

Thursday 29th May 2003

Mr Bill Henderson
Review of TCF Assistance
Productivity Commission
Po Box 80
Belconnen
ACT 2616

Dear Mr Henderson,

I wish to make comment on the commissions position paper of 16th April 2003 but as I have already provided written submissions prior and have had the benefit of meeting with the commissioner's personally during their factory visits of February 2003, I do intend to attend the hearings but would rather make some limited remarks by way of this written submission. If the commission needs further clarification on any points raised please contact me and I will address. The basic points I wish to make are as follows;

*The clothing industry is the central issue for post 2005 policy considerations. It is the area most under attack from low cost (in many cases below cost), widely traded and available products from developing countries. To a lesser extent textiles also pose the same problems but their fate is first and foremost determined by the success of the policy for clothing being their downstream market. Other areas like technical textile products, carpets, leather etc are not subject to the same extent the low cost pressures of labour intensive products from developing countries and such do not face the same policy challenges to change and adjust. The adjustment pressures (and incentives to change and accommodate these pressures) on women's apparel are particularly important to the clothing (and hence TCF) industry in Australia.

*If the government is fixed on removing assistance to the Australian Clothing industry then we do not have much critical comment about the process mapped out for the tariff reductions under your preferred option. However we believe that the most important consideration is whether the positive adjustment assistance programme designed to induce change in those areas most likely to suffer from these tariff reductions is fully effective. In this respect we restate that the most significant area most vulnerable to low cost imports is the clothing sector. The adjustment encouragement and assistance must be effective for the clothing sector if the overall assistance package is to be considered truly effective.

* On pages 90 - 95 the commission seeks comments on changed administrative arrangements to improve the operation of the current SIP program and in particular it's option A, B and C. Although the current program has been extremely difficult for clothing firms to access and relate to in terms of desirable adjustment process, we support it's retention per Option A providing the following improvements are included:

- The need to move away from basic standardised goods is recognised and the need for increased added value merchandise is reflected in the encouragement of value adding per

se rather that it's limitation only to the textile based type 1 and type 2 scenarios focused on in the current SIP scheme. Hence I believe Type 3 should stand alone as an end in itself and be delinked from the limited type 1 and 2 circumstances;

- Recognition that successful innovation in the fashion industry is all about visual innovation and that the technical properties issue is a concept of limited relevance to success in the apparel industry. Hence believe innovation should be redefined as it relates to Apparel

*In summary, we believe the commissions overall approach is reasonable if the objective is to remove assistance altogether but still retain as significant an industry as possible, however this approach will fail if the administrative detail does not accommodate the more difficult aspects posed by the key industry sector of the Clothing Industry. As noted in the TCF Action Agenda Discussion paper of March 1999 "Women's outerwear is the largest component of the domestic clothing market, estimated to be worth \$3.6 Billion. The sector is believed to rely on homeworkers and is still supplied primarily by the local production, where short run variety products, changing seasons and fashions are important" (p27) The basic, low value added products in this area is the area most under attack from low cost imports as tariffs decrease and this is the area that the effectiveness of the adjustment encouragement and assistance to move up to higher value added innovative fashion product, will determine the overall outcome for any policy seeking a significant outgoing industry without tariffs post 2015.

I hope these comments help the Productivity Commission in their decision making.

Regards,