The Senate

Economics Legislation Committee

Provisions of the Textile, Clothing and Footwear Strategic Investment Program Amendment (Post-2005 scheme) Bill 2004 and the Customs Tariff Amendment (Textile, Clothing and Footwear Post-2005 Arrangements) Bill 2004

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TABLE OF CONTENTS

Chapter One

INTRODUCTION

Background

1.1 The Textile Clothing and Footwear Strategic Investment Program Amendment (Post-2005 scheme) Bill 2004 and the Customs Tariff Amendment (Textile Clothing and Footwear Post-2005 Arrangements) Bill 2004 were introduced into the House of Representatives on 16 June 2004 by the Hon Ian MacFarlane MP, Minister for Industry, Tourism and Resources. They were passed by the House of Representatives on 25 June 2004, and were introduced into the Senate as a package[1] on 3 August 2004.

Purpose of the Bills

1.2 The Textile Clothing and Footwear Strategic Investment Program Amendment (Post-2005 scheme) Bill 2004 extends the Textile, Clothing and Footwear (TCF) Strategic Investment Program (SIP) for ten years, to 2015. The Bill also provides for the establishment of a TCF Small Business Program.

1.3 The Customs Tariff Amendment (Textile Clothing and Footwear Post-2005 Arrangements) Bill 2004 reduces tariffs on a wide range of TCF products. Tariffs on most TCF products will be reduced to 5% in 2010; and tariffs on clothing and some finished textiles will be reduced to 5% in 2015.

Reference of the Bills

1.4 On 23 June 2004, the Senate adopted the Selection of Bills Committee Report No. 9 of 2004 and referred the provisions of the bills to the Senate Economics Legislation Committee for consideration and report. The Selection of Bills Committee gave the following reasons for referring the bills to the Committee:

To inquire whether:

- the Strategic Investment Program (SIP) bill assists small and medium sized enterprises (SMEs) to access government assistance;
- the legislation improves market access overseas;
- the phase-down of SIP funding from 2009 threatens the future of the industry and employment;
- the legislation provides adequate support for high value exports;

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1 Where bills are combined as a package, they are debated and voted upon together.

- the legislation provides adequate support for R&D activity;
- the legislation provides adequate support for production value added activity;
- the reduction in grant types from 5 to 2 will decrease access for some TCF firms;
- the cut in tariffs will have an adverse effect on the industry, economy generally, employment and sustainability of regional cities and towns;
- our trading partners are reducing tariffs at the same rate as Australia; and
- the combination of these two bills and provisions in the United States Free Trade Agreement will adversely impact on the future of the industry and on employment.[2]

Submissions

1.5 The Committee advertised its inquiry into the Textile Clothing and Footwear Strategic Investment Program Amendment (Post-2005 scheme) Bill 2004 and the Customs Tariff Amendment (Textile Clothing and Footwear Post-2005 Arrangements) Bill 2004 on the internet and in *The Australian* newspaper. In addition the Committee contacted a number of organisations, alerting them to the inquiry and inviting them to make a submission. A list of submissions appears at **Appendix 1**.

Hearings and Evidence

1.6 The Committee held one public hearing at Parliament House, Canberra, on 3 August 2004. Witnesses who appeared before the Committee at that hearing are listed in **Appendix 2**.

1.7 Copies of the Hansard transcript are tabled for the information of the Senate. They are also available through the internet at http://www.aph.gov.au/hansard.

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2 Selection of Bills Committee Report No. 9 of 2004.

Chapter Two

THE BILLS

2.1 This Chapter provides a brief overview of the policy background to the current bills, and an outline of the provisions they contain.

Elements of the TCF Industry

2.2 While it is often convenient to refer to the 'TCF Industry' as a collective, the sector is in fact extremely diverse. It contains a number of quite distinct sub-sectors, which are themselves comprised of a range of distinct products. Under the Australian and New Zealand Standard Industrial Classification (ANZSIC) system, TCF Manufacturing[1] contains 6 separate areas:

- Textile fibre, yarn and woven fabric manufacturing;
- Textile product manufacturing;
- Knitting mills;
- Clothing manufacturing;
- Footwear manufacturing; and
- Leather and leather product manufacturing.

2.3 These subdivisions are further subdivided into 19 different areas of TCF manufacture. Those areas in turn can be divided. In its submission, the Technical Textile and Nonwoven Association gave examples of products which fall within its ambit, but which may not immediately come to mind as TCF products. These include:

- Artificial sports surfaces;
- Carpet;
- Filtration material;
- Hygeine products;
- Specialist medical products; and
- Packaging.

2.4 TCF Industries in Australia also operate at all levels of the supply chain, from the production of basic fibres, through processing and production, to the final transformation into products. Australian companies also add value through design and innovation.

1 ANZSIC Division C, Subdivision 22.

2.5 Different elements of this diverse industry are in different competitive positions. In some areas, such as some technical textiles, Australian TCF companies are competitive with the best manufacturers in the world. These companies will be successful with or without tariff protection. At the other end of the scale, the Productivity Commission has pointed out that there are some TCF companies who are far from world competitive. These companies are likely to exit the market in favour of their overseas competitors. The Productivity Commission stated:

> For some firms, even raising productivity to world's best practice levels would not enable them to overcome their labour cost disadvantages with developing country competitors. Wage rates in developing countries are a fraction of those in Australia. While low productivity levels overseas have previously reduced total unit labour cost differentials, recent evidence suggests that the productivity of firms in countries such as China (the dominant source of Australia's clothing and footwear imports) often matches or comes close to best-practice developed country standards. Hence, in the standardised product and labour intensive parts of the Australian TCF sector, restructuring and rationalisation will continue regardless of the future assistance regime.[2]

History of protection for the TCF industries[3]

2.6 The TCF industries in Australia, and particularly clothing manufacture, have traditionally been protected by high tariffs and/or import quotas. The early emphasis was on tariffs.

2.7 In 1974, as part of the process of meeting the requirements of the GATT Multi Fibre Agreement, tariffs were reduced and replaced with import quotas. The result was a substantial contraction of the industry in Australia between 1974 and 1977. In 1977, quota arrangements were changed to reduce the flood of imported TCF goods which had followed the reduction of tariffs in 1974. This maintained production levels at the 1977 levels (still well below the 1974 levels).

2.8 In 1980, the Government implemented a seven-year plan involving tariffs, bounties, and quotas to support the industry. Progress was reviewed in 1986, and another program (the "Button plan") was announced in 1987, to cover the period 1988 to 1995. The Button Plan focussed on the removal of quotas, and the management of protection for the industry by imposing appropriate tariffs. The Button Plan also included a program for labour force adjustment, recognising that some contraction in employment was inevitable.

2.9 During the Button Plan period, the government announced further reductions in tariffs, with the eventual effect of reducing the maximum tariff on TCF products to

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2 Productivity Commission (2003) *Review of TCF Assistance*, Report No. 26, p. 16.

3 This section draws on *Textile, Clothing, Footwear and Leather Industries: Action Agendas: A Discussion Paper*, Department of Industry, Science and Resources, March 1999, pp. 7-8.

25 percent in 2000. These reductions resulted in further contractions in employment in the industry. The reductions in 2000 coincided with the introduction of the Strategic Investment Program (SIP) scheme. Tariff reductions have been paused since 2000, in order to give industry an opportunity to prepare for further reductions in 2005. The current bills introduce those post-2005 reductions.

Costs of tariff and quota protection

2.10 During discussion of industry protection policy, the focus is inevitably upon the industry concerned, and the impact which changes in the protection regime may have on the industry. There is often too little concern for the implications these protective measures have for consumers and the wider economy. Simply put, industry assistance must be paid for –by governments, through grants programs and bounties, or by consumers paying inflated prices for goods. The Productivity Commission considered this issue in the following terms:

> Further reduction of TCF tariffs would undoubtedly reduce the costs imposed on user industries and final consumers of TCF products. Existing tariffs tax these groups by up to about $1 billion a year.[4]

2.11 This view was reinforced by officials from the Department of Industry, Tourism and Resources, who noted in evidence:

> The tariff cuts are important. They are important because they drive competitiveness at the firm level and they are an incentive for the industry to move from industries which clearly cannot be competitive now. In an environment where the wage rates in labour intensive areas are so low in, say, China compared to Australia—$1 compared to $20—you just cannot compete. In that environment, you would need to move into other areas no matter what the tariff level was.[5]

2.12 These arguments, in themselves, provide good reasons to support the tariff reductions proposed in these bills. Opponents of tariff reductions must explain why consumers and downstream industries should be expected to continue to provide massive subsidies to Australian firms who are unable to compete with their competitiors overseas.

Future tariff reductions

2.13 The current tariff pause, which commenced in 2000, has almost concluded. In 2005, tariffs in most parts of the sector will be reduced. The current bills propose to reduce tariffs on all items except clothing to 5% in 2010. Clothing (and finished textiles) will fall to a 5% tariff in 2015. The following table indicates the proposed fall in tariffs across the sector:

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4 Productivity Commission (2003) *Review of TCF Assistance*, Report No. 26, p. 100.

5 *Transcript of Evidence*, Pettifer, 3 August 2004, p. 50.

Sector	Current	2005	2010	2015
Clothing and finished textiles	25.0%	17.5%	10.0%	5.0%
Cotton sheeting and fabrics	15.0%	10.0%	5.0%	5.0%
Sleeping bags, table linen	10.0%	7.5%	5.0%	5.0%
Carpet	15.0%	10.0%	5.0%	5.0%
Footwear	15.0%	10.0%	5.0%	5.0%
Footwear parts	10.0%	7.5%	5.0%	5.0%
Other (e.g. yarns, leather)	5.0%	5.0%	5.0%	5.0%

Schedule of TCF Reductions

The Strategic Investment Program (SIP)

2.14 The Strategic Investment Program is the government's primary program for developing the competitiveness of the TCF industries. It was introduced in 2000, at the time of the most recent tariff cuts (and, therefore, at the commencement of the current tariff pause).

