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CS/210/003/671

Date: **21 MAR 2003**

Mr David Robertson
Presiding Commissioner TCF Inquiry
Productivity Commission
PO Box 80
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Dear Mr Robertson

**REVIEW OF POST-2005 ASSISTANCE ARRANGEMENTS FOR THE TEXTILE,
CLOTHING AND FOOTWEAR INDUSTRY**

The South Australian Government welcomes the opportunity to present its views on post-2005 assistance arrangements for the textile, clothing and footwear (TCF) industry. These are outlined below and expanded on in the attached submission.

From the perspective of the South Australian Government, the case for continued support is made most strongly on equity grounds.

The TCF industry required above average but still modest assistance primarily because of the type of employment it provides. It employs a high number of mature-aged workers, women and migrant workers, many of whom have low skill levels and low levels of literacy and numeracy. Evidence shows that, when such workers are displaced from their jobs, a significant number is relegated to either long-term or permanent unemployment – even if they do have the benefit of adjustment assistance.

The TCF industry, while not a major contributor to the national economy, nevertheless delivers significant value-added, export revenue, and employment, as well as meeting the needs of a domestic market, which is committed to high quality products – and, in some cases, to Australian-made products.

The South Australian Government recommends the retention of 2005-level tariffs from 2005 until at least 2010 and until real market access outcomes for TCF companies are achieved. The South Australian Government also recommends supports the continuation of dedicated

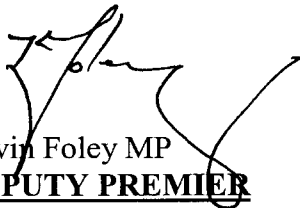
industry assistance – along the lines of the existing Strategic Investment Program, which supports investment, R&D and innovation within the industry – for at least another five years beyond 2005. Such assistance should be available to both large and small businesses, across the range of sub-sectors that make up the TCF industry. Assistance should also bolster collaboration within the industry to, among other things, ensure reliable supply chain linkages.

The South Australian Government's acceptance of tariff reduction in 2005 is contingent upon Commonwealth support for continued budgetary assistance similar to the existing Strategic Investment Program for at least another five years beyond 2005.

Under the South Australian Government's approach, TCF would after 2005 receive modest levels of assistance for ongoing restructuring toward self sustainable, high value added production, and Australia would continue to have one of the most open TCF markets in Australia.

If you have any queries about the South Australian Government's submission, please contact Jessie Byrne, Manager Economic and Trade Policy, Department for Business, Manufacturing and Trade on phone: (08) 8303 2925 or email: jessie.byrne@state.sa.gov.au.

Yours sincerely



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**Government
of South Australia**

**Submission to the
Productivity Commission Inquiry**

on

**Post-2005 Textile, Clothing & Footwear
Assistance Arrangements**

March 2003

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SUMMARY OF RECOMMENDATIONS

The South Australian Government strongly supports continued Commonwealth assistance to the textile, clothing, footwear and leather (TCF or TFCL) industry, but assistance that better targets those elements of the industry which can deliver an ongoing contribution to the Australian economy.

The case for continued support for TCF is made most strongly on equity grounds. The industry is important to the economy primarily because of the type of employment it provides. It employs a high number of mature-aged, women and migrant workers, many of whom are low-skilled and have low levels of literacy and numeracy. Evidence in the TCF industry shows that, when such workers are displaced from their jobs, a significant number are relegated to either long-term or permanent unemployment.

Rather than a naïve reliance on the assumed benefits of unilaterally reduced protection, the South Australian Government seeks a balanced approach to the issue of industry assistance and believes that the post-2005 assistance arrangements for TCF should be designed to encourage:

- increased investment by existing manufacturers in productive plant and equipment
- increased investment in R&D and innovation, which leads to product improvement and more efficient and technologically advanced production and distribution
- critical mass for the sector which will ensure a reliable supply chain
- increased exports of TCF products, through greater export market access and market development programs
- skills development within the existing TCF workforce
- industry-specific adjustment assistance for TCF workers displaced from their jobs as a result of changes in the industry.

Under the South Australian Government's approach, TCF would after 2005 receive modest levels of assistance for ongoing restructuring toward self sustainable, high value added production, and Australia would continue to have one of the most open TCF markets in the world.

