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24 May 2012

Australian Productivity Commission
Trans-Tasman Study
GPO Box 1428
Canberra City ACT 2601

Dear Sir/Madam,



I write to you in relation to the *Strengthening Economic Relations Between Australia and New Zealand* Issues Paper.

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

Business SA supports strengthening economic relations between Australia and New Zealand, particularly where this provides opportunities for South Australian businesses to export to New Zealand, encourages investment in the State's economy and enables skilled migrants to fill gaps in the local labour market. The costs of doing business should be reduced by developing closer economic relations between the two countries, including reducing transaction costs and compliance costs, as well as increasing certainty and competition. The Trans Tasman Outcomes Implementation Group thus has an appropriate focus.

The Single Economic Market principles are supported by Business SA and the outstanding issues highlighted in Box 3 of the Issues Paper should be prioritised in order to deliver many of the benefits expected for businesses from stronger economic relations between Australia and New Zealand.

More work needs to be done on evaluating the success of the closer economic relations reforms that have been implemented to date and this should be done by the Productivity Commissions of both countries. Analysis of potential benefits of future reforms also needs to be undertaken, both at an individual reform level and a broader economy-wide level to ensure that net economic benefits will be realised and maximised. Adjustment costs should be taken into account in such analysis.

A number of the possible areas for further integration outlined in the Issues Paper – shipping regulations, rules of origin, food regulation, services trade, banking regulations and occupational recognition in particular – should be assessed and investigated for their potential costs and benefits by the Productivity Commissions of both countries.

While Business SA supports stronger economic relations between Australia and New Zealand, this should not involve an economic union. In particular, each country should maintain its own currency and sovereignty over its monetary and fiscal policies, as well as delivery of Government services.

One area where closer integration could occur in terms of policies is trade and international economic agreements. For example, Australia and New Zealand should ensure that they are both in the same regional trade groupings and both should have policies seeking liberalisation of trade in agriculture and services in World Trade Organisation negotiations.

While Business SA does not support a carbon price being implemented in Australia without commensurate policies being implemented in major trading partner and competitor countries, Business SA supports trade being allowed in carbon permits between Australia and New Zealand. This should provide more opportunities for businesses to cut emissions and their liabilities at lower cost, thereby achieving the environmental outcomes of the schemes more efficiently.

Yours sincerely

Peter Vaughan

Chief Executive Officer