



Submission by the Victorian Trades Hall Council to the Senate Committee Inquiry into the 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

July 2004

Presented by Leigh Hubbard, Secretary

## **About the VTHC**

Victorian Trades Hall Council represents 400,000 workers throughout the state of Victoria, many of whom work either directly in the TCF industries or in industries connected to TCF such as the automotive and construction industries.

The VTHC is concerned about a number of issues dealt with in the two bills in question. We have outlined our concerns below and urge the committee to examine in greater detail some of the proposals put forward.

## **Tariff reduction and SIPS**

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.

## **SIP scheme**

The current SIP scheme is biased towards large-scale manufacturing and particular industry sectors. Given that so many of the new and innovative companies in particular are small to medium sized, the threshold of a \$200,000 investment needs to be lowered if the assistance is to be targeted at those who need it most. Given that only 400 out of 4900 TCF firms received assistance under SIP, and yet all the TCF firms have been absorbing the impact of tariff reductions, it would make sense to extend assistance to all of them. This is not an argument, however, against larger firms maintaining their access to assistance, it is simply a plea to expand the scheme to include all TCF firms.

An added burden for smaller firms in accessing the SIPS scheme is the fact that it involves a lot of paperwork and bureaucracy that larger firms can afford to engage people to complete, whilst smaller firms don't have that capacity. The government should make it easier for smaller firms to access the scheme through lowering the threshold and also providing assistance to companies with their applications.

### **SIPS and employment**

The VTHC believes that companies that receive government funding should be required to complete an employment impact statement as a part of their submission for SIP funding. It is highly inappropriate in our view for companies to use SIP funding to further move their production off-shore as has happened with a number of firms recently. The SIP scheme is designed to support the TCF manufacturing industry and not the TCF import industry.

Tightly designed guidelines for SIP should ensure that only companies committed to Australian jobs and Australian manufacturing are eligible to receive government support. Similarly, companies that receive funding should be required to report on the impact SIP has had on their employment.

### **The TCF workforce**

Our largest concerns regarding these bills arise from the fact that no attention seems to have been paid to the vulnerability of TCF workers in their ability to deal with the changes arising from further tariff reductions.

TCF workers are mostly older, more than half come from non-English speaking backgrounds and their educational attainment is generally low. All these factors combine to severely disadvantage them in their employment prospects. Even the Productivity commission acknowledged that there is a need for "additional targeted support". And yet the government has decided that TCF workers do not require it.

A number of credible research studies have now been completed, including the most recent study by WAGE commissioned by the Victorian Government. They all paint a bleak picture of a workforce that has been left on the scrap heap in the wake of economic rationalist government policies.

The only thing that will help this marginalised group of workers cope with industry change is a special and targeted program, akin to the Labour Adjustment Program. This program will be necessary in order to encourage workers to retrain as well as encouraging employers to take on older workers.

In order to succeed the program should have the following features:

- Workers should have the right to access both vocational and language and literacy and training,
- Workers should be paid for the duration of their training and the payment should be non-means tested,
- Employers should be eligible for a special wage subsidy if they take on eligible workers,
- A relocation allowance should be paid to workers who are forced to move in order to gain employment
- The program must be adequately funded with a sum of \$100 million dollars being an adequate amount, and
- The program must have the input of the relevant union, the TCFUA, through dedicated union liaison officers who will be in a better position to communicate with redundant workers than generalised service personnel.

We hope that the committee will examine in detail some of the issues raised above and look forward to providing further assistance to this inquiry.