular attention whilst in New Zealand was that of infrastructure.

6 Albright and Wilson (Australia) Limited, *submission 6*, Joint Standing Committee on Treaties, Treaties tabled on 28 March 2006, p. 1 – 2.

7 Albright and Wilson (Australia) Limited, *submission 6*, Joint Standing Committee on Treaties, Treaties tabled on 28 March 2006, p. 2.

8 Department of Industry, Tourism and Resources, *submission 29, Vol 2*, p.75.

9 Department of Foreign Affairs and Trade, *submission 30, Vol 2*, p. 79.

10 Parliament of Australia, *Joint Standing Committee on Treaties: Report 80*, p. 18.

11 Parliament of Australia, *Joint Standing Committee on Treaties: Report 80, Recommendation 1*, p. 19.

- 5.13 In discussions the Committee was informed that very little infrastructure work; particularly work relating to roads, goes ahead in New Zealand without some participation by Australian firms. This is because of the relative size and expertise that Australian firms bring to any joint venture.
- 5.14 It was important that Australian firms join with a New Zealand counterpart in gaining infrastructure work because of the expertise in tendering and regulatory processes New Zealand firms brought to the partnership.

Travel

- 5.15 New Zealand is Australia's number one source of short-term visitors, with approximately 1 million visits by New Zealanders each year. There were approximately 875, 000 Australian visits to New Zealand in 2005.¹²
- 5.16 There are specific immigration agreements that facilitate the close relationship between Australia and New Zealand. These are:
- Trans-Tasman travel arrangement; and,
 - Permanent residence visas.

Trans-Tasman travel arrangement

- 5.17 The 1973 *Trans-Tasman Travel Arrangement* has enabled New Zealanders to travel to, live and work in Australia without restriction and Australians to do the same in New Zealand. Around 350,000 New Zealand citizens live in Australia, plus about 100,000 are visiting at any one time. Around 60,000 Australian citizens live in New Zealand.¹³
- 5.18 The legal requirement, since September 1994, for all non-citizens to have visas for travel to Australia resulted in the introduction of a Special Category Visa (SCV) for New Zealanders. At the time of presenting a current New Zealand passport and completed incoming

12 NZ Government, *Submission 9, Vol 1*, p. 103.

13 DIMA, *submission 13, Vol 1*, p.151.

passenger card, New Zealand citizens are considered to have applied for a visa.¹⁴

- 5.19 Whilst the SCV allows a New Zealand citizen to remain and work in Australia lawfully as long as that person remains a New Zealand citizen, the visa is not considered a permanent residence visa.¹⁵
- 5.20 There is provision in the Migration Act (s32 (2)(a)(ii)) to deal with New Zealand citizens who may be a character or health concern.¹⁶
- 5.21 New Zealand citizens, who are suffering from a prescribed disease or a prescribed physical or mental condition, are considered to be a Health Concern Non-Citizen (HCNC).¹⁷

Permanent residence visas

- 5.22 On 26 February 2001, the Australian Government announced changes affecting New Zealand citizens in Australia. From this date, New Zealand citizens must meet the same requirements as other migrants to be eligible for Australian citizenship, access certain social security payments or sponsor their family members for permanent residence.¹⁸
- 5.23 Under transitional arrangements, New Zealand citizens who were:
- in Australia on 26 February 2001 as Special Category Visa (SCV) holders; or
 - outside Australia on 26 February 2001, but were in Australia as a SCV holder for at least one year in the two years prior to that date, and subsequently returned; or
 - who have a certificate, issued under the *Social Security Act 1991*, stating that they are residing in Australia on a particular date

14 DIMA, *submission 13, Vol 1*, p.151.

15 DIMA, *submission 13, Vol 1*, p.151.

16 DIMA, *submission 13, Vol 1*, p.151. A New Zealand citizen convicted of a crime and sentenced to death or to imprisonment for at least 12 months, or has been deported from another country, is considered to be a Behaviour Concern Non-Citizen (BCNC). A person that has been excluded from another country on the grounds that they refused or failed to present a passport; presented a bogus document; was not a genuine visitor; or the authorities of that country considered the person to be a threat to national security, is also considered to be a BCNC.

17 DIMA, *submission 13, Vol 1*, p.151. Currently, the only prescribed disease is tuberculosis (being tuberculosis that is not being controlled with medication, and in respect of which the person suffering from it refuses to sign an undertaking to visit a Commonwealth Medical Officer within seven days of entering Australia).