2.15 The objective of the SIP was to 'foster the development of sustainable, internationally competitive TCF industries in Australia during the transition to a proposed free trade environment under APEC by providing incentives which will promote investment, innovation and value adding in the Australian TCF industries and better exploit Australia's natural advantages in raw materials such as wool, hides and cotton.'[6] The total size of the scheme is $700 million, with $678 million available for grants.

2.16 It is important to note at this point that the SIP was, and remains, inextricably linked to the progressive reduction of protective trade barriers. The SIP has never simply been an industry development program; rather, it was implemented as a program designed to assist the TCF industry to take advantage of the tariff pause between 2000 and 2005 in order to move to a competitive footing for the tariff reductions which are planned.

2.17 The current bills retain that link between the SIP and tariff reductions. Some witnesses and submissions sought to sever the link between the bills. Some went so far as to argue that linking the bills amounted to 'blackmail'. In the Committee's view,

6 Explanatory memorandum to the Textile Clothing and Footwear Strategic Investment Program Bill 1999, p. 2.

such assertions indicate a lack of understanding of the purpose of the SIP scheme. The Committee rejects any suggestion that, simply because the bills are contingent upon one another, they constitute blackmail.

Grant types under the SIP

2.18 The SIP scheme currently allows for five types of grants, known simply as "Type 1" through to "Type 5" grants. The purposes of each grant type are as follows:

- **Type 1 grants** are principally grants for investment in new TCF plant or equipment. These grants are capped at 20 percent of eligible investment expenditure.

- **Type 2 grants** are grants for research and development, including innovative product development. These grants are capped at 45 percent of eligible innovation expenditure.

- **Type 3 grants** are known as value adding grants. Eligibility for these is more complicated. In order to be eligible for a type 3, grant, a company must receive a type 1, type 2 or type 4 grant in the same grant year. They can then qualify for a grant amounting to the total amount of their type 1, 2 and 4 grants.

- **Type 4 grants** are available for the purchase of state of the art second hand equipment for restructuring by firms in TCF dependent communities. Grant recipients can obtain up to 20% of eligible expenditure.

- **Type 5 grants** are special miscellaneous grants for restructuring initiatives in TCF dependent communities. Grant recipients can obtain up to 20% of eligible expenditure.

2.19 In order to qualify for type 1, 2 or 3 grants, a company must spend $200,000 in that grant year on the relevant activity (investment for type 1 grants, research and development for type 2 grants, and value adding for type 3 grants). Smaller companies can build towards the $200,000 threshold over a series of years.

2.20 Finally, the total amount of grant funding cannot exceed 5 percent of a firm's sale of eligible products in the previous year. This provision is deigned to minimise risks that the SIP scheme will be seen as a trade barrier, potentially subject to action through the World Trade Organisation (WTO).

Takeup of grants

2.21 To date, the SIP scheme has been somewhat undersubscribed. Most grants have been type 1, 2 or 3 grants. While the SIP scheme contains 'modulation' provisions to be used in the event that grants eligibility exceeds available funding, these provisions have not been used. Latest available figures from the Department of Industry, Tourism and Resources indicate that grants have been awarded under the SIP scheme as follows:

Year	Type 1	Type 2	Type 3	Type 4	Type 5	Total
2000/01	53,999	28,291	46,714	430	1,413	130,847
2001/02	21,675	35,769	44,440	86	33	102,003
2002/03	23,902	42,124	52,451	1,192	20	119,689

SIP Scheme Grants (x $1000)

2.22 Funding for SIP scheme grants to the end of 2002/03 therefore amounts to just over $350 million, leaving more than $300 million available for grants in 2003/04 and 2004/05.

Impact of SIP grants on the industry

2.23 During its hearing on these bills, the Committee heard evidence that TCF companies have been using SIP scheme grants as intended, to improve their competitive position. The Carpet Institute of Australia, for instance, stated in evidence:

> The strategic investment program has enabled the industry to internationalise itself to ensure that it is not simply building manufacturing capacity but producing differentiated capacity.[7]

Recent reviews

2.24 In 2002, the Department of Industry, Tourism and Resources conducted a review of the SIP scheme. While the review made minor suggestions for improvements to the scheme, its conclusion was as follows:

> The review team found that the Scheme, on the whole, has been well received by industry. Nevertheless, there remains considerable pressure on the industry, with some industry participants noting that the TCF sector had undergone more rapid and significant change in a short period than had been anticipated at the inception of the scheme. […]
>
> Nevertheless,the experience of the Scheme to date, including the evidence of the claims process for the first year, does provide some confidence that the TCF sector is undertaking significant investment in new plant and equipment and R&D/product development.[8]

2.25 In July 2003, the Productivity Commission concluded a major review of assistance to the TCF industries. While the Commission's terms of reference were

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7 *Transcript of Evidence*, Garrett, 3 August 2004, p. 3.

8 Department of Industry, Tourism and Resources, *Review of the Textile, Clothing and Footwear Strategic Investment Program Scheme – Report*, September 2002, p. 41.

substantially wider than the SIP scheme, the scheme was given significant consideration. Relevant findings in the Commission's report include the following:

- The tariff pause coupled with SIP support allows time for consolidation and appears to be encouraging some additional investment and R&D in parts of the sector that should improve international competitiveness.
- However, various elements of the package seem likely to limit its overall effectiveness. Moreover, tariffs and the SIP impose large costs on consumers, user industries and taxpayers.
- Changes are therefore required so that future support for the sector will better contribute to the Government's objective of encouraging the TCF sector to become internationally competitive at lower levels of assistance and to provide a better balance between this objective and the interests of consumers, taxpayers and the wider community.[9]

2.26 While the current bills do not simply implement the recommendations of the Productivity Commission, they were significantly informed by the Commission's report.

Provisions of the current bills

2.27 Key provisions of the two bills are outlined below.

Customs Tariff Amendment (Textile, Clothing and Footwear Post-2005 Arrangements) Bill 2004

2.28 The purpose of this bill is to prescribe the tariff reductions set to occur in 2005 and 2010, and outlined earlier in this chapter.

2.29 Items 1 to 137 of Schedule 1 of the Bill deal with a range of textile yarns, fabrics, certain finished textile goods and footwear parts. These goods currently have a 10% tariff rate. From 1 January 2005, the tariff on these goods will fall to 7.5%. Under these provisions, the tariff rate will fall further, to 5%, on 1 January 2010.

2.30 Items 138 to 432 of Schedule 1 of the Bill deal with footwear, cotton sheeting, and woven and knitted fabrics of various textile materials. The tariff rate on these goods is currently 15%, and will fall to 10% on 1 January 2005. Under the current bill, tariffs on these goods will fall to 5% on 1 January 2010.

2.31 Items 433 to 671 of Schedule 1 of the Bill deal with clothing and some finished textiles. These currently receive the most protection of any TCF goods (a 25% tariff). On 1 January 2005, the tariff rate on these goods will fall to 17.5%. Under

9 Productivity Commission (2003) *Review of TCF Assistance*, Report No. 26, p. XLIV.

the current bill, the tariff rate will continue to step down in five years intervals, to 10% in 2010 and 5% in 2015.

Textile, Clothing and Footwear Strategic Investment Program Amendment (Post-2005 scheme) Bill 2004

2.32 The primary purpose of this bill is to establish the SIP scheme for the period after June 2005. In addition, it contains a number of other provisions relating to the operation of the SIP scheme.

Conditional Grants

2.33 Item 10 of Schedule 1 of the bill sets out a scheme whereby SIP grants can be offered on condition that the Commonwealth may undertake activities 'necessary to ensure that the monies paid by the Commonwealth are used for the purpose specified by Parliament and not for other purposes.'[10] During this inquiry, the Committee did not receive evidence objecting to these provisions.

Post-2005 SIP Scheme

2.34 Item 12 of Schedule 1 of the bill sets out the post-2005 SIP scheme. As with the original legislation (the *Textile, Clothing and Footwear Strategic Investment Program Act 1999*) the current bill sets out enabling provisions which delegate to the Minister the power to devise the TCF Post-2005 (SIP) scheme.

2.35 Proposed section 37C sets out the objectives for the scheme. Proposed Section 37D sets out the maximum amount of grants. Most of the $575 million total is to be spent in the first 5 years of the program. $487.5 million will be spent between 2005/06 and 2009/2010, while $87.5 million will be spent between 2010/11 and 2014/15.

2.36 Proposed section 37F states that the post-2005 scheme will have two grant types, corresponding to the current Type 1 and Type 2 grants.

2.37 Proposed section 37G sets out guidelines for the Minister in establishing the Type 1 grants component of the scheme. Type 1 grants will continue to relate to investment in new TCF plant or buildings. It allows for any eligible TCF company to obtain funding in the period 2005-2006 through 2009-2010, and limits the availability of grants to clothing or finished textile expenditure from 2011-2012.

2.38 Proposed section 37H sets out similar provisions for type 2 grants (relating to research and development expenditure). It allows for any eligible TCF company to obtain funding in the period 2005-2006 through 2009-2010, and limits the availability of grants to clothing or finished textile expenditure from 2011-2012. Activity relating to technical textiles and to leather is not eligible for type 2 grants at any time under this scheme.

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10 *Explanatory Memorandum*

2.39 Proposed Part 3B sets out a new program, to be called the TCF Small Business Program. This program sets out to 'provide support for projects by small firms that do not meet the SIP eligible expenditure levels … [and to] contribute to their international competitiveness in ways other than through investment and innovation.'[11] Funding for this program is set at $25 million over ten years.

