

2nd June 2003

TCF Inquiry
Productivity Commission
P.O. BOX 80
BELCONNEN ACT 2616

RE: Post 2005 Textile, Clothing & Footwear Assistance Arrangements – Comment on Commission's Position Paper.

Further to my previous submission, I want to illustrate in practical terms the importance of Federal assistance being directed to the areas of absolute need.

My previous submission explained that Melbourne Textiles is a company approximately in the middle of the supply chain.

We buy our raw material (yarn) from spinners and we sell to both garment manufacturers and garment manufacturers/retailers. From this vantage point we can fully appreciate the method by which the supply chain functions.

Garment suppliers who supply many of the major retailers find themselves in a difficult situation. They know if they import garments from Asia they will generally be cheaper than having garments made in Australia. They also know that their customer, the retailer, is likely to be their principal competitor, because he can also import garments from Asia direct, and thus leave the garment manufacturer without a *raison d'être*.

At the beginning of the chain of supply are the spinners such as Rocklea and Macquarie who have, and are investing in the most modern "state of the art" machinery. However, their customers for this yarn being companies such as this one, cannot buy yarn from them because our customers, garment suppliers, have decided to source garments from Asia.

In order to satisfy myself that we are buying yarns from Australian spinners at the best price, I have regularly obtained price quotations for wool worsted yarn from Asian spinners, and consistently found that the price for buying yarn from Asia is not less than the prices quoted to us by the local spinners.

Fundamentally, the local spinners have made large investments in modern machinery which allows them to sell yarns at world competitive prices, but because my customers, the garment suppliers, decide to import garments from Asia, they cannot sell this yarn for garments to be sold in Australia.

This situation brings into sharp focus my previous submission that all Federal and State Government assistance should be focussed on the two areas of the manufacturing chain that have significant labour cost. These two areas are the Dyehouses and makers-up.

My submission is that even though this Company is a potential recipient of funds from the SIP Programme, all the SIP funds should be channelled directly to makers up, who may or may not also be garment suppliers, and to Dyehouses, for their labour costs.

The method of helping these two sections, and only these two sections, would be by relieving those companies of their payroll tax payments, their workcare and superannuation payments.

If the Commonwealth Government would reimburse these organizations for their workcare and superannuation payments, then the State Government should reimburse their payroll tax payments.

It is very likely that these payments to makers-up and Dyehouses will tip the scale in favour of garment suppliers deciding to work with local makers-up, and thus create work for spinners, both cotton and wool, yarn dyers, yarn twistors, weavers, knitters, fabric dyers, printers, etc.

If the economic modellers are concerned that this will lessen GDP, then they should be aware that the importation of garments in to Australia from Asia, which is supposed to reduce the cost price of garments to the general public, is not performing this function.

What appears to happen is that the larger retailers put a higher mark up on these imported products than on products made in Australia.

In this submission I have ignored Australia's parlous state re balance of payments. The recent \$3 billion adverse balance of payments for 1 month states loudly and clearly, that we must encourage competitive local manufacturing on a wide range of areas if we are not to see a massive devaluation of the Australian dollar such as happened in the Argentine, and is happening present tense with the US dollar.

Unfortunately the value of the Australian dollar is not controlled to any extent by any organizations in Australia, but is controlled by markets in the rest of the world.

Consider the outcry if the Australian dollar fell to 40c against the US dollar, and what this would do to petroleum prices. The media would be looking everywhere for someone to blame, and as you know they love collecting scalps.

**IAN JOSEPH
DIRECTOR**

