

# **Observations on the Productivity Commission's 'Review of TCF Assistance' Position Paper**

## **1 – Long-term Tariff Rates**

The Commission has outlined four Tariff assistance scenarios, and has itself recommended Option 4. Given the existing levels of assistance, and accepting the Federal Government's commitment to achieving freer trade across all industries, we do not believe the incidence of Tariff assistance to be an over-riding long-term issue in light of the recent A\$ exchange rate appreciation - despite industry concerns to the contrary.

- To incite hastier firm behavior towards a more long-term sustainable outcome, we believe that any substantive structural assistance package should be further driven by tariff reductions, thus providing for a “carrot and stick” approach by Government.

Following the determination of the post-2000 TCF plan, the Australian dollar exchange rate (particularly against the US dollar) fell to 50c, thus increasing the incidence of assistance provided by the then Tariff. The TCF industries as a whole - during a period of frozen tariffs - has benefited considerably from exchange rate effects. Over recent months, the Australian dollar has progressively appreciated, meaning much of the 'additional assistance' emanating from exchange-induced Tariff effects has now evaporated.

- Compared to tariff and quota reductions that occurred in the 1990's, the Tariff debate today is minor or irrelevant for growth-oriented sectors like Technical Textiles and quality/performance Footwear. These sectors have undergone major structural change in recent years, and are looking forward with optimism to a future sustainable life. The same does not apply, however, to certain tradition fashion or functional Clothing items, or non-technical or performance-based fabrics for clothing manufacture.

As the Commission has pointed out in its Position Paper, commoditised product imports will continue to be cheaper under any Tariff regime, thus providing a benefit to local consumers. Local industry players must be further driven to pursue “Product excellence and Customer intimacy” business models, and concede that stand alone “Process efficiency” models - in the absence of a strategic supply chains - are best suited to third world producers.

- The sooner Australia moves to bring about the required TCF sector changes, the better prepared local firms will be to embrace globalization. Any Government intervention post-2005 should therefore seek to drive and support the edict “think global, act global, trade global”.

However, and as noted by the Commission, we also believe that with imports now becoming progressively cheaper due to exchange effects, there will be a flow-on impact of accelerated TCF structural adjustment in 2004/2005 – a little earlier than even the Commission has identified. Whilst we accept no policy instrument of Government will change this outcome, there is nevertheless merit in looking to implement the desired reductions in Tariff assistance over an extended period of time, in order to smooth out subsequent sectoral adjustment effects.

## **2 - Market Access and Non-Tariff Barriers**

This is a complex and multi-level issue whereby both unilateral and WTO negotiations are continually changing the commercial environment and outlook of business opportunity. In our advisory work for the TCF industries, our firm constantly experiences ‘barrier to entry’ issues on behalf of clients, leading us to a view that most TCF export opportunities currently lie:

- In either regionally located countries where tariffs are already low, or where FTA’s already exist or are in the course of negotiation (eg: NZ, Singapore, Taiwan, Hong Kong, Thailand), or other socially related developed western-oriented countries where tariffs are also low (for locally produced product) and our exchange rate provides value for well marketed, branded and differentiated TCF products (eg: the US and parts of the EEC); or
- Where Australian companies set a world trend aligned to our lifestyle or culture (Stubbies, Akubra, RM Williams, Drizabone, Bonds, Blundstones, Mambo, Ken Done, Quicksilver, Ripcurl, Billabong, etc). The Commission might care to acknowledge that the long-term success of such companies is of particular benefit to Australia, especially when they are able to ‘remain local’, in terms of residency or ownership (for tax purposes), and they can leverage opportunities from local innovation into a commoditised international marketplace.
  - By this we mean such firms are able to capture long term, large volume international market acceptance at premium prices by the margin of support given to international promotion and brand support budgets. This margin of international brand support is often where Australia falls short in leveraging its position when a brand is ‘hot’. Off-shore buyouts often occur from parties in possession of financial clout, but lacking a local culture or benefit.
  - In essence, it is sometimes better to forego production (low value) for international recognition (high value) by offsetting the savings from local production costs to provide a healthy budget to resource Brand recognition. As long as the business is locally resident in terms of tax status and infrastructure (Design, marketing and logistics), the community continues to receive a valuable payback in terms of high value jobs and business taxes.
- Australia’s younger generation exclusive Fashion designers (Collette Dinnigan, Akira Isogawa, sass and bide, Zimmerman), are also experiencing considerable international acceptance (30-40% of total sales are exported), albeit small by world standards, but nevertheless of promise in terms of the goal of revitalising

Australia's TCF industries. Ten years ago Australia had virtually no international fashion designers. Today over 30 young fashion design companies are exporting – most within 3-5 years of business inception. This outcome has primarily been driven by the marketing efforts of Simon Lock through Mercedes Fashion week, and other global marketing initiatives, coupled with the unbridled enthusiasm of creative youth as set against the backdrop presented by globalisation opportunities and trade liberalisation effects.