11 *Explanatory memorandum*

Chapter Three

ISSUES

3.1 In adopting Selection of Bills Committee Report No. 9 of 2004, the Senate asked the Economics Legislation Committee to consider the following substantial list of issues:

- whether the Strategic Investment Program (SIP) bill assists small and medium sized enterprises (SMEs) to access government assistance;
- whether the legislation improves market access overseas;
- whether the phase-down of SIP funding from 2009 threatens the future of the industry and employment;
- whether the legislation provides adequate support for high value exports;
- whether the legislation provides adequate support for R&D activity;
- whether the legislation provides adequate support for production value added activity;
- whether the reduction in grant types from 5 to 2 will decrease access for some TCF firms;
- whether the cut in tariffs will have an adverse effect on the industry, economy generally, employment and sustainability of regional cities and towns;
- whether our trading partners are reducing tariffs at the same rate as Australia; and
- the combination of these two bills and provisions in the United States Free Trade Agreement will adversely impact on the future of the industry and on employment.

3.2 This chapter will consider those issues in turn.

The SIP and small and medium businesses

3.3 From its commencement, the design of the SIP included a requirement that grant recipients spend at least $200 000 in the grant year on plant and buildings, research and development, or value adding.[1] The explanatory memorandum for the Textile Clothing and Footwear Strategic Investment Program Bill 1999 stated:

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1 Textile, Clothing and Footwear Strategic Investment Program Scheme 1999, s.79(1).

> Recent ABS data indicates that around 96% of all TCF establishments have annual investment levels below the SIP entry threshold of $200,000. Hence, the program will be accessible initially by only a limited number of larger firms, (estimated at around 300). However small firms under this program have the opportunity, if necessary, to build up their investment over the 5 years of the program to reach the entry limit of $200,000.

3.4 Consequently, the SIP was not designed to target small and medium businesses. Since its commencement, however, there have been representations from within the industry that the threshold should either be lowered or eliminated, so that small and medium TCF enterprises may obtain a share of the SIP funding. During this inquiry, the Committee attracted further representations on this point. The TCF Union of Australia, for instance, stated:

> Basically, the current scheme only provides for a small minority of companies within the industry. It is a scheme that, in reality, completely ignores the small and medium enterprises within the industry. Four hundred out of 4,900 companies in the industry received money under the current SIP. Sixty per cent of the work force is represented in those 400 companies, so it is perhaps not as great a discrepancy as it may first appear, but we are still talking about 4,500 companies and 40 per cent of the employment in the industry receiving no SIP funding.[2]

3.5 The Productivity Commission Review of TCF Assistance received similar requests, and made the following observation:

> The current minimum spending threshold and high compliance costs can make it difficult for small firms to secure SIP funding. The threshold is partly intended to reduce administrative costs by limiting the number of claimants and the likelihood of many small claims. But it also carries the assumption that small firms are not able to undertake significant investment or R&D/innovation, and that the future of the industry lies with large enterprises. As the Department's review of the SIP noted, any reduction in the threshold would also spread available funding more thinly and therefore reduce its capacity to improve the competitiveness of recipient firms.

3.6 In the current inquiry, the Committee received evidence supporting the retention of the current SIP threshold and stating that the threshold was important to drive investment in the industry:

> The framework for the TCF (SIP) Scheme is based on the premise that the key to sustainable and internationally competitive TCF industries in Australia lies in significant investment in new plant and equipment and R&D/product development. The Scheme is meant to encourage these activities and provide tangible benefits to businesses that do engage in them. For these reasons, and in the interests of containing administrative costs of the Scheme, the five year $200,000 threshold was adopted; this

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2 *Transcript of Evidence*, Kitchener, 3 August 2004, p. 21.

> equates to an expectation that a firm would invest an average of at least $40,000 per year for the life of the Program.
>
> Data sourced from the Australian Bureau of Statistics showed that five per cent of the 6,000 firms in the TCF industries in 1995–96 accounted for 96 per cent of the industry gross product of just over $3 billion.[3]

3.7 One option discussed by the Productivity Commission was a separate scheme for small to medium enterprises, funded out of the current SIP funding allocation. However the Productivity Commission identified a range of administrative and definitional issues which may inhibit the successful operation of such a scheme:

> Developing a separate transitional assistance scheme for small firms … would bring a host of challenges too. These would include: defining the meaning of small firms for the purpose of the scheme; setting eligibility thresholds to avoid spreading assistance too thinly; and defining the scope of activities to be assisted.[4]

3.8 The Productivity Commission concluded, on balance, that the implementation of such a scheme may be too difficult. Notwithstanding this view, the current bill commits $25 million over ten years to a new grants program, to be called the TCF Small Business Program,[5] to be administered by AusIndustry.

3.9 In addition to this new sector-specific program, the Committee noted that the Government has implemented a range of more general industry policy measures which may benefit small and medium enterprises in the TCF industry. TCF companies may, for instance, obtain the R&D Tax Concession. They may apply for grants under the R&D Start scheme. They may also apply for grants under the Small Business Assistance Program.

3.10 The Committee concludes, on this point, that the current legislation, by implementing the TCF Small Business Program, provides small and medium businesses in the TCF sector with substantially more support than is already available to them under other cross-sector programs.

Market access

3.11 The Selection of Bills Committee requested that this Committee consider whether the proposed bills will improve market access overseas. This question does not relate directly to the current bills, neither of which has market access as an explicit objective. The Committee received almost no evidence on this point.

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3 Additional information, Department of Industry, Tourism and Resources, p. 7.

4 Productivity Commission (2003) *Review of TCF Assistance*, Report No. 26, p. 130

5 See item 12, proposed Part 3B, s. 37ZJ.

3.12 The Committee did, however, receive evidence indicating that obtaining better access to overseas markets remains important to the TCF sector. The Carpet Institute of Australia, for instance, stated:

> The nature of the impediments is tariffs which apply to pretty much all Asian countries with the exception of Hong Kong and Singapore. All the other countries enjoy larger tariff rates than we have in Australia.[6]

3.13 The Committee notes that the Government is committed to pursuing free trade, and therefore increased access to overseas markets, through multilateral bodies such as the WTO and APEC, and through bilateral measures such as the Australia-USA Free Trade Agreement. This effort will inevitably result in more open export markets for the full range of Australian goods and services, including TCF goods and services.

3.14 However, in order to continue to participate effectively in these agreements, Australia must demonstrate its own commitment to free and open trade. The Customs Tariff Amendment (Textile, Clothing and Footwear Post-2005 Arrangements) Bill 2004 does this, by reducing tariff protection for the TCF industry. The Explanatory Memoranudm notes that:

> Legislating these changes now will demonstrate Australia's commitment to achieving its APEC commitment to "free and open trade" without causing unnecessary pain to a particularly vulnerable part of the economy. Stepping down rather than phasing down the rates will be more acceptable to industry as it provides extra time for adjustment and will be simpler to implement.[7]

3.15 The Committee therefore concludes that, while these bills themselves are not directed towards the development of market access, they are an important way for Australia to demonstrate its commitment to free trade, and this commitment will in time result in increased market access for Australian companies.

SIP funding after 2009

3.16 The Selection of Bills Committee requested that this Committee consider whether the phase-down of SIP funding from 2009 threatens the future of the industry and employment.

3.17 Currently, the final year for SIP claims is 2004/05, with claims to be paid out in 2005/06. The current bills propose to extend the scheme through to 2009/10 for all eligible TCF activities[8], and through to 2014/15 for clothing and certain finished textiles. The funding from 2005/06 to 2009/10 will total $487.5 million, and the

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6 *Transcript of Evidence*, Garrett, 3 August 2004, p. 4.

7 Explanatory Memorandum.

8 Leather and technical textiles are not eligible for Type 2 grants under this scheme, as discussed in Chapter 2.

funding from 2010/11 to 2014/15 will total $87.5 million. This second, smaller figure represents the "phase-down" noted by the Selection of Bills Committee, and results from the fact that in this second period, funding will be restricted to clothing and certain finished textiles.

3.18 In the Committee's view the SIP is not, and should not be seen as, a subsidy payment to keep the TCF industry operating. Rather, the SIP provides assistance to larger companies in order to enable them to become or remain competitive. The extension of the SIP through to 2009/10 for all eligible TCF activities, and through to 2014/15 for clothing and certain finished textiles, should be seen as an additional opportunity for the industry to become competitive.

Support for high value exports

3.19 High value, differentiated, niche products have repeatedly been identified as the area within the broader TCF sector where Australian firms can be world competitive. The Productivity Commission report, for instance, stated:

> As many participants in the inquiry acknowledged, the future of an internationally competitive Australian TCF sector lies elsewhere — mainly in the manufacture of differentiated, high value, innovative products where labour costs are not the primary driver of market success …[9]

3.20 The Committee notes that the general objective of TCF policy in recent years has been to focus on these areas where Australia can be competitive, and to facilitate adjustment out of areas (such as generalised apparel products) where Australian companies will inevitably succumb to more competitive overseas companies.

3.21 This policy objective is reflected in the design of the SIP. Type 1 Grants support the acquisition of state-of-the-art equipment necessary to produce innovative, high value products which can be successfully exported. Type 2 Grants focus specifically on research, development and innovation, and therefore directly support the competitiveness of companies producing innovative, high value products. The extension of the SIP will therefore be welcome news to innovative TCF companies.