18 DIMA, *submission 13, Vol 1*, p.152.

are not affected by these changes.¹⁹

- 5.24 The Trans-Tasman Travel Arrangement and SCV arrangements remain in place and New Zealand citizens retain the right to travel to, work, study and live in Australia indefinitely.²⁰

Tasman Networks Agreement

- 5.25 In April 2006 Qantas and Air New Zealand signed an agreement that would have seen them cooperate on network, schedule, pricing and marketing initiatives for Tasman operations. This agreement was referred to as the Tasman Networks Agreement (TNA) and did not involve any shareholding.²¹

- 5.26 In November 2006 the Australian Competition and Consumer Commission (ACCC) issued a draft decision proposing to deny authorisation of the Tasman Networks Agreement. The ACC stated that:

. . . limited benefits from the agreement will not outweigh what the ACCC considers will be significant detriment to consumers in the form of higher prices and reduced travel options at key times."²²

- 5.27 As a result of this decision Air NZ withdrew its application to the Australian Competition and Consumer Commission (ACCC) and Ministry of Transport (MOT) for approval to operate a codeshare with Qantas on trans-Tasman routes.

Border control

ePassports and automated border processing

- 5.28 In February 2007, it will be possible for both Australian and New Zealand ePassport holders to be immigration cleared using an

19 DIMA, *submission 13, Vol 1*, p.152.

20 DIMA, *submission 13, Vol 1*, p.152.

21 Qantas, *submission 11, Vol 1*, p. 143 and Department of Transport and Regional Services, *submission 5, Vol 1*, p. 46.

22 ACCC *Proposes to Deny Qantas/Air New Zealand Tasman Agreement*, ACCC News Release # 254/06, 3 November 2006.

automated border processing system known as SmartGate. New Zealand commenced the issuing of ePassports in November 2005.²³

Identity fraud/multiple identities

- 5.29 Members of the committee have had concerns brought to their attention about Pacific islanders who can, as a part of their culture, have multiple names which can create multiple identities. The concern is that these multiple identities could be used to make claims for benefits from Centrelink.
- 5.30 The committee were assured that whilst this is a possibility it is not something that would be “unique to the Pacific and/or New Zealand.”²⁴ For example an Australian could have Australian and British passports in different names.

Tourism

- 5.31 Tourism is a significant driver of two way trade and the majority of New Zealand visitors to Australia are holiday makers (959, 000 out of a total of 1, 249 000 arrivals in the 2004 - 2005 year). New Zealand visitors spent approximately A\$1.2 billion in the 2004 - 2005 year.²⁵
- 5.32 For the year ended May 2006, there were 2.395 million international visitor arrivals to New Zealand. Top contributing markets include - Australia (882,000), UK (309,000), USA (221,000), Japan (148,000), Korea (107,000) and China (96,000).²⁶
- 5.33 International visitors spent a total of \$6.5 billion in New Zealand for the year ended December 2005 (excluding international airfares). This is an increase of \$205 million (3%) on the previous year.²⁷
- 5.34 The committee took evidence on the extent of cooperation between Australia and New Zealand in promoting the two countries as tourist destinations. Whilst some cooperation is possible, such as in large overseas tourist expos, each country has a distinct “brand” and “it is

23 DIMA, *submission 13, Vol 1*, p.153.

24 Mr J Rees, Acting Assistant Director, Entry Policy, Department of Immigration and Multicultural Affairs, *Evidence*, 16/06/06, p. 18.

25 NZ Government, *Submission 9, Vol 1*, p. 103.

26 NZ Government, *Submission 23, Vol 2*, p. 37.

27 NZ Government, *Submission 23, Vol 2*, p. 37.

not feasible for Australia and New Zealand to work together on dual destination marketing initiatives.”²⁸

The committee view

- 5.35 The committee has sympathy for businesses that will suffer under the new Change in Tariff Classification (CTC) approach to the Rules of Origin (ROO) used in ANZCERTA as put in place by the Customs Legislation Amendment (New Zealand Rules of Origin) Act 2006. However, the overwhelming weight of evidence has been that these changes will be hugely beneficial to trans-Tasman trade.
- 5.36 After the discussions held in New Zealand, it was the Committee's opinion that Australian companies wanting to get access to infrastructure work in New Zealand enter into joint ventures or other arrangements with New Zealand counterparts so as to provide essential knowledge in the regulatory environment and tendering process in New Zealand.
- 5.37 The committee is satisfied that any issues relating to multiple identities are not specific to our relationship with New Zealand and are being dealt with by the appropriate authorities.
- 5.38 Australia and New Zealand work very closely on immigration and border control. Data sharing arrangements are among the best in the world. The committee feels that initiatives to facilitate travel and improve border integrity have resulted in benefits to both countries.
- 5.39 The market for the tourist dollar in the southern hemisphere is one in which Australia and New Zealand compete and the committee does not feel that there is evidence for any closer ties than those that already exist.

28 NZ Government, *Submission 23, Vol 2*, p. 37.