- Highly technically specified textiles and textile products (such as Geofabrics and non-woven fabrics also offer great promise for Australia, as well as end use products for the health, surgical, hospitality, construction, defence and the automotive sectors).
- In other areas, and reflective of our natural/environmental circumstances, highly specified end use industrial footwear products for Police, Fire brigades, defence, health, smelters, extreme sports etc, are also rapidly emerging and offering Australian firms branding and physical export opportunities.

To accept the proposition that the progressive globalization of Australian industry is desirable, one must also accept the fact that some products will end up being made off-shore in order to satisfy the value equation benchmark required by the international marketplace.

- Other than the obvious barriers of tariff variance from country to country, most market access problems experienced by our fashion clothing clients relate to the treatment of 'mixed product' exports. By this we mean - where locally produced products are packed and shipped with off-shore produced product for destinations into the US, EC and parts of Asia.
- In the absence of the exact export paperwork required by each country including quotas, import licenses, country of origin certificates etc., the whole shipment is often embargoed by the overseas Customs department, and later sent back to Australia. Because of the interruption to supply, orders are then lost, customer relationships are damaged, and export marketing investment is wasted. At present, it is almost impossible to cost a high value fashion product internationally, so firms end up averaging. If exports to customers/countries carrying the greater margin are returned, exporting end up a cumbersome experience, and waste of time.
- Such problems are regularly experienced by the new young Fashion exporters, where both the exporter and importer are mostly new to international trading activity and regulatory requirements. The importer is usually a trendy retail outlet (located anywhere in the world), with most shipments valued between \$10,000 and \$50,000. For example, over a course of a year, Collette Dinnigan could despatch as many as 300 individual export shipments.

One other bothersome market access issue relates to differing label requirements, duty rates, country of origin rules, non-inclusive free trade agreements which distort market entry, general export documentation requirements, VAT – all of these issues would be transparent if they were internationally standardised. However, we

acknowledge the world is not perfect. Elements of such regulation often reflect 'market protection' objectives put into place by target nations in their own decision to shift from Tariff to non-Tariff barriers.

- At present, Australian exporters endure a wide range of artificial barriers to market entry. Our company has developed a series of commercial services to assist TCF exporters (particularly new exporters) to address such issues, and to bridge information gaps in relation to such measures.
- In moving forward with any post-2005 adjustment package, one major challenge for Government is to help educate the industry to work with government agencies to resolve their problems (eg: report issues to a dedicated TCF hotline within DFAT), and to provide specific TCF support for market intelligence solutions.
  - Whilst Austrade seeks to fill this vacuum with advice, such advice is often general, unreliable, and lacking in transferability. This is because, posted overseas, Austrade officers don't understand the industry locally, and the recipient of the advice does not fully understand the parameters of international trading. With new exporters, this confusion sometimes leads to the use of illegitimate export practices to avoid complications at the Customs barrier overseas – like changing labels, and declaring that a small mix of off-shore product are made locally.

### **3 - Future TCF Assistance Options**

We believe the Commission's comments in regard to the difficulties encountered in coming to grips with the SIP post-2000 adequately reflect the experience of the majority of TCF enterprises. Such observations reinforce the overall view that to get the most out of the current assistance regime in the remaining years bounded by further Tariff reductions, there is little merit in now making substantial changes to the SIP post-2005, or endorsing a move to yet another structure for the delivery of adjustment assistance.

At the same time, and as the PC has correctly observed, there are a number of 'lessons learnt' from either cumulative Scheme operating experience - or the decisions of appeal tribunals over the past few years - that could be usefully added to current arrangements to increase the value and utility of the SIP in post-2005 circumstances. We therefore:

- 1)** Support the PC's recommendation to provide a further eight years of adjustment assistance - at current funding levels for the first four years - followed by a funding rate half that of the current rate for the next four years through to 2013.
  - Given the administrative hiccups experienced with introduction of the current five-year program, it is widely acknowledged within the industry that a stand alone five year (2000-2005) Scheme - especially in the rapidly changing global environment - was really too short a period to invoke the sort of incremental activity envisaged by the original Scheme. This is especially so in the critical areas of Type 2 innovation and related expenses, which applicants

and Scheme administrators have required a number of years to get a proper handle on. From the economic perspective, R&D activities require a much longer payback period.