3.22 It is clear to the Committee that the SIP provides funding in those areas most likely to contribute to the development of high value TCF products. In particular, the SIP grants contribute to the international competitiveness of companies engaged in the development, manufacture and export of such products. Support in this form will inevitably result in increased exports of high value TCF products, because those products will be able to compete successfully on world markets without the need for continued subsidies from the government. The Committee noted the submission of the Council of Textile and Fashion Industries of Australia, which stated:

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9 Productivity Commission (2003) *Review of TCF Assistance*, Report No. 26, p. XIX.

> High value added products come from the ability to use technology and innovation to enhance the value of inputs. These aspects are encouraged by the SIP scheme.[10]

3.23 The Committee did not receive specific evidence suggesting that the level of support for high value exports is inadequate. The Committee considers that the proposed legislation does provide adequate support for high value products.

Support for research and development

3.24 Support for R&D in the TCF industry has always been a core focus of the SIP. Type 2 grants under the SIP are awarded for innovation and R&D, and therefore directly support research and development. The amount of this assistance has been substantial: $28.3 million in 2000/01; $35.7 million in 2001/02 and $42.1 million in 2002/03.[11] As noted elsewhere in this report, Type 2 grants will continue under the current scheme, with grants amounting to an increased proportion of eligible expenditure.

3.25 Under the scheme proposed in the bills, leather and technical textiles will not have access to SIP grants for Research and Development after 2005. Representatives of these sectors requested that this access be extended. The Technical Textiles and Nonwoven Association, for instance, stated:

> As you can imagine, we were somewhat dismayed to discover that we were precluded from accessing R&D grants in the future—that is, post 2005. The reason given in the *Bills Digest* is:
>
> *... textile firms are not facing the same extent of restructuring pressures as other sectors of the TCF Industry, nor are they ... facing the prospect of significant tariff reductions.*
>
> The second part, I agree, is mainly correct for a number of our members but certainly not for all of them. We refute also that we are not facing the same extent of restructuring pressures. We all know that we live in a global environment and we operate in a global society. We have the same external pressures as all other textile firms. In fact, we believe that the external pressures placed on us are somewhat greater than those placed on some of the other textile companies, simply because we face tariffs of five per cent. The pressures coming from overseas, particularly with the strengthening dollar, are far greater on us than on those companies receiving tariff protection—maybe 15 to 20 per cent. So we refute the fact that we do not face the same pressures and therefore do not need R&D grants.[12]

3.26 As noted elsewhere in this report, the rationale for this exclusion is that the technical textiles sector does not face further tariff cuts. The extension of the SIP

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10 Submission 8, Council of Textile and Fashion Industries of Australia, p. 6.

11 Information supplied by the Department of Industry, Tourism and Resources.

12 *Transcript of Evidence*, Taylor, 3 August 2004, p. 31.

proposed in the current bills will continue funding for research and development in those areas of the industry which face further tariff cuts, and will therefore clearly have a positive impact on research and development in the industry.

Support for value adding

3.27 The Selection of Bills Committee requested that this Committee consider whether the legislation provides adequate support for production value added activity. The Committee assumes that this area of concern emerges from the removal of type 3 grants (value adding grants) from the SIP program as proposed in the current bills.

3.28 The removal of type 3 grants was proposed by the Productivity Commission, which stated:

> … the Commission considers that Type 3 assistance should be discontinued. As currently implemented, these grants simply increase the rates of subsidy for investment in plant and equipment and spending on R&D and innovation. But the way they are paid means that the increased rate of subsidy can vary arbitrarily among firms. Discontinuing these grants would help to simplify the new regime. It would also release funds that could be used to increase the subsidy rates for investment and R&D, and/or to pay for the eligibility extensions outlined above.[13]

3.29 The current bill has adopted the Productivity Commission's recommendation, for much the same reasons. The explanatory memorandum states:

> Removing value added grants will eliminate a major source of confusion amongst applicants over policy intent while reducing firms' record keeping and compliance costs.[14]

3.30 The removal of type 3 grants does not, however, mean a reduction in support for value adding. Currently, type 3 grants are based in part upon a company's receipt of type 1, 2 and 4 grants. Instead of continuing this 'piggy-backed' arrangement, which has produced the uncertainties and anomalies described by the Productivity Commission above, the current bills deliver the funding directly, via an increase in the rate of subsidy to be paid out under type 1 and type 2 grants.

3.31 Type 1 grants can currently fund up to 20% of total eligible expenditure on new plant, equipment or buildings. Under the current bill, this rate will double to 40%. Type 2 grants currently fund up to 45% of eligible expenditure on research and development. Under the current bill, this rate will rise to 80%.

3.32 The Committee noted the submission from Godfrey Hirst Australia Pty Ltd, which stated:

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13 Productivity Commission (2003) *Review of TCF Assistance*, Report No. 26, p. 134

14 Explanatory Memorandum.

> To streamline the program, the number of grant categories [are] reduced from 5 to 2. This involved, among other changes, deleting the type 3 value added grants and correspondingly increasing the rates for investment (type 1 grants) and innovation (type 2). Overall, the level of support provided to firms for eligible activities will not change significantly as a result of this amendment to SIP.[15]

3.33 The Committee did not receive evidence opposed to the removal of type 3 grants, and considers that the current bill does not in any way reduce the available funding for value adding activities. Rather, it delivers that funding in a more efficient way, minimising complexity and compliance cost. In addition, by substantially extending the life of the SIP, the current bills increase the amount of support available for value adding.

Reduction in SIP grant types

3.34 The Selection of Bills Committee requested that this Committee consider whether the reduction in grant types from 5 to 2 will decrease access for some TCF firms.

3.35 Under the current scheme, there are five types of grants. The current bill proposes to reduce this to two. Type 1 and type 2 grants will remain, though as noted above their rates of subsidy will be substantially increased.

3.36 Type 3 grants, relating to value added, will be removed under the scheme proposed in the current bill. This issue is discussed immediately above, and will not result in a reduction of support for value added activity.

3.37 The bill proposes to eliminate type 4 and 5 grants, relating to restructuring initiatives, and to replace them with a structural adjustment fund. This issue is discussed further immediately below. However, it is important at this point to note that the number of TCF firms eligible for support under the structural adjustment fund will be significanly *higher* than the number of firms eligible to seek type 4 or type 5 grants.

3.38 The reduction in the number of grant types was not raised as a significant issue in evidence before the Committee. The Committee concludes that the proposal to reduce the number of grant types is unlikely to decrease access to grants for TCF firms.

Regional impacts

3.39 The Selection of Bills Committee requested that this Committee consider whether the cut in tariffs will have an adverse effect on the industry, the economy generally, employment and sustainability of regional cities and towns.

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15 Submission 14, Godfrey Hirst Australia Pty Ltd

3.40 The current SIP scheme recognises that TCF industries are the mainstay of a number of regional areas. The scheme includes two forms of grant – type 4 grants, for purchase of second-hand equipment for use in restructuring programs, and type 5 grants, for miscellaneous and ancillary activities relating to restructuring – which are limited to initiatives occurring in TCF dependent communities.

3.41 TCF dependent communities are described under the SIP scheme as being:

- communities outside the capital cities;
- communities where TCF industries provide 10 percent of manufacturing employment *or* where TCF industries provides 5 percent of manufacturing employment in an area with higher than average unemployment.

3.42 Consequently, type 4 and type 5 grants are regional grants only.

3.43 The Productivity Commission, while noting that the economies of some regional communities are heavily dependent on TCF industries, also noted that the challenges associated with restructuring within the industry are likely to be as significant in capital cities:

> There was no substantive evidence presented to the inquiry that, in general, individual TCF workers in the regions face higher adjustment costs than their counterparts in metropolitan areas, or vice versa. Many individuals, irrespective of their city or regional location, have characteristics which suggest that the adjustment costs likely to be imposed on them through loss of their current jobs could be high. On this count, there appears little basis for differentiating between metropolitan and regional areas in future TCF adjustment assistance.[16]

3.44 The current bill proposes to eliminate type 4 and type 5 grants, and to replace them with a Structural Adjustment Program, 'to fund specific initiatives for structural readjustment for restructuring of firms in both metropolitan and regional areas.'[17]

3.45 The Structural Adjustment Fund will have a total appropriation of $50 million over ten years. When it is considered that the total amount of type 4 and type 5 grants issued in the period 2000/01 through 2002/03 was approximately $3 million, it is clear that the new Structural Adjustment Program will not be shifting assistance away from regions towards metropolitan areas. Rather, the Structural Adjustment Program extends support to workers in metropolitan areas who (as noted above) may face similar difficulties during the process of restructuring.

3.46 The City of Greater Geelong, in its submission, considered that the size of the structural adjustment fund is too small:

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16 Productivity Commission (2003) *Review of TCF Assistance*, Report No. 26, p. 50.

17 Explanatory Memorandum.

> An increase in the dollar amount for structural adjustment programs is required as $5 million per annum for the whole of Australia is far too small. Consideration should be given to allocating more dollars to regional areas where TCFL is a major industry and / or where unemployment is generally higher than in metropolitan areas. It makes sense to allocate more resources to areas that will have a large percentage of its workforce impacted by TCFL job losses. Similarly, it makes sense to allocate additional resources to areas where alternative employment opportunities are not as readily available as in capital cities such as Melbourne.[18]

3.47 The Government of Victoria took a similar view:

> The Government is also concerned that the structural adjustment fund, which averages $5m per annum over ten years, is not adequate to support workers displaced by large plant closures, given the estimates made of likely job losses over this period.[19]

3.48 The Committee acknowledges that structural adjustment within the industry will inevitably result in some challenges for regional cities and towns. The SIP package, along with other Government programs such as the Regional Assistance Program, provides support for initiatives to overcome those challenges.

