



# MEDIA RELEASE

## IAN MACFARLANE

Minister for Industry, Tourism and Resources

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### **Future Assistance Arrangements for the TCF Industry**

Australian Government Industry Minister, Ian Macfarlane, today announced a long-term assistance package of \$747 million, and a five year pause on tariff reductions from 2005, for the Australian textiles, clothing and footwear (TCF) industries. The decision follows the Government's consideration of the Productivity Commission Review of TCF Assistance.

Tariffs will be paused at 10% for cotton sheeting, woven fabrics, carpet and footwear; and 7.5% for sleeping bags, table linen and some footwear parts from 2005 to 31 December 2009. On 1 January 2010, these tariffs will be reduced to 5%.

Clothing and certain finished textile tariffs will be paused at 17.5% from 2005. These tariffs will be reduced to 10% on 1 January 2010 and remain at this level until they are reduced to 5% on 1 January 2015.

"To help TCF firms and workers adjust to a lower tariff environment, the Howard Government will provide a ten year program of assistance worth \$747 million. This will be the final assistance package for the TCF sector," said Mr Macfarlane.

The \$747 million package includes:

- \$500m for an extension of the TCF Strategic Investment Program (SIP) to 2010;
- \$100m for extension of SIP for the clothing and finished textiles sectors to 2015;
- \$50m for a 10 year structural adjustment program to assist displaced workers;
- \$50m for an import credits scheme; and
- \$25m specifically set aside for a 10 year grants-based program for small business.

"The new SIP scheme will be simplified with just two grant types providing subsidies for innovation activities and capital expenditure. The clothing and textiles sector will also be able to claim subsidies for information technology related expenditure," said Mr Macfarlane.

"Manufacturers will also be given extra incentive to internationalise their businesses with \$50 million in import credits available over 10 years. This package is weighted heavily towards innovation, adoption of new technology and export expansion," he said.

Firms in the clothing and finished textiles sectors will also benefit from a separate supply chain efficiency program. This \$20 million program will run from 2010 to 2015. It will be open to companies who are not already receiving assistance through SIP.

The Expanded Overseas Assembly Provisions scheme, which allows a duty concession on the Australian content of some finished products imported into Australia, will also be extended to 2010 at a cost of almost \$6 million a year.

"This combination of positive assistance and a gradual phase-in of lower tariffs will allow TCF firms to strengthen their businesses. It's a generous package aimed at providing manufacturers with every opportunity to expand their operations," he said.

## Outline of TCF Package

### **Extension of the Strategic Investment Program (SIP) 2005-2015:**

- **\$500 million for 2005-2010**  
A simplified scheme providing an 80% innovation subsidy and a 40% capital investment subsidy. All TCF firms will be able to claim brand support; clothing and finished textile firms will also be able to claim for IT spending. These changes will provide additional benefits for the clothing and finished textiles sectors which employ most TCF workers.
- **\$100 million for 2010-2015**  
Available only to clothing and finished textile firms as they face a further tariff cut in 2015. Subsidy rates will be developed closer to 2010.

Within the SIP program, provision for a **\$25 million** grants-based program to support **small businesses**, to run for 10 years.

### **\$50 million import credit scheme**

- A 10 year import credit scheme encouraging clothing and finished textile firms to achieve growth in their value-add product, capped at \$5 million per annum.

### **\$50 million structural adjustment program**

- A 10 year program to offer case-by-case support to assist workers affected by large plant closures.

### **\$20 million supply chain program**

- From 2010 to 2015, a \$20 million competitive grants-based program to support major capital investments to strengthen the local supply chain for the clothing and finished textiles sector.

### **\$27 million duty forgone under EOAP**

- Extension to 2010 of the Expanded Overseas Assembly Provisions. The scheme provides a duty concession for the Australian content of finished products imported into Australia after processing offshore.

### **A gradual 10 year program of tariff reduction**

- Tariffs will be maintained at the 2005 level until 1 January 2010. In 2010, the 10% tariff on cotton sheets, woven fabrics, footwear and carpets, and the 7.5% tariff on sleeping bags, table linen and footwear parts, will be reduced to 5%.

The 17.5% tariff on clothing and finished textiles will be reduced to 10%. This 10% tariff on clothing and finished textiles will be reduced to 5% in January 2015.

## **TCF FACT SHEET**

### **Tariffs**

Under Labor, tariffs were cut **every** year.

Tariffs were cut by an average 3% a year, falling from 55% to 25% in 10 years.

Under the Coalition, there will be **no** annual tariff cuts.

Tariffs will be cut once every five years, allowing the industry time to adjust.

Over 15 years, the maximum tariff will be reduced from 25% to 5%.

### **Job Losses**

Victorian government and union claims about job losses have no basis.

The Victorian government's own submission to the Productivity Commission estimates that 231 TCF jobs would be lost from 2005 to 2010.

Their own submission says the net effect will be the loss of fewer than 500 TCF jobs over the ten years to 2015.

The 19,000 job loss estimate is even more dubious – it includes jobs lost when the tariff was frozen.

It is an estimate of job losses over 19 years - from 2001 to 2020.

Current taxpayer support for TCF workers is worth \$13,000 per employee, or 40% of the average wage.

Under Labor, unemployment was over 11%, usually higher in regional areas.

The Howard government has almost halved unemployment to 5.6 % - the lowest figure in 22 years.

### **75c claim**

Union claims that the cost of the current tariffs is only 75c per person are untrue.

The cost of the tariff, according to the Productivity Commission, is \$1 billion a year or \$150 per household per year.

The 75c refers to a minor effect of the tariff – the cost of distorting investment decisions in favour of the TCF industry.

If tariffs only had a 75c effect, then there would be no reason to claim that reducing tariffs would protect jobs.