- 2) Support the desirability of an early announcement of the post-2005 assistance framework in order to provide the industry with long-term policy certainty to which it can make commercial judgements and related investments.
  - Further, there is merit in implementing such changes from 1 July 2004 to provide, in the first instance, a clear five years of stability in policy in terms of the delivery of adjustment benefits to the industry.
- 3) Support in their entirety the Commission's views regarding the opportunity provided by the current review to achieve desirable Scheme design changes, as listed on Page 88 of the Position paper.

In terms of the three post-2005 assistance options canvassed from page 90 of the Commission's paper, we believe the simplest and most effective way of providing certainty, and improve alignment with government policy, is to recommend simple modification of the existing SIP scheme.

To commence an entirely new Scheme would be counter productive as the industry uptake in terms of the understanding of government intent, strategic use, systems/record keeping and eligibility – we estimate – would take a further two years to unravel during which time important achievements to date in altering firm behaviour would unnecessarily be lost.

- The combined industries are only just starting, in 2003, to understand the opportunity for orderly structural adjustment offered by the SIP Scheme. There is little merit in the creation of yet another artificial barrier to the achievement of more desirable outcomes for the industries.

#### **4 – Additional Modifications to the Existing SIP Framework**

In supporting the adoption of the Commission's Option 'A' for any post-2005 assistance framework, we would also suggest that consideration be given in such a modified program to structuring the new Scheme in a manner whereby it could accommodate two levels of eligibility, and two pools of funding.

- Such suggestions are intended to address the stress between larger and smaller firms in the industries already commented upon by the Commission, as well as acknowledge unique (and separate) long-term competitive requirements of the respective Textiles, Clothing, Footwear and Leather sectors.
- In terms of Capex intensity, there is more commonality between Textiles and Leather (usually the conversion of raw materials resulting in a finished product which is used as an input in the manufacture of another end product) compared to Clothing and most footwear production. These segments require high labour content, and production is necessarily structured to be reactive to an extremely

fast marketplace, and short product life cycle. Design and incremental innovation, therefore, become the key drivers.

We have developed two approaches for consideration by the Commission to effect the suggestions outlined above:

***- Adjustment Assistance Environment 1***

First, we would suggest a modified SIP incorporate an entitlement program for small to medium players (say less than \$10 million in locally produced sales), which would be administered against a set of eligibility criteria similar to the current SIP, but incorporating the design changes muted by the PC on page 88 of its paper. Such an entitlement would be structured for the expressed purpose of assisting and building new, and longer-term sustainable, business activities across the broad TCF and Leather sectors.

Second, the modified SIP would further incorporate an outcome based, competitive level of adjustment assistance, designed specifically to accommodate the needs of the larger companies who – whilst acknowledged as being under the greatest threat - have also received large sums of adjustment funding in previous TCF Schemes (and the pre-Program elements of SIP), without actually achieving the sustainable outcomes promised when such assistance was afforded.

- Suggestions for such modifications are aimed at achieving in SIP rounds to come, a more disciplined approach to the disbursement of public funds, with the express purpose of ensuring such funds are allocated to achieving sustainable outcomes – especially within mature market sectors such as Carpet, and more traditional technology/input textile producers (eg: Circular knitters or firms engaged in commodity garment production).

Such a focusing of assistance, would be designed to benefit those larger companies truly engaged in major ‘paradigm shift’ investments - as evidenced via their invoking major net investment activity - compared to current suspicions - as expressed by the Commission, that much of the current SIP funding is being allocated to investments that, in the main, would have proceeded with or without the benefit of SIP funding.

We believe a modified SIP that embraces the adoption of a more focused/disciplined approach to the disbursement of adjustment assistance to larger firms, will have a positive community impact in ensuring closer alignment to government intentions. Such a discipline will force companies under severe medium-term threat to make early, and hard decisions: either to change and address the looming market realities, or exit the industries – through the adoption of transition strategies into other market segments, or regrettably, via firm closure.

