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The Secretary
Senate Economics Legislation Committee
Room SG64
Parliament House
CANBERRA ACT 2600
By Email: economics.sen@aph.gov.au

Dear Sir / Madam

Godfrey Hirst Australia Pty Ltd thanks the Committee for the opportunity to present its views on the Textile Clothing and Footwear Strategic Investment Programme Amendment (Post – 2005 Scheme) Bill 2004 and the Custom Tariff Amendment (Textile Clothing and Footwear Post 2005 Arrangements) Bill 2004.

Does the SIP Bill assist small and medium sized enterprises to access government assistance?

- SIP is a targeted, strategic program which small firms can and do access as long as they invest in new equipment, innovation or brand development.
- "aggregation" is designed to assist smaller firms to access SIP
- the \$200,000 threshold is appropriate and should be maintained
- in relation to SIP coverage, the Productivity Commission concluded that "attempting to bring a large number of small firms within the funding net would see overall support spread much more thinly and could cause administrative costs to escalate sharply. These problems would be particularly acute if better access for small firms were pursued through adjustments to the minimum spending threshold."
- The small business component recognizes that micro firms have different drivers to SIP participants and require different support mechanisms

Improve market access overseas?

- SIP helps firms to improve their efficiency and hence competitiveness. It does not directly assist companies to access overseas markets
- The Government's trade policy focus on developing regional and bilateral trade agreements with major trading partners is all about trying to get improved market access for Australia's exporters

Does the phase down of SIP funding from 2009 threaten the future of industry and employment?

- Godfrey Hirst and the industry requested an additional 10 years of SIP at the Productivity Commission hearing. However, taking all factors into account, and following considerable and broad consultation the Government offered a 5 year extension of both SIP and the tariff pause.
- Godfrey Hirst intends to continue to invest in its Australian operations and to meet the challenges ahead. While much needs to be done, we are confident that Godfrey Hirst will further consolidate its position as the leading carpet manufacturer in Australia and to continue to focus on growing exports.

Provides adequate support for high value exports?

- SIP assists companies that invest and innovate and these companies are the major exporters
- A more direct form of export assistance would almost certainly be challenged by our trading partners as being inconsistent with WTO principles

Provides adequate support for R&D activities

- SIP provides good support for eligible R&D activities
- SIP has been developed and fine-tuned over a number of years and is now well understood by companies
- While there are differing opinions about the scope of eligible activities, Godfrey Hirst believes that the SIP type 2 grant provisions are generally in line with industry needs

Provides adequate support for production value added activity?

Reduction in grant types will decrease access for some TCF firms?

- To streamline the program, the number of grant categories was 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.
- The inclusion of the small business package provides further assistance to small firms

Will the cut in tariffs have an adverse effect?

- A reduction in tariff will have an adverse effect however, restructuring will continue irrespective of the tariff rate due to a range of factors including adoption of new technology, the state of the economy, vertical integration, increased import competition etc
- With the benefit of SIP support for an additional 5 years Godfrey Hirst will continue to invest and reconfigure its Australian manufacturing operations and strive to become more internationally competitive in a low tariff environment

Are our trading partners reducing tariffs at the same rate as Australia?

- While tariffs are coming down globally, Australia appears to be one of the few countries that is prepared to make cuts unilaterally.
- Although Godfrey Hirst recognizes the importance of tariff its primary focus is its commitment to becoming a major player in the global carpet industry and SIP can help us achieve this goal
- It is imperative that the enabling legislation is passed as soon as possible to avoid uncertainty and holding back on planned investments.

Yours faithfully,

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