Rate reductions from Australia's trading partners

3.49 Some witnesses before the inquiry were opposed to unilateral tariff rate reductions:

> We have always argued that tariff reduction should not be of a unilateral nature and we have always argued that there should be a proper review process in place before there is further unilateral tariff reduction. We have always argued that.[20]

3.50 In the Committee's view, rate reductions by Australia's trading partners are not central to the benefits which will flow from these bills. The benefits of trade liberalisation are widely understood, even where that liberalisation is undertaken on a unilateral basis. The Productivity Commission made the same point in the following terms:

> Above all, linking Australia’s assistance policies automatically to overseas policies would disregard what is in Australia’s national interest. For instance, such linking would ignore the range of domestic considerations that have been central to assistance reductions for the TCF and other sectors over the past 15 years and which remain relevant to future assistance decisions. […] these include the costs imposed on consumers and other Australian industries, including exporters, by TCF tariffs, as well as the

18 Submission 6, City of Greater Geelong, p. 2.

19 Submission 18, Government of Victoria, Covering letter, p. 2.

20 *Transcript of Evidence*, Garrett, 3 August 2004, p. 6.

> potential productivity stimulus from exposing the sector to greater international competition.[21]

Interaction with the Australia-USA Free Trade Agreement

3.51 The Selection of Bills Committee requested that this Committee consider whether the combination of these two bills and provisions in the United States Free Trade Agreement will adversely impact on the future of the industry and on employment.

3.52 The provisions of the Australia-US Free Trade Agreement (AUSFTA) relating most directly to the TCF industry are found in Chapters 2 (Market Access for Goods), 4 (Textiles and Apparel) and 5 (Rules of Origin) of the AUSFTA. In short, they provide for staged reductions in tariffs for most TCF products with a view to what the AUSFTA refers to as *national treatment*. In other words, once the staging process is complete, products from the USA will be treated in the same manner as products from Australia.

3.53 The staging process is outlined in Annex 2-B to Chapter 2 of the Agreement. This chapter outlines in exhaustive detail the impact on thousands of items of manufactured goods. Some key items for the purposes of this inquiry are as follows:

- *Apparel*: Tariffs on apparel imported from the USA will be reduced to nil immediately that the AUSFTA comes into force.
- *Yarns and many technical textiles*: These, and many other TCF products whose tariff rate is currently 5%, will have that rate reduced (for imported US products) to 3% when the agreement enters force, and to nil on 1 January 2010.
- *Carpets*: Carpets which currently have 15% tariff protection will have this protection reduced to 8% on imported US products once the agreement commences, then 3% on 1 January 2010, then finally nil on 1 January 2015.

3.54 In addition to the phased reduction of tariffs, the AUSFTA contains an important provision which would enable the government to act to protect local industry from destruction if the FTA precipitated a flood of imports. The provision, Article 4.1(1), states:

> 1. If, as a result of the reduction or elimination of a customs duty under this Agreement, a textile or apparel good benefiting from preferential treatment under this Agreement is being imported into the territory of a Party in such increased quantities, in absolute terms or relative to the domestic market for that good, and under such conditions as to cause serious damage, or actual threat thereof, to a domestic industry producing a like or directly competitive good, the importing Party may, to the extent and for such time as may be necessary to prevent or remedy such damage and to facilitate

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21 Productivity Commission (2003) *Review of TCF Assistance*, Report No. 26, p. 94.

> adjustment, take emergency action, consisting of an increase in the rate of customs duty on the good to a level not to exceed the lesser of:
>
> (a) the most-favoured-nation (MFN) applied rate of duty in effect at the time the action is taken; and
>
> (b) the MFN applied rate of duty in effect on the date of entry into force of this Agreement.[22]

3.55 In other words, if necessary, the Government may move to impose the same tariffs on US TCF imports as are imposed on other trading partners, but only as an emergency measure to prevent the local industry from failing.

3.56 In return, Australian TCF companies obtain increased access to the US market. Access to the US market will be limited by what is known as the 'yarn forward' rule, whereby goods are regarded as originating in either Australia or the USA if they are made from yarn produced in Australia or the USA. In its submission to the recent Senate Select Committee on the Free Trade Agreement Between Australia and the United States of America, the TCF Union of Australia expressed concerns on this point:

> The US system is what is called the 'yarn forward' rule. That is, goods can be made-up overseas (the labour component being the costly part) as long as they are made-up using American yarn. This is how they protect their domestic textile industry. […]
>
> The bulk of Australian TCF industry (up to 80%) cannot meet US yarn-forward rules because much of our yarn is sourced from Asia. Most US companies meet this rule which means that by 2015 the benefits of the FTA will only flow to US companies.[23]

3.57 The government has made it clear that it argued against the 'yarn forward' rule, but was forced to compromise on this point:

> With the support of Australian industry, the Government also sought to have [the general approach to rules of origin] applied to the textiles and clothing sector rather than the special 'yarn forward' rule proposed by the United States side, but was unable to persuade the US to move from this position.[24]

3.58 Notwithstanding the ongoing effect of the yarn forward rule, it will be up to the TCF industry to take advantage of the opportunities offered to it by the AUSFTA.

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22 Australia-US Free Trade Agreement, Chapter 4, Article 4.1(1).

23 Senate Select Committee on the Free Trade Agreement between Australia and the United States of America, submission 204, TCF Union of Australia, p. 1.

24 Senate Select Committee on the Free Trade Agreement between Australia and the United States of America, submission 161, *Regulation Impact* Statement, Department of Foreign Affairs and Trade, p. 22.

The Agreement should be seen as an opportunity for those Australian TCF companies who are truly world competitive to increase their share of the US market.

Other issues

3.59 Two other issues were raised in the course of the inquiry. While these do not relate directly to the content of the bills, the Committee considers it important that these issues be addressed.

Outworkers in the TCF Industry

3.60 The Committee heard a substantial amount of evidence relating to the continued employment of outworkers in substandard conditions in the TCF industry. Ms Qi Fen Huang, from Asian Women at Work, described the experiences of some outworkers in the following terms:

> One of the outworkers sews swimwear. Ten years ago she received $17 an hour to make the sample and the orders, but for the last three years she has received $7 an hour for a similar type of garment. This low rate of pay and culture of working hard means that she is working more hours, such as 12 hours a day, or 16 hours a day in the busy season, to get enough income for her family. She told me one experience to do with her health. One day, when she drove her car on the way back from delivering her order to her employer, suddenly she could not see anything in front of her. She had to stop her car on the roadside for more than 20 minutes. After that, she was very scared and called her husband to come and drive the car. Since that time, more than one year ago, she has stopped driving.
>
> The other outworker works in the fashion industry. She has made ladies' blouses for more than 15 years. She used to receive $11 per garment. But in the last five years she has received only $5.30 per garment and has got more complicated work, such as joining 13 pieces in a garment. There were 13 different pieces to put together in the garment. She usually starts work at six o'clock in the morning. If there is the stress of an urgent order, she has to start work when she wakes up, at three or five o'clock. In the last three years she has had two miscarriages. She still wants to have a baby for her husband.[25]

3.61 In 1997, the Senate Economics References Committee examined the issue of outworkers in detail. The Committee's report, *Outworkers in the Garment Industry*, made a series of recommendations intended to provide outworkers with safe working conditions free from economic exploitation. The Committee is disappointed that, nearly seven years after the tabling of that report in December 1997, it is still hearing evidence of the continued and systematic exploitation of outworkers in the TCF industry.

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25 *Transcript of Evidence*, Huang, 3 August 2004, p. 11.

3.62 In its 1997 report, the References Committee stated:

> The Committee believes that the draft voluntary industry 'Homeworkers Code of Practice' originally promoted by the Council of Textile and Fashion Industries of Australia could be an important step in changing the circumstances under which outworkers are employed. The Committee fully endorses this approach and encourages all parties involved in garment manufacture to become parties to such a Code.[26]

3.63 The Committee remains of this view. All participants in the TCF industry should sign up to the Fair Wear Homeworkers Code of Practice, or to an equivalent code of practice, and end the exploitation of outworkers in this industry.

Consultation processes

3.64 During the hearings on this bill, questions were regularly raised regarding the consultation process which the Department of Industry, Tourism and Resources undertook in developing this bill. Some organisations felt that the consultation process was effective:

> We have been involved with government fairly intimately over a lengthy period of time. As an industry, we have sometimes requested further involvement with government and most of those requests have been met. Certainly from our industry’s point of view I would suggest that we are comfortable with the degree of consultation. I do not know whether my colleagues would have anything to add to that.[27]

3.65 Others were clearly more disappointed:

> If there was a compromise reached and an arrangement made between parts of the industry and the government on what would clearly be seen as a trade-off on the issue of further tariff reductions to secure a certain amount of SIP funding, that was not done with the involvement of this union or any organisation that actually represents workers. I think that is a fundamental flaw in any negotiations. If you are talking about trying to have smart and strategic industry policy, you need to have all the stakeholders around the table. You need to have around the table the people that understand the future of the industry in terms of products and innovation and the great strengths that our industry has as far as how we can grow exports as well as our domestic markets; but you also need the people that understand the cold, hard reality of dealing every day of our working lives with the faces of workers who have lost their jobs through no fault of their own other than having contributed many years of hard and skilled work to an industry that is declining as a result of government policies, without any adequate consideration of the future of those workers and their communities.[28]

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26 Senate Economics References Committee, *Outworkers in the Garment Industry*, December 1997, para 5.37

27 *Transcript of Evidence*, Szakiel, 3 August 2004, p. 2.

28 *Transcript of Evidence*, O'Neil, 3 August 2004, p. 23.

