

VICTOR footwear

Mr. David Robertson
Presiding Commissioner
TCF Inquiry Productivity
Commission PO Box 80
Belconnen ACT 2616

Scanned copy

18 June 2003

Dear Sir,

Re: Review of TCF Assistance - Position Paper.

After reading through the position paper and recommendations, I find it hard to understand how one group of Australians can subject less fortunate Australians to your recommendations in the name of economic rationalisation and free trade, and that this treatment is in Australia's best interests.

With respect, may I remind you that earlier governments put tariffs in place to create employment for Australians and to grow Australia into a more equitable and fairer society. We now have governments taking these tariffs away, creating unemployment and increasing the gap between rich and poor. Taking away a person's job so that another person may buy cheaper and not being able to find employment for the displaced person does not make for a fair and equitable society. Governments need to do what our national anthem says "ADVANCE AUSTRALIA FAIR".

I would like to put to you the present position of a TCF employee on \$26,000 PA.

The employee pays income tax of \$4,000 PA. The employer pays payroll tax at a rate of 6% over a threshold of \$500,000, in our case we pay \$760 PA. The employer pays 9% of salary into a Superannuation Fund to provide for independent retirement. This amounts to \$2,340 PA. The employer pays Workers Compensation of 5.7% [\$1,482] to cover possible injury to the employee. The employee pays Medicare levy of 1.5% [\$390]. The employee pays GST on lets assume 1/2 of nett income, say \$11000, which equals \$1,000.

Productivity Commission says each TCF job costs around \$13,000 in assistance but what they fail to understand is the benefit to the community as a whole that job delivers. The payments stated above that the employee and employer pay total \$9972, deduct this from the \$13000 and you have \$3028. Each working employee has \$21610 to spend on economic activity in our economy and with the multiplier effect just keeps rippling through our economy which must be a benefit albeit hard to measure.

In 2001-2002 duty collected was \$950 million [11,446 per employee]. The employer paid tax on S.I.P 30% of 140 million which equals 42 million or \$506 per employee.

So consumers are asked to pay higher prices for TCF Products which equates to a subsidy of around \$13,000 per employee. They spend on clothing and footwear 3.8 cents of their consumer dollar. But that employment produces benefits to the society of \$21,924 and an economic benefit of \$21,610 worth of purchasing power. So for assistance of \$13,000 that TCF job returns at least \$21,924.

We look at the scenario of 5% tariff . This will create massive job losses in our sector. A person out of work and on unemployment benefits receives [single] \$10,000PA. Then there is the loss of employment benefits \$9,972. Plus the loss of purchasing power and the effect of unemployment has on our society. By reducing tariffs the Government loses out on duty. In our case 2/3 of 950 million which is \$636 million or \$7,663 per employee. So when a TCF worker is on the dole, it will cost society a minimum of \$27,635. I have not included any assistance that the unemployed receives for medical, chemist, public transport and retraining, nor have I tried to assess the hidden social costs of unemployment.

By reducing tariffs to 5%, the saving on assistance will be 2/3 of \$13,000 which is \$8,667. So while it appears to save the consumer \$8667, it will cost society \$27,635 per TCF employee that is unemployed. To me, this tariff reduction to 5% and then 0% does not make sense unless the people displaced can find suitable employment.

With our employment levels above 6% and underemployment growing plus the outlook in the world economy not that good this becomes a difficult assignment. One is entitled to ask why now and what is the URGENCY?

I congratulate the Productivity Commission for recognising that the reduction of tariffs will cause further adjustment pressures and that therefore continued positive assistance is warranted. This is a very sensitive issue and I trust that on reflection the Productivity Commission will decide on a program that is fair and equitable for TCF employees, TCF employers and Australia's interests.

As a member of FMAA Inc we support their submission and presentation to the Productivity Commission hearings in Sydney, June 12th 2003.

Thank you for this opportunity to participate in this review.

Yours Sincerely



Bill Cloros

Managing Director