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Department of Industry, Innovation and Science

Trade Facilitation

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Eligibility for origin claims in the Complementary Medicines Sector

Established in 1998 in Melbourne, Australian Antarctic Ocean Bio-Technology Pty Ltd (Trading as "Ocean King") has pride itself as a 100% Australian owned and operated company. We have been supplying Australian made mainly vitamin supplement products and promote Australian made brands over the last decade.

We are making our submission supporting **Option 3a**. please read our reply in blue.

Questions for manufacturers of complementary medicines

1. What are the benefits and detriments of Option 1?

a. Do you support the adoption of option 1? Why/why not?

Definitely No. The current definition of "Australian Made" does not meet its literal meaning and has caused confusion among the consumers. The current definition has denied access to use of AM logo for most of the Australian businesses in the vitamin supplement industry and have devastating impacts and damages to the well-established Australian Made reputation and the genuinely Australian Made industries, including complementary supplement industry.

2. What are the benefits and detriments of Option 2?

a. Do you support the adoption of option 2? Why/why not?

No. It's not a good idea to create a new industry branding.

1) Australian made branding is a well-established reputation logo

2) To create a new brand will cause confusion among the consumer, especially export market.

3) It's too costly to promote a new branding

b. What would prevent the complementary medicines sector from adopting its own symbol for packaging to demonstrate its connection with Australian manufacturing?

Reasons see a above

3. What would be the annual costs (by dollar value) to your business under Option 2?

Not sure. It's not only the money thing, it will get involved with great effort and time consumption activities, which we believe is unnecessary.

4. What would be the annual benefits (by dollar value) to your business under Option 2?

It's hard to predict. It is not a good idea to set up a new brand.

5. What are the benefits and detriments of Option 3a?

- a. Do you support the adoption of option 3a? Why/why not?

Yes, we support option 3a.

- a) Australian made is a well-established high reputation logo.
- b) Australian made logo means Australian quality and Australian standard for many years and has been accepted by consumers around the world.
- c) Australian made logo help export.
- d) Ocean King has together with other businesses in vitamin supplement industry promoted Australian made logo for many years

6. What are the benefits and detriments of Option 3b?

- a. Do you support the adoption of option 3b? Why/why not?.

We will NOT support option 3b.

- a) Outsourced manufactures may not want to provide detail information of which ingredients are imported; also, ingredients source may be different batch by batch.
- b) More information on the label is a cost to manufacturers and complicate information for consumers

7. What are the benefits and detriments of Option 3c?

- a. Do you support the adoption of option 3c? Why/why not?

We will NOT support option 3c either.

- a) It's not practical and will be very costly if we need to adjust the label every batch as import Ingredients may be different batch by batch.
- b) It's hard for us, as sponsor, to get the information from the outsourced manufacturers.

8. If you are supportive of proposed changes in options 3a, 3b or 3c, what level or proportion of Australian based manufacturing do you consider should be required in order to make an origin claim?

Manufacture of dosage form

9. Are the activities under the Good Manufacturing Practice (GMP) step 'Manufacture of Dosage Form' (MDF) a good basis for identifying the transformation of imported ingredients into an Australian product? Please provide reasons to your response.

Yes.

It meets the common criteria and literal meaning of manufacturing.

It will help to keep manufacturing activities in Australia and hence save the jobs.

10. If the use of activities under the GMP step MDF are not good measure of the transformation of imported ingredients into a product that should carry the AMAG logo, then what should be the measure to carry the logo?

Manufacture of Dosage Form' (MDF) is the most suitable measure

11. What activities under MDF do you undertake overseas?

We are a vitamin supplement sponsor. We understand our manufacturer undertake all activities in Australia except importation of raw materials.

12. What activities under MDF do you undertake in Australia?

We are a vitamin supplement sponsor. We understand our manufacturer undertake all activities in Australia except importation of raw materials.

13. By value, what proportion of your products that currently are not able to carry the AMAG logo, have their last MDF step performed in Australia?

Approximately 85% of our vitamin supplements are not able to carry the AMAG logo. Their last MDF step was performed in Australia.

14. What steps or manufacturing processes in Australia, excluding GMP processes, could/should also be considered to qualify a complementary medicine to meet the requirements of the substantial transformation test and a 'Made in Australia' claim?

- a. What are those indicators and how would you describe the manufacturing process?

Manufacture of Dosage Form' (MDF) is the most suitable measure. Other steps or manufacturing processes may include packing, testing, sampling.

- b. Are these alternative manufacturing processes common to all complementary medicines manufactured in Australia? If not, which part of the sector or which products are these alternative manufacturing processes applicable to?

Yes, they are common practice.

15. What proportion of total 'manufacturing' (not cost) of a product do you consider should take place in Australia to qualify for meeting a substantial transformation test and a 'Made in Australia' claim?

We believe Manufacture of Dosage Form' (MDF) in a TGA approved GMP licenced facility in Australia fully meet a substantial transformation test and a 'Made in Australia' claim.