- **In other words, we see strong justification for Government in the next SIP iteration to make it easier for small firms to access growth assistance via the Scheme. Through assistance to address new domestic/world market niches, such firms will end up forming the core of sustainable firms into the future, At the same time, there should be a tightening-up on access to SIP benefits by larger, more traditional, firms which are facing greater risk.**

In this way, Government can act to change cultures in a manner which larger firms will find more benefit in strategically planning their futures, and then making a case to Government for funding - before they spend the money -thereby injecting some certainty into the assistance environment - in terms of benefits for subjects firms - and the materialisation of outcome-based activities, from the Government's perspective.

- Under such circumstances, loans could be prospectively advanced to those larger firms accepted for funding under such circumstances. As firms showed evidence of actual strategic activities being undertaken, the status of the 'loan' would be changed (eg: foregone, and turned into grants), when matched against the achievement of stated project milestones.
- Naturally, 'claw-back' provisions would also need to be applied for a 5-year period, and tested against the achievement of long term outcomes established within the strategic business plan first presented by the firm when making its application for special loan funding.

### ***- Adjustment Assistance Environment 2***

This approach involves adopting a more simplified version of Adjustment Assistance Environment 1, as outlined immediately above.

- It first involves the uptake of a set of eligibility criteria for all players to access adjustment assistance via incorporation into the Scheme of design changes muted by the Commission on page 88 of its position paper.
- In addition, we would also suggest provisions be added to enable applicant firms to engage Government for additional 'loans' (ie: over and above Type 1-3 activities) in areas where investments/expenditures are proposed for application to a broader range of investments identified by applicants as being designed, and having, a major effect on the achievement of long term sustainability.

Under this approach, any additional funding secured should be advanced on similar terms, and as we have already proposed. In essence, such funds would be advanced on the basis of them being transitioned into 'forgone loans' (or grants) when set against the achievement of investment milestones and outcomes over a five year period.

Such loans might also be structured in a manner which enables firms to access benefits that would exceed the 5% cap in any one year, given that they will be spread over the course of the total five-year investment program, and only foregone (converted to grants) when milestones and outcomes are achieved (ie: no greater than 5% over 5 years, rather than yearly).

- In proposing a follow-on program of assistance for the TCF industries - as the Commission has done in its position paper - we believe there is considerable merit in structuring such assistance in a manner that firms can access concentrated benefits at times they need it most, and especially at the commencement of programs designed to achieve a 'paradigm shift' in commercial focus, and therefore, long-term sustainability.

***- Broader range SIP modifications***

Further, we believe that all of the above-requested design changes can be accommodated under the current legislative provisions of the SIP Scheme. For example, we suggest the Commission recommend to the Government:

A - To remove the requirement to register before the expenditure year commences. This process was originally designed to provide for the early announcement of modulation. The Scheme, however, has since been changed by the Minister to a regime where consideration of the need for modulation is based upon actual processed claims against a yearly allocation of funding. As such, registration formalities should be able to be undertaken at any time prior to the lodgment of a claim, or dropped altogether, as the Scheme does not allow for the back claiming of prior year investments in any case.

B - For large investment projects, Scheme administrators (AusIndustry) should be given the ability to provide advance “binding rulings” in relation to certain investment proposal inquiries. Currently, Scheme administrators are hesitant to acknowledge receipt of a letter seeking such advices, despite the organisation's Customer Service Charter stating written replies must be despatched within 14 days.

C - Drop the accumulated investment threshold from \$200,000 to \$100,000, in order to allow smaller companies quicker access to Scheme benefits. Such firms face the same adjustment challenge as larger firms as assistance levels are reduced. Currently, the Scheme is discriminatory when it comes to access by small firms.

D - Adopt a well accepted definition of 'Innovation', using an international benchmark such as the 'Oslo' and/or 'Frascati manuals' – both of which are internationally recognised and accepted definitions and measurements of innovation used by all OECD countries, including Australia - and AusIndustry when dealing with other R&D schemes.

E - Extend Type 1 funding eligibility to reconditioned 'state-of-the-art' equipment that is supported by a minimum three-warranty, and, in circumstances where such equipment has been newly built-up to satisfy local Australian specifications. Such and extension, however, should not include second hand equipment that has been rebuilt from some second hand pieces of machinery.

F - Previously expressed concerns regarding access to a mechanism for the 'earlier payment of claims' has subsequently been addressed by Government through the ability of firms to lodge for Regular advances, and receive 50% of their grant before audited accounts are finalised.

