

19 June 2003

Dr David Robertson
Presiding Commissioner
TCF Inquiry
Productivity Commission
PO Box 80
BELCONNEN, ACT 2616

Dear Dr Robertson,

Australian Wool Innovation (AWI) is a company owned by Australia's woolgrowers. Our mission is to drive wool research, development and innovation that will increase the long-term profitability of our grower shareholders. Funding is primarily provided through a statutory levy on woolgrowers' shorn wool income, supplemented by funding from the Commonwealth Government.

Under the formal arrangements with Government by which AWI receives these levy and Government funds, one of the Government's priority areas for research and development is improved trade and market access for Australian wool and wool products. Approximately 98% of Australia's annual wool clip is exported in either greasy or semi-processed form and eventually consumed as apparel products in the main in many overseas countries. Accordingly, part of our charter is to reduce or eliminate trade and market access barriers of all kinds as wool and wool products move along the global wool textile pipelines from farms in Australia to retail consumers throughout the world.

AWI and the Australian wool industry in general are strong and active participants in the Commonwealth Government's initiatives to take a leading role in negotiations at a multilateral (WTO), regional or bilateral level to secure a global free trade environment. However, if Australia is to retain credibility in this role, our expectations of other countries with respect to dismantling trade barriers must be matched by our own actions at home.

Against this background, AWI has been closely monitoring the proceedings of your Inquiry regarding post 2005 assistance arrangements for the local textile, clothing and footwear (TCF) industries. We have noted the contents of many of the submissions made to the Inquiry and more recently have had regard to your Position Paper released in April 2003. Not surprisingly, the majority view of interested TCF parties is for varying degrees of ongoing tariff protection to be provided post 2005 and for the current Strategic Investment Program (SIP) Scheme to be continued in some form well into the future. Unfortunately, your Position Paper, whilst recognizing that many TCF businesses producing standard products will not survive, regardless of whatever assistance regime is provided, endorses the continuation of assistance programs post 2005, both with respect to tariffs and industry restructuring via a new SIP scheme.

With this in mind and recognizing that you are in the process of concluding the public part of your Inquiry prior to finalising your report, AWI believes that it is important to remind you and Associate Commissioner Weickhardt that it is in Australia's and in the TCF industries own best long-term interests to reduce reliance on tariff and non-tariff assistance programs as soon as possible post 2005. The submission made to your Inquiry by the National Farmers Federation (Submission PP104) provides the rationale for this proposition and your Position Paper recognizes that this must happen if Australian TCF firms are to become internationally competitive. It then becomes a question of how much longer these firms should be given to reach this goal and what ongoing assistance programs should be available to them during this period.

It is AWI's view that effecting a significant reduction in import tariffs on textile raw materials and finished products in the main global consumer markets would be one of the most sustainable and practical means of assisting the prospects for our TCF firms to become internationally competitive. Prolonging the period for which we maintain high import tariffs in Australia will only increase the difficulty and reduce the likelihood of our Government negotiators being able to achieve meaningful reductions in corresponding tariffs in the principal consumer markets. In the WTO, Australia is a leading advocate of global trade liberalisation and, as indicated earlier, we must apply the same principles to ourselves as we are demanding of our trading partners if we are to be credible and taken seriously.

While respecting the circumstances in which you have put forward your proposals in your Position paper, it is AWI's view that the preferred outcome would be to have the 2005 tariff levels reduced to zero by 2010. In addition, any ongoing funding support programs beyond 2005 should have as its priority the re-training and skills development to assist TCF industry employees who are displaced by the continuing rationalization that is undoubtedly going to occur in the coming years.

Yours Sincerely,

Bob Quirk

Program Manager, Trade and Industry Relations

[Author's Name]