
**A POSITIVE FUTURE IS REQUIRED
FOR THE TCF CLOTHING MANUFACTURING INDUSTRY SECTOR**

1. We recommend that a procedure for effective control on imports be implemented which would result in elimination of any requirement for taxpayer funded industry subsidies.
 - a. Through that approach local manufacturers would have assured access to a desired portion of the remaining domestic market that would generate increased commercial activity without the requirement for subsidies.
 - b. Import controls appropriate to the clothing manufacturing sector of the Australian TCF industry could be developed following a review of import controls currently being applied by other countries with whom Australia trades.
2. We recommend that the Government develop a positive growth policy and related strategies for its clothing manufacturing sector. The Productivity Commission could then evaluate the influence of industry assistance in the achievement of that outcome. This approach would be preferred to the current situation with industry direction being pressured essentially by WTO and GATS considerations.
3. We believe that the scope of the TCF sector as currently classified is too broad, embracing quite dissimilar industry sub-groups. As a result many published statistics are not sufficiently specific to a subgroup within the sector to enable sound decisions to be based on reliable data and good judgement. We recommend that the ABS be approached in relation to producing and maintaining a suite of statistics specific to the clothing manufacturing industry sector. (See *Explanations* Page X¹)
4. We object to the use of the expression that "Total assistance currently represents a subsidy of around \$13 000 for each job in the sector . ." (Page XIX). We understand that one element of this calculation is derived from the ratio of funds generated through import tariffs, divided by the number of employees in the TCF industry. Tariffs collected through that action are a source of Government revenue (paid in part by non-taxpaying international traders). If this revenue is removed then Government would require an alternative source of taxation to sustain its revenue flow.
 - a. This calculation of financial subsidy appears to be exaggerated Tariffs collected are never applied to subsidise the industry. They go straight into Government revenue.
 - b. If revenue through import tariffs is deemed to be acceptable in relation to a particular benchmark then a compensating element of export earnings from the TCF sector should be taken into account.
 - c. The Monash modelling study² does not support use of this expression as an industry benchmark.
5. To quote from the Monash Study . . . "The analysis in this paper does not provide support for the modelled cuts in TCF assistance" (Monash Page 7).

¹ Unless otherwise stated all page references refer to the Productivity Commission Position Paper April, 2003.

² *The Textile Clothing and Footwear Sector from 1997 to 2002 and the Effects of Reductions in Assistance*. Centre of Policy Studies, Monash University May 2003

6. Wages rates for TCF skilled workers in established factories are very competitive with wage rates in a number of other industry sectors eg retail, clerical and process manufacturing. Accordingly, we recommend that the Productivity Commission delete negative inferences that in the main the TCF industry affords 'low wages' opportunities for factory based employees.
7. A strong case can be made for sustaining the clothing manufacturing sector of the industry in the current economic climate. We draw you attention to the views expressed by Mr Ian Macfarlane, Governor of the Reserve Bank and as reported in the Courier Mail June 7th, 2003 . Mr Macfarlane outlined a range of situations that included a deterioration in the world economy and consequent flow on negative impacts resulting in further loss of jobs in Australia. This would result in an added disadvantage as identified in the PC Commission paper (Page XXIV) "Characteristics of the TCF workforce suggests that many factory-based employees displaced from the sector could still have difficulty finding alternative employment."

NEGATIVE IMPLICATIONS FOR THE TCF INDUSTRY SECTOR IN NOT HAVING AN APPROPRIATE MANUFACTURING POLICY AND RELATED STRATEGIES

While economic considerations are important in their own right their application should be evaluated within the context of policy decisions that are socially responsible.

8. Reductions in tariffs are unlikely to result in lower retail prices, yet it is estimated that "about 2,700 jobs could be lost (*from the industry*) in 2010" alone. (The Monash Study Page 65).
9. During this period of on-going change and uncertainty there is more to be considered about the TCF industry sector than its employees, important as they are. Some firms may be forced to continue in operation until they become insolvent because the exit costs could be substantial. (Page XXXIII). We support the observation that particular consideration be given to this enterprise related aspect of the potential outcomes of further assistance reductions.
10. Clothing manufacturing is substantially the realm of the small business that accounts for a significant level of employment in Australia. There is little scope for more automation, particularly in low volume clothing manufacturing. That situation warrants particular consideration if reduction in industry assistance is being considered. Accordingly, in the absence of effective import controls and the PC acceptance that lowering tariffs is an inevitable outcome, Post 2005 tariff 4 option is preferred. (Page XXVII)
11. In the absence of effective import controls, continuation of a modified version of the current SIP program is supported (Page XXX), given that it will have an emphasis on ease of access by small businesses. A particular focus should be to assist with business planning, market research and marketing in both on-shore and offshore markets.