

**Rules of Origin Under the Australia-New Zealand
Closer Economic Relations Trade Agreement**

Submission by Harold Boot Company Pty Ltd

About Harold Boot Company

1. Harold Boot is a niche manufacturer of high quality boots located in the Melbourne suburb of Abbotsford. Employees number 16. Turnover is in the order of \$1.5m pa. 30% of product is exported, up from 3% five years ago.

Our Concerns

2. As manufacturers, we are concerned with the Rules of Origin as they apply in the CER agreement as well as similar rules applying elsewhere. We are taking this opportunity to make our concerns known.
3. In our view, “Australian Made” should mean what it says. The applicable rules should reflect the ordinary and usual meaning of the words themselves.
4. Tightening of these rules to make the definition of Australian (or for that matter New Zealand) content more robust would not necessarily endanger the objectives of CER to promote trade between Australia and New Zealand.

Requirements in the Basic Provisions

5. The requirement for goods to originate in the Free Trade Area that:

“at least one half of the factory or works costs of the goods should be made up from expenditure on any of:

- a. materials originating in the Area;
- b. labour and factory overheads incurred in the Area; and
- c. inner containers originating in then Area.”

is too favourable to imported components, especially given the broad definitions of labour and factory overheads.

6. In our view, “75%” should replace “one half”. This would limit the extent to which essentially imported materials could be made into goods and then treated as “Australian Made” or “New Zealand Made”

Materials of Mixed Origin

7. At present if a material meets the requirements of Article 3.1(c)(i) and has or is deemed to have 50% or more area content, then 100% of the expenditure on that material will be taken as qualifying content of the final good.

8. This rule together with the “one half” rule in the Basic Provisions acerbates the problem referred to above.
9. It would be preferable for the qualifying area content in all cases to be in direct proportion to the actual area content, ie if a material has 50% area content, then 50% of the expenditure on that material would be included as qualifying content of the final good.

Allowable Overheads in Factory Costs

10. We see no valid reason for the list of allowable expenditure to include items “without regard to whether these items originate within the territory of a Member State”. We refer to the types of items listing in Article 3 at (c) Dies, moulds, tooling ..., (g) Leasing of plant and equipment ..., and (h) Materials and supplies not directly incorporated in the manufactured goods (eg energy, fuel, water, lighting, lubricants, etc.).
11. Similarly, the items at (k) Subscriptions to standards institutions, etc. seems an unnecessary inclusion.

Australian Made

12. Rules of Origin in trade agreements can be too easily diluted to suit particular interests while not necessarily advancing the objectives of those agreements. The Rules of Origin provisions of CER should be consistent with a robust definition of the term “Australian Made” even though it is not part of the CER text. “Australian Made” should be defined to encourage Australian manufacture.

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