3.66 The Committee carefully questioned witnesses from the Department of Industry, Tourism and Resources on this point, and received additional written information from the Department regarding the consultation process. Because this issue was a source of some contention during the hearing, it is worthwhile setting out the Department's reponse in full:

> The Minister wrote to key industry associations, major TCF companies, the Textile Clothing Footwear Union of Australia, and his state ministerial counterparts on 27 November 2003 advising them of the Government's Post-2005 TCF package.
>
> The Technical Textiles and Non-Woven Association (TTNA) and Australian Association of Leather Industries (AALI) were part of the industry associations to receive a letter from the Minister. In particular the letter to these two associations detailed the Government's policy that there would be redirection of program support to those firms that still faced tariff adjustment, and as a result technical textiles and leather firms respectively would only be able to access Type 1 grants for new capital equipment under the extended TCF SIP Scheme. These two associations were also advised that amendments to the current TCF SIP would be made to remove the 5 per cent value added cap applying to Type 3 grants for technical textiles and leather firms, thereby potentially increasing the support that these firms can draw from the final two years of current Scheme.
>
> All current TCF SIP registrants (at the time of the announcement) were advised of the Government's Post-2005 TCF package by letter during the first week of December 2003.
>
> Details of the Post-2005 TCF package were also posted on the Department's website on 27 November 2003.
>
> The Department undertook a series of formal information and consultation sessions over the period February 23 through to March 1, 2004 in Perth, Adelaide, Melbourne, Launceston, Sydney and Brisbane
>
> All SIP registrants were faxed invitations on 23 January 2004 and provided with a summary of the proposed key changes to SIP. Advertisements were also placed with the ATF Portal (an industry-based website) and the Australian Financial Review. In addition, the Department also wrote to key industry associations (including the TTNA and AALI) and the TCFUA inviting them to attend the sessions. The seminars were also promoted in AusIndustry's newsletter *TCF Strategic News*. Attendees at the sessions were provided with an overview of the Government's Post-2005 TCF package, and asked to provide comments and feedback on the proposed changes by March 19, 2004. The slide presentation used at the presentations is attached.
>
> Additionally, a presentation on the Post-2005 TCF package was given in Geelong on March 11, 2004.[29]

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29 Additional information, Department of Industry, Tourism and Resources, p. 1.

3.67 In the Committee's view, the consultation process outlined by the Department is fulsome and comprehensive. It includes all major stakeholders, includes face to face discussions in all states, and in TCF dependent communities. The Committee therefore considers that criticism of the Department's consultation process is unwarranted.

Recommendation

The Committee recommends that the Senate pass this bill.

SENATOR GEORGE BRANDIS
Chair

Labor Senators Dissenting Report

1.1 Senators from the Australian Labor Party are concerned about a number of issues raised in evidence. This dissenting report addresses:

- whether the bills should be considered as a package or split and considered separately;
- whether there has been adequate consultation in the development of the bill;
- whether technical textiles and leather should have the same level of eligibility as other TCF sectors; and
- whether the bills provide sufficient support to small and medium businesses.

Severing the connection between the bills

1.2 The Textile Clothing and Footwear Strategic Investment Program Amendment (Post-2005 scheme) Bill 2004 and the Customs Tariff Amendment (Textile Clothing and Footwear Post-2005 Arrangements) Bill 2004 have been introduced to the Parliament as a package. The government's intention, in doing this, was that the bills be considered together, with the passage of the SIP legislation dependent upon the passage of the tariff cuts.

1.3 During its consultations with industry, the Department of Industry, Tourism and Resources made it clear that the TCF industry would only get further assistance through SIP if the tariffs were passed. During the Committee's hearing on these bills, the TCF Union of Australia tabled a powerpoint slide used by DITR in its consultation process. This slide set out proposed spending on the TCF industry, amounting to nearly $750 million in total, then concluded by stating that "these assistance measures are contingent on the legislation of the Tariff Reduction Schedule".[1]

1.4 Many parts of the industry essentially regarded this process as one of blackmail. The TCFU submission, for instance, stated:

> The Federal Government is unnecessarily tying the tariff reduction bill to industry assistance in an obvious attempt to blackmail the industry into accepting unjustified and ideological tariff reductions that will wreak

1 Tabled document, TCFUA, 3 August 2004.

> further havoc on an industry already suffering the effects of previous reductions. There is no sensible reason to tie the two bills together.[2]

1.5 The Ballarat Regional Trades and Labour Council argued:

> There is no real or logical reason to tie SIPS legislation for post 2005 assistance with tariff reduction legislation which does not come into effect until 2010. It is our view that the Federal government is seeking to force the industry to accept tariff reductions as the price for further industry assistance.[3]

1.6 The Goulburn Valley Trades and Labour Council made a similar argument:

> There have already been substantial tariff reductions that have impacted the Goulburn Valley and there is no time related necessity to legislate futher reductions. Even if further reductions are supported by this committee there is no need for tariff reduction legislation until 2009. There should be no coercion to force the industry to accept tariff reductions as the price for further industry assistance. There is no evidence that this will be of any benefit to Australians.[4]

1.7 The Australian Council of Trade Unions stated:

> The Senate should separately consider the TCF SIP Amendment Bill and the Customs Tariff Amendment Bill. The former Bill deals with investment assistance measures to apply during the period 2005 to 2010, whereas the latter provides for rates of tariff to apply after 2010. The connection between the two bills is forced, inappropriate and should be severed.

1.8 No less than 24 of the 42 written submissions made to the Committee on this issue supported the separate consideration of these bills. This view was put by groups as diverse as the Victorian Trades Hall Council, the Migrant Women's Lobby Group of South Australia, and the Uniting Church.

1.9 The Labor Senators on this Committee agree that the bills should be considered separately. Labor will continue to support assistance for the TCF industry through the SIP scheme, subject to amendments outlined below. However, Labor Senators do not support the provisions of the Customs Tariff Amendment (Textile Clothing and Footwear Post-2005 Arrangements) Bill 2004.

1.10 During the hearings for this inquiry, officers from the Department of Industry, Tourism and Resources offered no specific reasons why the tariff cuts are necessary. Instead, they offered generalised, ideological statements such as their view that the

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2 Submission 1, TCFUA, p. 2.

3 Submission 2b, Ballarat Trades and Labour Council, p. 4.

4 Submission 7, Goulburn Valley Trades and Labour Council, p. 2.

tariff cuts 'drive competitiveness at the firm level and they are an incentive for the industry to move from industries which clearly cannot be competitive now.'[5] These views, unsubstantiated by data or analysis, do not provide a suitable basis for policymaking.

1.11 It may of course be difficult for officers of the Department to make policy based on substantial data. During the hearing it became evident that the Department's latest manufacturing survey data for the TCF industry was current during 2001.[6] In other words, while the Department is proposing legislation which will cost jobs by providing industry with an incentive 'to move from industries which clearly cannot be competitive now' it has little data to indicate what the impact on the industry has been since 2001 – the first year of the current SIP scheme.

1.12 On the other hand, the Committee heard some substantial arguments against the imposition of the tariff cuts proposed in the Customs Tariff Amendment (Textile Clothing and Footwear Post-2005 Arrangements) Bill 2004. The Victorian Trades Hall Council, for instance, stated:

> We believe there is a fundamental flaw in the government's insistence on tying the two bills together as it in effect requires industry to accept a reduction in tariffs in order to access assistance. The TCF industry has since 1991 greatly reduced its tariff protection. In some sectors such as clothing, tariffs have been reduced from 55% to 25% over the ten year period. These reductions have not, however, demonstrably helped the Australian economy and in fact have seriously compromised sections of the TCF industry through massive job losses and loss of critical mass.
>
> Even according to the Productivity Commission's own recent economic modelling, further reductions in tariffs carry a very small benefit. It would cost every Australian 75 cents per year to support a domestic TCF industry. Further, in addition to the Thailand and US free trade agreements which will already undermine local TCF manufacturing, we are extremely concerned about the proposed China free trade agreement and the impact it will have on the industry. Whilst we are consistently being told of the perceived benefits of free trade, the experiences of most Australians is that it has led to significant job losses and no benefits to consumers.
>
> The VTHC believes that as there is no evidence to show that tariff reductions will result in economic benefits for the Australian community but do result in community trauma due to job losses, the linking of the two bills is unfair. Industry should be entitled to assistance in dealing with the previous round of reductions without being forced into a new round.[7]

5 *Transcript of Evidence*, Pettifer, 3 August 2004, p. 50.

6 *Transcript of Evidence*, Jumpertz, 3 August 2004, p. 53.

7 Submission 15, Victorian Trades Hall Council, p. 2.

1.13 Labor Senators consider that there is no logical reason why these two bills need to be considered together. Further, we consider that the Government has failed to adequately make a case for further tariff reductions in the TCF sector.

Recommendation 1

Labor Senators recommend that the Senate consider the bills separately.

Recommendation 2

Labor Senators recommend that the Senate negative the Customs Tariff Amendment (Textile Clothing and Footwear Post-2005 Arrangements) Bill 2004.

The consultation process

1.14 Serious concerns have been expressed about several aspects of the consultation process undertaken by the Department. First, it is apparent that the Department has been more highly motivated to consult with organisations likely to support its own position. For instance, the Carpet Institute[8], and the Council of Textile and Fashion Industries[9], both of which support the bills, both expressed satisfaction with the consultation process.

1.15 Other organisations, more critical of the package, such as Fair Wear[10], the Australian Association of Leather Industries[11], the TCFUA[12], the ACTU[13], and Mr Andrew Minter from Fashion Clubwear[14] all told the Committee in evidence that they had not been consulted by the Department.

1.16 For a consultation process to provide effective information to the government and to the parliament, it must be an inclusive process which engages a wide variety of parties. A consultation process limited to those organisations who are already in substantial agreement with the Department will add nothing to the process.

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8 *Transcript of Evidence*, Szakiel, 3 August 2004, p. 2.

9 *Transcript of Evidence*, Garrett, 3 August 2004, p. 37.

