

Australia – UK FTA Coordinator
Regional Trade Agreements Division
Department of Foreign Affairs and Trade
R.G. Casey Building
John McEwen Crescent
BARTON ACT 0221

Email: ukfta@dfat.gov.au

Dear Madam/Sir

Accord is pleased to provide the following comments to the Department of Foreign Affairs and Trade on the proposed Australia/UK Free Trade Agreement negotiations (AU/UK FTA).

Accord is the peak national industry association representing the manufacturers and marketers of formulated hygiene, personal care and specialty products, their raw material suppliers, and service providers. Accord member companies make and/or market fast-moving consumer and commercial goods including hygiene, cosmetic, personal care and specialty products, sunscreens, food contact sanitisers, industrial and agricultural sanitisers, household pesticides, topical animal health products, disinfectants, and specialty commercial products. Member companies include large global consumer product manufacturers as well as small dynamic Australian-owned businesses. A list of Accord member companies is available on our website: <http://accord.asn.au/about/members>.

Headline statistics¹ for our industry's economic footprint include:

- Estimated annual retail-level sales of industry products nudging the \$10 billion mark.
- Accord's membership is approximately 100 companies.
- Collectively, Accord member companies directly contribute more than 12,000 full-time equivalent jobs.
- Nationally, more than 176 offices and more than 68 manufacturing sites are operated by Accord member companies.
- 75% of member companies export products overseas
- 38% having offices overseas.

The formulated hygiene, cosmetic and specialty products industry is a significant industry sector contributing to a prosperous Australian economy. Our industry's products include household and commercial cleaning agents; disinfectants; make-up and beauty products; toiletries and personal care products; hair-care products; skincare products, including sunscreens; oral hygiene; fragrances and perfumes, feminine hygiene products; industrial and agricultural sanitisers; household pest control; and adhesives and sealants.

Sector products play a vital role in:

- Safeguarding public health: Maintaining essential standards of hygiene and sanitation in institutions, hospitality, manufacturing and agriculture.
- Promoting personal well-being: Helping people keep clean, healthy and shielded from harmful effects of the environment.

¹ Results from Accord Industry Size and Scale Survey 2018

- Maintaining comfortable homes: Enabling people to keep their everyday surroundings clean and inviting.
- Enhancing quality of life: Giving people greater personal freedom through time- and effort-saving technologies.
- Boosting confidence and emotional wellbeing: Providing opportunities for self-expression, individuality and pampering.
- Keeping the wheels of commerce and industry turning: Fulfilling specialised uses in industry, institutions and agriculture.

In essence there are three distinct product segments for our industry, each with distinct supply chains through to the product end user:

- Industrial and Institutional products (e.g. commercial cleaning products, disinfectants, agricultural sanitisers) which are mainly sold on a business-to-business or business-to-government basis or through agricultural product resellers.
- Fast-moving consumer goods (e.g. household cleaners, laundry detergents, toothpaste, shampoo, deodorant, soap) which are sold to consumers primarily via either: grocery retailers, pharmacies, mass-market retailers, direct selling and hardware chains.
- Cosmetic and beauty industry products (e.g. make-up, skincare, sunscreens, fragrances, hair dyes) which are sold to consumers primarily via either: department stores, specialty retailers, grocery retailers, pharmacies, mass-market retailers, direct selling, hair salons, beauty salons, spas and on-line.

Recognising the importance of this sector to the public health of the nation and its contribution to Australia's economy, Accord commissioned EY to prepare the first-ever State of the Industry Economics Report for the Australian Hygiene, Personal Care and Specialty Products industry. This top-down economic report looks at the entire value of the industry across all market segments represented by Accord. It quantifies the key economic indicators for the industry, highlighting the economic importance of the entire hygiene, personal care and specialty products industry to Australia.

Here are some of the topline results, based on 2018 economic data:

- Total turnover: \$26.3bn (17th largest industry sector in Australia!)
- Industry value-add: \$5.6bn (upstream and downstream value added by our industry to the Australian economy—an indicator of how our sector drives economic activity)
- Jobs: 68,117
- Wages: \$3.4bn
- Export value: \$1.3bn.

The Report identified a number of other significant observations regarding our industry, including:

- Diversity in production, with businesses operating across all aspects of the supply chain from production through to the retail of final goods.
- Varied client base, with industry products consumed by a wide range of end-users and spanning a wide range of product types from basic consumer necessities to janitorial cleaning supplies to luxury cosmetics.
- Resilience to changes in economic conditions (likely arising from the above two characteristics).
- The higher growth in our industry's value-add than the Australian GDP over the past five years, meaning that our industry added proportionately more value than some other industries in the economy.

The proposed AU/UK FTA provides an opportunity for the Government to fully implement its *Trusted International Standards Policy* which to date has had a poor take up by regulatory agencies, particularly for low-risk consumer goods. The policy states that:

If a system, service or product has been approved under a trusted international standard or risk assessment, then our regulators should not impose any additional requirements for approval in Australia, unless it can be demonstrated that there is a good reason to do so.

Proper implementation of this policy has the potential to facilitate an increase in two-way trade by addressing non-tariff trade barriers.

As noted above, Accord member products include a range of fast-moving consumer goods, cosmetic and personal care products and commercial cleaning products. Many of these are fully imported products from the UK and have already been subjected to a high level of regulatory scrutiny.