16. If the AMAG logo becomes available to your products under Options 3a, 3b or 3c, will you use it? Y/N

a. If yes, what percentage of value of sales will use the logo?

Yes, we will use it. Approximately 80% of sales will use the AM logo.

b. If yes, what proportion of your product lines would use the logo?

Approximately 80% of our product lines would use the logo.

c. If no, why would you not use it?

17. Which option would you be more likely to use the logo:

a. Option 3a (Yes)

b. Option 3b (No)

c. Option 3c (No)

18. If there was no change to AMAG logo use rule, how likely would it be that you would change your production processes or source ingredients domestically to conform to AMAG logo requirements?

a. Very likely

b. Likely

c. Neither Likely nor unlikely

d. Unlikely

e. Very unlikely

19. If your products are currently eligible to use the AMAG logo, but you choose not to use the logo, why do you not use the logo?

Not applicable

20. By value, what do you expect your lost income in the 2019/20 financial year to be because some or all of your complementary medicine products are not allowed to carry the AMAG logo?

a. Domestically (please provide values and reasoning for your response)

\$300,000 - \$400,000 – based on sales analysis and client feedback

b. Internationally (please provide values and reasoning for your response)

\$1,200,000 - \$1,500,000 – based on sales analysis and client feedbacks

21. Prior to the changes in the substantial transformation test, did you use the AMAG logo?

a. If you did use the logo, why did you use the logo?

Yes, we use it.

a) Australian made is a well-established high reputation logo.

b) Australian made logo means Australian quality and Australian standard for many years and has been accepted by consumers around the world.

c) Australian made logo help export.

b. If you didn't use the logo, why didn't you use the logo?

22. If the AMAG logo became available for use on a wider range of complementary medicine products and logo usage required an acknowledgement of the proportion of imported ingredients, would you use the logo? Y/N. Why/Why not?

Better than none. But this will be a costly method.

23. Why would you want/not want to acknowledge imported ingredients on packaging (3b)?

We don't want option 3b:

a) Outsourced manufactures may not want to provide detail information of which ingredients are imported; also, ingredients source may be different batch by batch.

b) More information on the label is a cost to manufacturers and complicate information for consumers

24. Why would you want/not want to display the proportion of imported ingredients on the label (3c)?

We don't want option 3c:

a) It's not practical and will be very costly if we need to adjust the label every batch as import Ingredients may be different batch by batch.

b) It's hard for us, as sponsor, to get the information from the outsourced manufacturers.

25. If disclosure of imported ingredients was a requirement to use the AMAG logo, how will this affect packaging costs? Can you estimate the annual cost (by dollar value) to your business of disclosing imported ingredients for:

a. Option 3b: \$150,000 estimated

b. Option 3c: \$150,000 estimated

Please provide the rationale for your calculation.

26. Please estimate the total cost/impact (by dollar value) to your firm based on the following options for one full financial year:

a. Option 1: loss of \$1,400,000 - \$1,800,000 maybe worse

b. Option 2: \$300,000 cost (including promoting, packaging)

c. Option 3a

d. Option 3b: \$150,000 cost

e. Option 3c: \$150,000 cost

Please provide the rationale for your calculation.

27. Please estimate the total benefit (by dollar value) to your firm based on the following options for one full financial year:

a. Option 1 - loss

b. Option 2 - loss

c. Option 3a - \$1,500,000 to \$2,000,000 increase sales

d. Option 3b

e. Option 3c

Please provide the rationale for your calculation.

28. What did you do to prepare your business to implement the Country of Origin Labelling Reforms?

a. How much did this activity cost your business – please provide details?

\$350,000 - \$500,000 – dispose of packaging alone

29. What proportional change is expected to occur to the price for the consumer compared to the current price a consumer pays under:

a. Option 1

b. Option 2

c. Option 3a

d. Option 3b

e. Option 3c

Please provide the rationale for your calculation.

30. Please describe the effect on Australian employment under:

a. Option 1: More businesses will be forced to relocate manufacturing to overseas and more businesses will seek alternative production from low labour cost countries. These moves will leave to huge job cuts in Australia, leaving large number employees unemployed, causing hardship to their family and bringing pressure to the local and federal Government eventually, and bringing down the GDP of Australia.

b. Option 2

c. Option 3a: save the jobs of 29,000 in the vitamin supplement industry

d. Option 3b

e. Option 3c

Please provide the rationale for your calculation.

31. If there was a requirement to undertake at least the last activity under the MDF step in Australia would you:

a. Be more likely to employ more staff

b. Be less likely to employ more staff

c. It wouldn't affect your employment numbers significantly

32. If AMAG logo availability was linked to MDF activities being carried out in Australia, rather than being linked to the substantial transformation test, what impact would this have on the value of the AMAG logo, given the logo would available under two separate qualification processes? Please provide details in your response.

33. Do you have any further views or comments?

No

Yours faithfully



David Zhong

Operations Manager