10 *Transcript of Evidence*, Carstens, 3 August 2004, pp. 13-14.

11 *Transcript of Evidence*, O'Loghlen, 3 August 2004, pp. 17-18.

12 *Transcript of Evidence*, O'Neil, 3 August 2004, p. 23.

13 *Transcript of Evidence*, Burrow, 3 August 2004, p. 26.

14 *Transcript of Evidence*, Burrow, 3 August 2004, p. 26.

1.17 Furthermore, to be effective and conducted in good faith, a consultation process must occur *before* the key decisions are made.

1.18 Labor Senators questioned the Departmental officers about their consultation process, and obtained a written response. A closer examination of the timing of these processes shows that most of them were not 'consultation' at all, but rather 'information'.

1.19 According to the additional information supplied by the Department, "the Minister wrote to key industry associations, major TCF companies, the Textile Clothing Footwear Union of Australia, and his state ministerial counterparts on 27 November 2003 advising them of the Government's Post-2005 TCF package."[15]

1.20 On the same day, 27 November 2003, the Minister issued a press release entitled 'Future Assistance Arrangements for the TCF Industry.' In it he announced:

> a long term assistance package of $747 million, and a five year pause on tariff reductions from 2005, for the Australian textiles, clothing and footwear (TCF) industries. The decision follows the Government's consideration of the Productivity Commission Review of TCF Assistance.[16]

1.21 If the Minister was writing to the industry on the same day that he announced, in substantial detail, the package which is presented almost unchanged in the current bills, then clearly his letters to industry were 'information' rather than 'consultation'.

1.22 The Department then informed the Committee that drafting instructions for the current bills were issued on 2 February 2004.[17] However, again according to the Department, its travelling series of consultation sessions took place between 23 February and 1 March 2004[18]. So, according to the Department, by the time it undertook widespread 'consultations', drafting instructions for these bills had been in the hands of the drafters for three weeks. These sessions certainly amount to information rather than consultation, notwithstanding the departmental contention that 'the industry consultation process conducted since the announcement of the package has played a role in informing the drafting instructions with respect to the formulation of the TCF Post-2005 Scheme.'[19]

1.23 It is not clear, on the basis of available evidence, that an actual consultation process, involving a wide range of stakeholders *prior to decisions being made*, was undertaken at any time in this process. Lamentably, for some key organisations, this

15 Additional Information, Department of Industry, Tourism and Resources, p. 1.

16 Press Release, *Future Assistance Arrangements for the TCF Industry*, the Hon. Ian MacFarlane MP, 27 November 2003.

17 Additional Information, Department of Industry, Tourism and Resources, p. 2.

18 Additional Information, Department of Industry, Tourism and Resources, p. 1.

19 Additional Information, Department of Industry, Tourism and Resources, p. 2.

Inquiry represented their first opportunity to become involved in a genuine consultation process with regard to these bills.

Technical textiles and leather

1.24 Under the proposed scheme, technical textiles and leather industries will be unable to access Type 2 grants (for research and development). The government rationale for this limitation is as follows:

> The SIP is to help the industry to deal with any further structural adjustment that they need to make. The leather and technical textiles industries are on a five per cent tariff, and that situation is not going to change.[20]

1.25 Both the technical textiles industry and the leather industry sought, before this committee, full access to the SIP scheme. The Technical Textiles and Nonwoven Association argued:

> Once again, I restate that our industry—the technical textiles industry—is undertaking fundamental structural changes. The World Trade Organisation agreement on textiles and clothing, the ATC, will continue to drive change for some time. We are in a global society. It is not as if this is going to go away. Therefore, our industry needs to further invest in capital equipment and R&D and to address the structural change which at this stage we have only just started. We need to stay ahead. We recommend that a small amendment be made to the proposed legislation and that we do go ahead and pass this legislation promptly, but with the amendment that R&D be included for the technical textiles sector for the post-2005 programs.[21]

1.26 The Australian Association of Leather Industries argued:

> … we are spending lots of time and effort on R&D. We have got experts from around the world working in our factory, and we are claiming that under the SIP scheme at present. We will not be able to do that going forward. We have not finished getting ourselves in a position to be a highly differentiated, internationally competitive business. We are not ready. We are not quite there yet. We need more time.[22]

1.27 Labor Senators consider that both the technical textiles and the leather industries have made a sound case for access to type 2 grants. Both sectors appear to contain exactly the sorts of companies the SIP scheme is intended to encourage. Both appear to have a need for continued SIP support in order to establish world competitiveness. The Department was unable to respond to these arguments beyond restating the policy view outlined above. On balance, Labor Senators support the extension of eligibility to these two sectors.

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20 *Transcript of Evidence*, Pettifer, 3 August 2004, p. 53.

21 *Transcript of Evidence*, Taylor, 3 August 2004, p. 32.

22 *Transcript of Evidence*, Rich, 3 August 2004, pp. 17-18.

1.28 However, in order for Labor Senators to make a recommendation to this effect, we must be convinced that the additional claims flowing from this eligibility can be managed under the scheme. The Department was asked, on notice, to indicate what the cost of extending eligibility would be. It responded that the total for both sectors, over the 5 year life of the program to 2010, would be $26 million.

1.29 Labor Senators noted that the SIP scheme has a history of underspending. In 2002/03, for instance, budget estimates of spending under the scheme were $130, 700, 000. Actual expenditure was just $109, 660, 170.[23] This represents a $21 million dollar underspend in a single year. Against these figures, it seems obvious that the scheme would be able to accommodate Type 2 grants for leather and technical textiles without having an impact on support for other TCF sectors. Consequently, there is no reason to refrain from supporting the extension of the scheme.

Recommendation 3

Labor Senators recommend that Leather and Technical Textile research and development activity should be eligible activity for the purpose of Type 2 grants during the 2005-2010 phase of the SIP scheme.

Access for small business

1.30 The SIP scheme includes a $200,000 expenditure floor for grant eligibility. Even allowing that some firms can build towards the target over a period of years, $200,000 remains a formidable investment target for many small and medium businesses. As a result, many small businesses are shut out of the scheme. In evidence, the TCFUA described the effect of this threshold:

> It is a scheme that, in reality, completely ignores the small and medium enterprises within the industry. Four hundred out of 4,900 companies in the industry received money under the current SIP. Sixty per cent of the work force is represented in those 400 companies, so it is perhaps not as great a discrepancy as it may first appear, but we are still talking about 4,500 companies and 40 per cent of the employment in the industry receiving no SIP funding.[24]

1.31 The 'skewing' of the SIP scheme towards larger enterprises appears to have little foundation in policy, other than an apparent desire not to spread SIP funding too thinly. The Productivity Commission made this argument in its report:

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23 DITR Annual Report 2002-03, p. 243, Table 28C.

24 *Transcript of Evidence*, Kitchener, 3 August 2004, p. 21.

> The current minimum spending threshold and high compliance costs can make it difficult for small firms to secure SIP funding. The threshold is partly intended to reduce administrative costs by limiting the number of claimants and the likelihood of many small claims. But it also carries the assumption that small firms are not able to undertake significant investment or R&D/innovation, and that the future of the industry lies with large enterprises. As the Department's review of the SIP noted, any reduction in the threshold would also spread available funding more thinly and therefore reduce its capacity to improve the competitiveness of recipient firms.
>
> Yet, just as there are many ways in which firms can improve their competitiveness, small firms can be as (if not more) competitive as large firms in certain activities. Indeed, smallness may be one of the characteristics which contributes to innovation, responsiveness and success in some market areas (eg clothing design and branding). From this perspective, the minimum threshold may detract from the Government's objectives for the sector. Again, however, getting the right balance between avoiding inappropriate discrimination against smaller firms, containing compliance costs and not spreading funding too thinly, poses challenges for program design.[25]

1.32 The Productivity Commission, in this quotation, identified the fundamental, illogical flaw in the design of the SIP scheme. Simply put, there is no basis for assuming that small and medium firms will be unable to invest in R&D or in plant and equipment. The government's own statements in the past have repeatedly identified the innovative strengths of small business In July 2004, for instance, the government's *Committed to Small Business* statement included the following:

> The ability of small business to grasp the opportunities presented by Australia's recent sustained period of economic growth, and use it to prosper and diversify, is testimony to the resilience and entrepreneurial skills of the sector … [small businesses] are a key source of innovation, jobs and economic growth.[26]

1.33 If this is the case, then there appears to be no reason to shut out 'a key source of innovation' from a scheme intended to enhance innovation in the TCF sector.

1.34 Given the underspend in the SIP scheme noted above, fears of 'spreading grants too thinly appears to be unwarranted.' It is true that small to medium businesses are inherently likely to be eligible for smaller grants, as the SIP scheme provides grants in proportion to spending. However if these companies can achieve significant innovative outcomes from those smaller grants, then surely this should be fully encouraged.

1.35 The proposed scheme does include a TCF Small Business Program, which is to receive $25 million in funding over 10 years. While any additional support for

25 Productivity Commission (2003) *Review of TCF Assistance*, Report No. 26, p. 79.

26 Prime Ministerial statement, *Committed to Small Business*, July 2004, p. 11.

small business will be welcome, Labor Senators have two difficulties with the current proposal.

1.36 First, the amount of $25 million is disappointingly small, especially in the context of an overall scheme of $600 million. This point was made by witnesses before the Committee:

> The government, in response to concerns that have been raised by companies during the Productivity Commission review process, has announced as part of its overall package a $25 million program for small businesses over 10 years. I think that, when you look at the figures and see that 400 companies will receive $60 million a year—the SIP is $600 million over 10 years—whereas 4,500 companies will receive $2.5 million a year, it is a fairly laughable equation in terms of fairness.[27]

1.37 Second, the Senate is asked to endorse this legislation while the program itself is 'sight unseen'. The TCF Small Business Program has not been developed, or (at the very least) has not been publicly released. Given the Department's poor record of consulting with the TCF industry on the development of the wider SIP scheme, Labor Senators have little confidence that small or medium enterprises will be properly consulted in the development of the Small Business Program. Labor Senators will closely monitor the development and implementation of the Small Business Program, and will ensure that any concerns expressed by small business are raised during the Senate estimates process.

