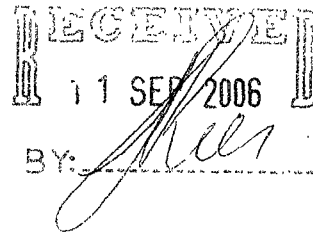


Submission 7
TT 28 March 2006



Unilever Australasia
20 Cambridge Street
Epping NSW 2121
Private Bag 2
Epping NSW 1710
Australia

T: (02) 9869 6705
F: (02) 9869 6300

Friday, 8 September 2006

Committee Secretary
Joint Standing Committee on Treaties
Department of House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Sir,

Re: Exchange of Letters constituting an agreement to amend Article 3 of the Australia New Zealand Closer Economic Relations Trade Agreement

In light of the submission by Australian company Albright and Wilson (Australia) Ltd (A&W) to the Joint Standing Committee on Treaties in Australia on August 14th, 2006 I would like to reiterate Unilever Australasia's support for the proposed Change of Tariff Classification methodology to be adopted by both the New Zealand and Australian Governments on the 1/1/07.

Unilever Australasia is the local operating unit of Unilever, an Anglo-Dutch global foods, household and personal care products business. Key foods brands in Australia include Streets Ice Creams, Lipton Tea, Flora margarine, Continental soups and meal bases, while household brands include Omo, Surf, Domestos and Jif, and the personal care brands include Rexona, Dove, Sunsilk, Lux, Lynx and Vaseline.

Under existing CER Rules of Origin the Unilever detergent business has been operating under a financial disadvantage verses our major competitor, specifically in raw material costs. This is due to our single sourcing manufacturing model for Australia and New Zealand. For example, our major competitor manufactures in both Australia and New Zealand and has been able to source 100% of their needs for a key raw material sodium tripolyphosphate (STPP) from China, at globally competitive prices, to supply their respective local markets. Unilever, with one factory supplying both Australia and New Zealand, would incur uncompetitive tariff charges on importation to Australia if we were to source 100% supply of this cheaper raw material, under the current RVC methodology. Consequently, we currently use 40% Chinese STPP and 60% local STPP, simply to balance the requirements under the current RVC methodology. This has lead to a significant financial disadvantage to Unilever, in both countries, with the need to source more expensive STPP from A&W, including unnecessary inefficiencies in our supply chain. Notably, we need to utilise two completely different handling systems for the different source of material.

The administrative and operational burden faced by our business in constantly monitoring local content levels, along with increased logistical and factory costs have only compounded the impact to our business. Our major competitor does not face any of these complications, as they are not affected in their operations by virtue of having manufacturing facilities in both Australia

A division of
Unilever Australia Ltd
A.B.N. 66 004 050 828

and New Zealand. Therefore CER Rules of Origin do not apply for their corresponding purchases. Our understanding is that other major detergent manufacturers in Australia and New Zealand do not utilise STPP from A&W, but rather source their requirements from China.

In my discussions with senior management of A&W, in the last week of July 2006, we attempted to "close the gap" between locally produced STPP and that provided by China at a global price, before giving official notification to cease supply. The suppliers' response was that they didn't have any room to move and the margin they made was less than the gap to start with. A&W also informed me they were fully aware of the impending change in legislation and they had budgeted for the future loss of our business in their business plans. The supplier was expecting our notification to cease supply and they understood competitive international markets and the business pressures to stay competitive in the local market.

We held a further meeting with the supplier in early August and again they informed us they were well aware of the proposed changes and had been using a consultant for advice on the changes for some time. The supplier confirmed their understanding regarding the decision to withdraw from their supply. A&W then offered to assist us in sourcing Chinese material as they were already doing this for other customers. A&W then went on to offer us their support in logistics services for the importation of the Chinese STPP in 'bag in box' format, as they had 15 years previous experience in handling STPP using this format and felt they could offer expertise in this area.

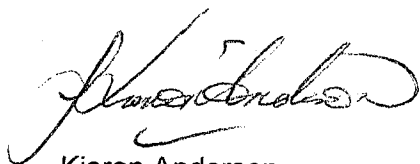
With future combinations of variable exchange rates, variable ex China material costs and variable ex A&W material costs it is probable we could cease supply from A&W, despite any changes to the RVC methodology. We cannot afford to continue to support uncompetitive local businesses in the face of international competition. This is contrary to the true spirit of the Australia New Zealand Closer Economic Relations Trade Agreement.

In these times of a 'global business community' it is legislation, like the current RVC methodology, which leads to Australia and New Zealand manufacturing facilities increasingly coming under pressure. As a multinational, Unilever constantly benchmarks our businesses with other Unilever businesses around the world in order to remain competitive. When we have inputs to our business that are not internationally competitive, due to local restrictions, sourcing alternatives become increasingly attractive in order to remain competitive within the market place. Specifically, should the proposed ROO be complicated with a RVC method for Tariff 3402 (organic surfaceactive agents), there would be a continued cost burden for Unilever.

We therefore support the CTC methodology as proposed by both the Australian and New Zealand governments.

Should the Joint Standing Committee on Treaties wish an appearance from Unilever we are prepared to attend to answer any queries they may have.

Regards



Kieran Anderson
Supplier Director
Unilever Australasia
Tel: +61 2 9871 9029