

Senator George Brandis  
Chair  
Senate Economics Legislation Committee  
Room SG.64  
Parliament House  
Canberra ACT 2600

For Attention: The Secretary, Senate Economics Legislation Committee

Dear Senator Brandis

**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**

I refer to your letter of 29 June 2004 inviting the Victorian Government to provide a written submission with respect to the two Bills.

The Victorian Government has been a strong advocate for the TCF industry and has made a number of submissions in relation to the Productivity Commission inquiry. The State's TCF sector employs approximately 27,000 people, highlighting the importance to the Victoria economy, and welfare of many Victorians.

In responding to the Senate Committee, I note that the Victorian Government was only given six working days from receipt of this letter to respond to the Inquiry. Attached is the Government's Policy Contribution to the Productivity Commission Inquiry. The views of the Victorian Government on the TCF industry and the Federal Government's approach to adjustment and assistance in this sector have not altered over recent months.

However, it should be noted that the Productivity Commission Inquiry and the Federal Government's decision (encapsulated in the two Bills currently before the Senate) occurred during the negotiation of the Free Trade Agreements with Thailand and the USA. It is likely that the increased access to Australian markets for US and Thai producers will serve to place further pressure on an already competitive marketplace.

Both of these Agreements will have a significant impact on export market access and import penetration for the TCF sector. This is particularly the case in relation to the US insistence on product specific rules of origin regime and the 'fibre forward' rule.

The impact of these agreements has not been modelled by the Victorian Government, nor does it appear to have been addressed in the Federal Government's support mechanisms.

The Victorian Government is concerned about the effectiveness and level of funding in the new legislation. The Federal Government has recognised the need to provide assistance for the further adjustment that will take place as a result of scheduled tariff reductions. However, the significant reduction in the amount of assistance available leaves regional areas particularly vulnerable to employment losses, which create ongoing economic and social costs.

The Government welcomes the support for type 1 (new plant and equipment) assistance under the Strategic Investment Program.

However, we are concerned that the proposed legislation will result in technical textiles companies no longer being able to access Type 2 SIP funding (innovation and eligible expenditure for research and development activities). It is crucial for Government to encourage innovation and R&D as this drives the long term competitiveness of companies.

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.

Should you have any further questions, please contact Mr Sean Molloy, Client Manager – Textiles Industries, Department of Innovation Industry and Regional Development on 03 9651 8070.

Yours sincerely

**TIM HOLDING MP**  
**Minister for Manufacturing & Export**

**Date:**            /        /

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