Outworkers

1.38 The Majority report concludes its discussion of outworker issues in the following terms:

> The Committee is disappointed that, nearly seven years after the tabling of that report in December 1997, it is still hearing evidence of the continued and systematic exploitation of outworkers in the TCF industry.

1.39 While Labor Senators share this disappointment, we do not share the Committee Majority's apparent view that the Government is unable to do any more than stand by and hope that the TCF industry will voluntarily improve working conditions for outworkers. In evidence, the FairWear campaign argued that the process of self-regulation supported by this Committee's 1997 report has been unsuccessful:

> The FairWear campaign has been involved heavily in the discussions and campaigning around the voluntary Homeworkers Code of Practice that is in place for retailers and manufacturers to become involved in monitoring and checking what is going on in their supply chains, from the top down.

27 *Transcript of Evidence*, Kitchener, 3 August 2004, p. 21.

> FairWear have reached the conclusion that the voluntary mechanisms on their own are not able to work.[28]

1.40 Given that the current bills propose arrangements which will fundamentally change the TCF industry in Australia, is is disappointing that not one proposed measure, in a package worth some $600 million, specifically addresses the challenges faced by outworkers in this industry. There are no measures to support those who remain in the industry (FairWear has suggested linking SIP grants to participation in the Homeworkers Code of Practice) and no specific measures to support the transition of outworkers out of the TCF industry and into other employment, despite the widespread understanding that reduced tariffs will force many outworkers out of the industry, and despite the widespread understanding of the language and cultural barriers which may prevent outworkers from accessing more generalised forms of support. Labor Senators are determined that outworkers should not simply be the invisible victims of the Government's tariff reduction program.

Senator Ursula Stephens
Deputy Chair

28 *Transcript of Evidence*, Carstens, 3 August 2004, p. 12.

Australian Democrats Dissenting Report

1.1 The Democrats disagree with the conclusion of the main Report, and believe that these Bills should not be passed in their current form.

1.2 The SIP is a valuable industry support mechanism, and has had a positive effect on the industry as it has adjusted to major tariff reductions in the last ten years. The extension of the scheme for a further five years has unanimous support. The Democrats have publicly expressed our support for the extension of the SIP, and would be very pleased to vote for legislation that achieved this.

1.3 However, the Democrats do not support the making this extension conditional upon a further program of tariff reductions. We support the TCFUA's submission that the Federal Government is seeking to force the industry to accept tariff reductions as the price for further industry assistance despite there being no evidence that this will result in benefits to Australians.

1.4 We do not believe this is necessary at this time. The Democrats believe that a more suitable approach would be to extend the SIP until 2009, and then review the need for a further round of tariff cuts post-2010 closer to that time. Guaranteed tariff reductions that will not come into effect until after this round of SIP funding expires do not need to be included in this legislation. We will support the uncoupling of the two aspects of the Bill during the Senate debate.

1.5 The Democrats Industry Policy states the belief that manufacturing and industry have been undermined by an array of Government policies including reduction in tariffs, restrictions on the R&D tax concession, cuts to industry assistance programs, an unsympathetic tax system, heavy compliance costs from poor implementation of the new tax system, and a failure to engage in strategic industry and regional development planning. The Democrats believe the fundamental problem is this (and previous) Governments' blind faith in market solutions and untrammelled competition policy. We support the freezing of any further reductions in tariffs and reducing them only if our trading partners do so.

1.6 As stated in the ACTU submission to the Committee Inquiry, this industry "has experienced substantial employment losses over the past decade and policies that seek to decrease tariffs further when our trading partners are not following our lead will only exacerbate the problem."[1]

1.7 We fully support the SIP, and appreciate that many firms are understandably concerned with certainty and the need to base their future capital investment decisions on guaranteed reimbursement through the SIP. They have been particularly concerned

1 Submission 1, Australian Council of Trade Unions, p. 5.

with the timing of the Bills, and are keen to see them progress through the Parliament as soon as possible, to secure the SIP before an election.

1.8 The Democrats remain concerned, however, that while the advantages of the SIP are enjoyed by only a relatively small number of firms in this industry, the effect of the tariff cuts will be felt on a much broader scale. Small to medium sized enterprises do not undertake the levels of major capital investment that are covered by the SIP thresholds. However, these are the businesses that will be disproportionately affected by the tariff cuts. Smaller margins and volumes of production render smaller enterprises much more sensitive to fluctuations in tariff levels, and evidence presented to the Committee Inquiry demonstrated that the potential for job losses is therefore considerable.

1.9 While the SIP is unanimously supported, coupling this scheme with mandatory tariff reductions is unnecessary and will disproportionately affect firms at the smaller end of the industry, with a potentially devastating effect on employment, particularly in regional areas.

Senator Aden Ridgeway

Appendix 1

SUBMISSIONS RECEIVED

Submission Number	Submittor
1	Textile, Clothing and Footwear Union of Australia
2	Friends of the Earth Melbourne
2a	Bendigo Trades Hall Council
2b	Ballarat Regional Trades & Labour Council
2c	Working Women's Centre SA Inc
2d	Ms Emily Long
2e	Ms Sally Asbanu
2f	FairWear
2g	Western Suburbs Legal Service Inc
2h	The Mercy Foundation Ltd
2i	Migrant Women's Lobby Group of SA Inc
2j	South West Trades and Labour Council
2k	The Victorian Division of the National Tertiary Education Union
2l	Fair Wear Campaign
3	Western Melbourne Regional Economic Development Organisation (WREDO)
4	Asian Women at Work Inc
5	Geelong and Region Trades and Labour Council
6	City of Greater Geelong
7	Goulburn Valley Trades & Labour Council Inc
8	Council of Textile & Fashion Industries of Australia Limited
9	Australian Association of Leather Industries
10	Ms Jane O'Sullivan
11	Oxfam Community Aid Abroad
12	The Uniting Church in Australia
13	Carpet Institute of Australia Ltd
14	Godfrey Hirst Australia Pty Ltd

15 Victorian Trades Hall Council

16 Dale St Women's Health Centre

17 Technical Textiles and Nonwoven Association (TTNA)

18 Victorian Government

19 Australian Dyeing Company

20 Australian Council of Trade Unions (ACTU)

21 Pacific Brands

22 NORTH Link/NIETL

23 Not Published

24 City of Darebin

25 Footwear Manufacturers' Association of Australia (FMAA)

26 Blundstone Australia Pty Ltd

27 UnitingCare NSW.ACT

28 Fashion Clubwear Pty Ltd

29 Australian Defence Apparel Pty Ltd

30 Standard Knitting Mills Pty Ltd

Appendix 2

PUBLIC HEARING AND WITNESSES

TUESDAY, 3 AUGUST 2004 – CANBERRA

BURROW, Ms Sharan, President, Australian Council of Trade Unions

CARSTENS, Ms Debra Janet, Chair, FairWear in New South Wales; and Coordinator
Asian Women at Work Inc

COLEMAN, Mr Alan, Manager, Textiles, Clothing and Footwear Group
Manufacturing, Engineering and Construction Division
Department of Industry, Tourism and Resources

COPPE, Councillor Ed, Mayor, City of Greater Geelong

EDGAR, Mr Andrew Campbell, Vice President
Council of Textile and Fashion Industries of Australia Ltd
and Managing Director, Yakka Pty Ltd

FIRTH, Mr Allan, Executive Director, Carpet Institute of Australia

GARRETT, Mr John, Co-chair, Industry Policy Committee
Council of Textile and Fashion Industries of Australia Ltd
and Director, Godfrey Hirst Australia

GARRETT, Mr John, Vice President, Carpet Institute of Australia
and Director, Godfrey Hirst Australia

HUANG, Ms Qi Fen, Chinese Community Worker, Asian Women at Work Inc

JUMPERTZ, Mr Detlef, Manager, Textiles, Clothing and Footwear Group
Manufacturing, Engineering and Construction Division
Department of Industry, Tourism and Resources

KITCHENER, Mr Gerard Daniel, National Industry Policy Adviser
Textile Clothing and Footwear Union of Australia

MacPHERSON, Ms Elizabeth, Union Organiser
Textile Clothing and Footwear Union of Australia

MILLER, Mr Lawrie, Executive Officer, Geelong Chamber of Commerce

MINTER, Mr Andrew John, Managing Director, Fashion Clubwear Pty Ltd

O'LOGHLEN, Mr Geoffrey M., Government Relations Adviser
Australian Association of Leather Industries

O'NEIL, Ms Michele, Victorian State Secretary
Textile Clothing and Footwear Union of Australia

PETTIFER, Mr Ken, Head of Manufacturing, Engineering and Construction Division
Department of Industry, Tourism and Resources

RICH, Mr Allan, Chairman, Australian Association of Leather Industries

SZAKIEL, Mr Charles, President and Chairman, Carpet Institute of Australia
and Managing Director, Ulster Carpets Pty Ltd

TAYLOR, Mr Wes, Chairman, Technical Textiles and Nonwoven Association

VAN KRIEKEN, Mr Ashley Travis, Executive Officer
Council of Textile and Fashion Industries of Australia Ltd

WOOD, Ms Cecilia, Assistant Manager, Textiles, Clothing and Footwear Group
Department of Industry, Tourism and Resources