## **5 - The Market for Consultancy, and SIP 'Gaming'**

We believe it is unfortunate that the Commission has chosen at page 67 to repeat an unsubstantiated and detrimental comment as to the value of consultants in terms of the delivery of 'value' related to the SIP Scheme. Whether a product or service is 'expensive' is subject to a test of the composition of the value package, and the perception of such value by clients.

### ***- Positive role of consultants in delivering SIP***

In our own case, we offer clients a "whole of program" relationship which eschews high set up costs whilst encompassing assurances of service and related support. We do not charge hourly rates for services rendered, but rely upon superior knowledge of the practical workings of the Scheme and each individual clients' circumstances, along with the commercial nous and our ability to deliver a defined benefit to which a success fee is attached.

- The Commission's comments, we submit, have regrettably cast a shadow over what is a legitimate and professionally-based service industry in its quest to illuminate opportunities for so-called 'gaming' of Scheme benefits.

As such, the Commission might further note that many firms currently participating in the Scheme would not have achieved such a state without clear direction and assistance from SIP service providers. Such outcomes have been achieved irrespective of the efforts of DITR and AusIndustry to sometimes disenfranchise our role through the delivery process. At the same time these departments take credit for any successes produced through the role out of the scheme, which would be otherwise be of a far lower standard without the involvement of the consultants.

Consultants do not create industry assistance programs nor do we make the rules. Our role is to provide a more efficient interface with government than it appears to be able to provide itself.

In respect to our own corporate activities, our position in the marketplace is underpinned by the provision of great service, which has at its foundation considerable corporate and personal staff investment in seeking to understand the inevitable complexities of industry assistance schemes. All of our consultants have previously been employed in the TCF manufacturing sector.

- In short, consultants take upon themselves the risk of each firms participation in the SIP, with such risks being reflected in our 'success' fee structure. Unlike others in the supply chain, we take ownership for our delivery undertakings to clients. If we did not do this, clients would not support us and we would not exist. As such, and if independently canvassed, we are overwhelmingly confident that our clients would talk very highly of our services and approach.
- In our view, consultants do governments a favour in risking private capital and human resources to deliver taxpayer funded benefits to industry - in a more efficient fashion than Governments can do themselves. Noting that DITR is planning to look at the out-sourcing of program 'delivery' agencies in its 2003/04

program of work, there is an efficiency factor here (in terms of overall assistance delivery), that the Commission might wish to comment on at some stage in its final report.

## **6 – Industry Specific Programs – General Observations**

Turning to more general Commission comments in regard to gaming, we would point out that the achievement of outcomes - in terms of Government intent in the extension of industry schemes - is very much dependent upon the clarity of drafting of legislative provisions supporting such Schemes, and their subsequent interpretation for administrative delivery purposes.

However well this is done, there will always be tension when access to benefits is structured around the presentation of cases to, and the adjudication of such cases by, non-industry specific (eg: TCF) administrators who often elect to contribute to ambiguity and confusion in Scheme administration, thus contributing to an environment under which perceptions of gaming may arise.

- Put quite simply, all Government funded industry assistance schemes could be viewed in this manner - as a game. Under such circumstances, those who display leadership, passion and success in their activities are bound to attract criticism from others unable to match them in the marketplace.
- In making its own judgements on such issues, we submit the Commission might alternatively recognise the valuable contribution that great marketers and service deliverers can make to the success of individual assistance schemes, rather than joining the throng of the few looking to cut down the taller poppies.

Our company delivers approximately \$24 million per year in assistance benefits to over 80 clients on the SIP – an average of just under \$300,000 per client. We employ eight full-time and three part-time staff, who are dedicated to the efficient delivery of SIP nationally. We are confident we deliver a high level of service, and our clients are happy with the results we achieve for them.

We see our activities as providing an essential interface between our clients and Scheme administrators in the achievement of better SIP outcomes, that would not otherwise occur. It is of note that the efficiency of AusIndustry in delivering Government assistance programs is to be reviewed by the Department of Industry, Science and Resources (DISR) over 2003/04.

More specifically, it is of further note that most companies engaging the SIP Scheme choose to outsource their Government interaction requirements to consultants like ourselves – those with long-time experience and knowledge of the TCF industry. This list is not large, but includes such individuals as: Peter Kreitals, Geoff Burford, Peter Eames, Geoff O’Loughlen, Tony McDonald, David Gooding and Richard Laney. We would submit that if consultants (some acting under the guise of Industry Associations) did not exist, then Government ‘intent’ in extending SIP assistance would be less well understood, and the achievement of outcomes would be less than it currently is.