While these products are generally recognized as consumer goods and/or low risk commercially formulated products by the public, their ingredients are regulated as industrial chemicals under Australian law. A consumer product such as a shampoo, makeup or disinfecting cleaning product that is deemed safe for use in the UK under its own legislation, will have to have further regulatory intervention when it arrives in Australia such as having its individual ingredients assessed for safety by Australia's industrial chemicals regulator rather than relying on the overall risk profile of the product which is deemed safe for public use. This is in direct contradiction with the intent of the Australian Government policy to enable these products already deemed safe by a comparable regulator to have a more streamlined approach when accessing the Australian market.

Consumer behaviour is driving demand for the same products available overseas to be available in Australia at the same time. One of the biggest barriers to this currently is the regulatory burden of complying with industrial chemicals requirements, which often makes the introduction of a product containing a "new" (to Australia) chemical, not financially feasible. Where this prevents a company from introducing a product or range of products into Australia, consumers will simply purchase the product online from an international supplier to the detriment of Australian businesses.

Multinational companies are working more and more with global product offerings where the same products are available throughout the world. Australia currently represents around 1.3% of the global cosmetics market. The potential return on investment from a market this size is simply not viable to warrant the considerable investment that is needed to meet Australian specific requirements.

We have several examples from our members where "global" product launches have become *global – except Australia* due to the high regulatory burden of introducing a new chemical that is not on the Australian Inventory of Industrial Chemicals (Inventory) in volumes sufficient to meet the demand of Australian consumers. These are products that are compliant with the regulatory systems of our major trading partners such as the UK and freely available to millions of consumers around the world.

This is similarly the case for raw material suppliers that wish to introduce "new" chemicals that are otherwise available to product formulators and manufacturers internationally. For such a small part of the global market, these companies are not necessarily always prepared to meet additional Australian requirements or significant additional re-assessment costs.

Our industry functions effectively as a 'healthy ecosystem' of local and global companies, manufacturers and importers, and of course exporters of Australian-made product. And technology-

based industries like ours need ready access to the latest global innovations in ingredients and products. Local manufacturers cannot expect to be globally competitive if they are cut off from sources of innovation and know-how or have no incentive to keep up with the latest product innovations.

In recognition of the global trade in cosmetic and personal care products, an international collaboration of national cosmetic industry associations has emerged with trade liberalisation as one of its key objectives. The success of industry working together to achieve regulatory cooperation is demonstrated by the success of the Trans-Pacific Partnership (TPP) with the inclusion of an Annex on cosmetic products (Annex 8.D Cosmetics). The TPP is the first trade agreement to promote regulatory convergence and address technical barriers to trade that impede the personal care products sector. The TPP Cosmetic Annex provides an important framework for international regulatory best practice and promotes a stronger global personal care products industry.

The UK has formally requested accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and it would therefore make sense that the TPP Annex 8.D Cosmetics form the basis of the arrangement regarding trade in cosmetics and personal care goods between the two economies.

However, Australia's regulatory system means that certain products which are recognised as consumer goods in the UK are regulated as therapeutic goods in Australia. This is not a unique situation. The same situation applies with some of our other trading partners such as the US and Canada. In the United States-Mexico-Canada Agreement (USMCA) to address the different regulatory treatment of certain product categories an Appendix was developed to the Sectoral Annex 12-B Cosmetic Products to accommodate the treatment of products recognised as being at the interface of cosmetics and drugs such as certain toothpastes, mouthwashes and sunscreens. This approach would be suitable for addition with the AU/UK FTA and is recommended as a way forward for negotiations.

For the AU/UK FTA, Accord would like to see free trade for our members' products as well as for raw materials which are in commercial use as not having any further regulatory requirements. Mutual recognition of industrial chemicals and formulated products allows both economies to maintain their own regulatory systems but removes the need for industry to comply with two sets of rules and provides for higher certainty for industry while reducing technical barriers to trade and lowering regulatory costs.

Enabling timely access to "new" chemical ingredients already approved and in use in the UK through the AU/UK FTA rather than requiring retesting and/or reassessment at the Australian border will improve the competitiveness of Australian industry, particularly as we look for more export opportunities. This will provide quicker access to new and innovative ingredients already in use in the UK and globally available. The benefits of the AU/UK FTA will not only enable Australian business to engage on a more equal footing with the UK but provide access to innovative ingredients and raw materials for advanced manufacturing. The vast majority of innovation in chemical ingredients occurs in Europe, the UK and USA, rather than Australia, and an AU/UK FTA will enable Australian businesses the opportunity to take advantage of this through early adoption given the appropriate regulatory regime. To facilitate better access to raw materials and new ingredients it is suggested that negotiators look at USMCA Annex 12-A Chemical Substances. We understand this is the first chemical substances agreement of its kind and could serve as a model for the AU/UK FTA.

Exposing our economies to international competition adds value to our economy by expanding the range of goods and services and placing downward pressure on costs. When we remove barriers to trade, we increase our purchasing power.

Accord supports the development of an AU/UK FTA with such relevant annexes as it has the potential to deliver significant benefits to Australian businesses if the non-tariff barriers to trade are removed. Ongoing transparent dialogue with industry is essential if meaningful outcomes for Australian businesses are to be achieved.

Please do not hesitate to contact me should you have any questions in relation to our submission. I can be contacted on 0418 384 221 or at bcapanna@accord.asn.au.

Yours sincerely

Authorised for electronic submission

Bronwyn Capanna
Executive Director

20 May 2021