- For example, the Clothing industry do not generally display a high degree of interest in Government industry policy objectives and their structuring around developments in the external environment, until market changes actually hit them directly in the pocket. It is only then that surprise is expressed at each company's situation, and corporate management reflects on why consultants have been repeatedly calling on them to take some time to understand the harsher realities of their competitive situation.

Such representations are often made in a hostile environment, and success is not high. No one thanks the consultants for their perseverance, or for their work in motivating firms to seek early participation in adjustment schemes, in effect, for their own sakes. In our view, Government adjustment schemes must essentially take a long-term view towards the achievement of certain policy objectives.

This is generally recognised by the Commission in its Position Paper. What is not recognised, is that the quality of outcomes from government intervention in the adjustment process is also improved by the activities of consultants, particularly those who provide an umbrella of services to the TCF industries that reflect the wider impact of Government intervention in the marketplace, both locally and internationally.

## **6 - Observations from the Public hearings**

It was noted from representations at the public hearings that Pacific Brands were advocating that 'visual innovation' should be eligible under Type 2 grants, and that the Commission should recommend the SIP Scheme be amended to allow their business to access 5% of locally based TCF productive sales.

- We are of the belief that firms like Pacific Brands have received substantial Government support for over 30 years, and the notion that they now receive an easy 5% of sales for the local production of commoditised products (eg: singlets, T-shirts, etc) - whilst the firms maintains a very public transition to wholesale off-shore production - is inconsistent with Government TCF policy intent.

Our firm represents over 35% of all SIP claimants nationally, and are the main deliverer of SIP benefits to the Clothing industry sector. The facts are that this sector is receiving substantive Type 2 grants, despite Mr Burford's assertions that they are not. Whilst there have admittedly been problems with interpretations of Scheme eligibility and benefits in these critical areas, especially 'innovation', we have worked through legitimate internal review and legal appeal processes to alleviate these issues, and with considerable success. The precedents gained from such review outcomes offers hope that future applications for SIP benefits in these areas will be able to progress within the Government's existing legislative provisions requiring some form of innovation beyond visual differentiation.

- We submit that behind most visual design changes resides a substantive technical problem – except in commoditised garments. A myriad of technical problems

confront manufacturers in fashion, footwear, swimwear, lingerie, defence apparel, corporate wear, socks, pantyhose and sportswear etc.

- We also believe that this sector has a large scope for invention, and in the next 5 years Australia will start to see major new developments occurring in the use of technology, in both garment wearer usage (eg: diffusion of design philosophy used for US Army soldier uniforms), as well as the retail customer interface (3D body scanners – for individual body sizes).

As such, we are of the firm belief that in any post-2005 iteration of the SIP Scheme, applications for benefits from firms like Pacific Brands should be rigorously tested for sustainability. Further, in distributing any SIP benefits, administrators should have a mind to the ready exercise of ‘clawback’ provisions for grants paid against investment milestones for local production whose end-State is temporary, and most likely to be moved off-shore in the nearer terms. If such firms elect to continue to produce unsustainable products in Australia, and as the Commission has already pointed out in its Position Paper, it should be made clear they will not be propped up by Government support for adjustment activities. As such:

- In any post-2005 TCF assistance regime, competitiveness built upon a commitment to investment and innovation should be the prime drivers underpinning the extension of SIP benefits to industry by Government. There is no point in repeating mistakes made in previous schemes, such as the Investment for International Competitiveness (IIC) Scheme - where many firms, having received IIC benefits, soon after closed their facilities in Australia and moved their production capacity off-shore.
- Rather than a fixation on closure and retrenchment, we believe the Commission’s final report should be much more focussed on growth opportunities in a revitalised TCF sector which draws on SIP benefits to effect positive adjustment. Assistance for the growth scenario should be sustained, whether this be in helping firms to expand into the TCF sector based on new technologies or approaches, or assisting firms to move out of the TCF sector by equipping them to leverage existing skills with newly-acquired skills and competencies, so that they can successfully switch to more sustainable activities outside of traditional TCF endeavours.

As such, the assertion that Pacific Brands receive SIP benefits on 5% of a declining local sales base in the absence of Innovation or Capital investment is unreal. Such companies are progressing a self-imposed strike on Capex, and are calling on the Productivity Commission to provide an easy Type 2 entry point for products that, in the medium-term, are already set to move off-shore. In essence, such representations highlight examples where the Commission might consider accelerated structural adjustment – that is, no SIP support and accelerated reductions in tariffs.