To this end, the South Australian Government makes the following specific recommendations regarding post-2005 assistance arrangements to the TCF sector:

Recommendation 1

That the Commonwealth provide continued assistance to the TCF industry, including the retention of 2005-level tariffs until at least 2010 and until real market access outcomes are achieved.

Recommendation 2

That the Commonwealth continue to seek improved market access for the Australian TCF industry, both in the multilateral and bilateral spheres.

Recommendation 3

That dedicated assistance supporting investment, R&D and innovation within the TCF industry – along the lines of the existing Strategic Investment Program – be continued for at least another five years beyond 2005. Such assistance should be accessible to both large and small businesses across the range of sub-sectors making up the TCF industry. As a consequence the current threshold for investment support needs to be lowered and support extended to currently ineligible sectors such as wool processing.

This support should be augmented by broader industry development measures to encourage greater collaboration within the industry.

Recommendation 4

That the Commonwealth Government commit to general assistance to the TCF industry as currently delivered through Commonwealth industry development agencies and programs.

Recommendation 5

That the Commonwealth Government implement strategies to deal with structural adjustment issues should the TCF industry suffer further significant contraction in output and employment. This must include strategies to support and address the workforce needs of the large number of out-workers reliant on the TCF industry.

It should be noted that the South Australian Government's acceptance of tariff reduction in 2005 is contingent upon Commonwealth support for continued budgetary assistance similar to the existing Strategic Investment Program, as in Recommendation 3.

1. INTRODUCTION

The current Productivity Commission inquiry into the post-2005 assistance arrangements for the textiles, clothing, footwear and leather (TCF or TFCL) industry is the first major review of this industry since the 1997 inquiry by the Industry Commission.

Since the last inquiry, the TCF industry – in both South Australia and across the nation – has continued to undergo extensive rationalisation. In response to competitive pressures, a number of major TCF companies have been forced to downsize or re-locate their manufacturing production to low-cost countries. This has occurred during a period in which the TCF industry has received assistance above the manufacturing industry average.

This assistance has not always been well-targeted, with some of it being delivered to companies which have nonetheless moved their manufacturing operations off-shore. This inquiry is therefore timely – it provides the opportunity to redress some of these issues while putting in place a continuing assistance package to the industry that will allow it to increase both its productivity and competitiveness.

In 2001-02, under the current arrangements, TCF attracted combined tariff and Commonwealth Government budgetary assistance of around \$800 million, giving it an effective rate of assistance of 25.1 per cent. While this represents a significant reduction in the effective rate of assistance for TCF, which has fallen from 85.5 per cent in 1989-90, the effective rate of assistance for manufacturing as a whole is much lower and has fallen from 16.3 per cent to around 5 per cent over the same period. Aside from TCF, the only other manufacturing industry with an effective rate of assistance above 5 per cent is the automotive industry, with an effective rate of 11.2 per cent.¹

The current assistance arrangements for TCF are scheduled to end in 2005, when the five-year tariff pause ends on January 1 and legislated reductions in Australia's TCF tariff levels come into effect. Later that same year, the Commonwealth Government's \$700 million TCF post-2000 assistance package is also scheduled to end on July 1. The centrepiece of this assistance package is the Strategic Investment Program, which aims to encourage Australian TCF firms to increase their investment in new plant and equipment and to undertake increased levels of research and development (R&D) and product development. Additional details on the TCF post-2000 assistance package and the legislated tariff reductions are provided in appendix 1.

In putting forward proposals with respect to the post-2005 assistance arrangements for TCF, this South Australian Government submission draws on consultation it has undertaken with a number of small-to-medium and large TCF businesses, the local branch of the Textile, Clothing and Footwear Union of Australia (TCFUA), and other organisations in contact with out-workers in TCF. While the South Australian Government submission therefore focuses primarily on the needs and circumstances of the South Australian TCF industry, which is smaller than its counterparts in New South

¹ Productivity Commission (2002), *Trade & Assistance Review 2001-02*, page 4-12 and chapter 3.

Wales and Victoria, there is a consensus among local stakeholders that the challenges facing them are largely the same as those facing the TCF industry across Australia. These include:

- shifts in the pattern of world production and trade towards low-wage, developing countries, like China, many of which also have drastically lower working conditions and environmental standards
- relatively high tariff and non-tariff barriers in both developed and developing countries other than Australia
- increasing local cost pressures and low demand growth in Australia
- the tendency for major Australian retailers to compete with TCF manufacturers by importing large volumes of product custom-made from low-cost countries
- the negative public view of TCF in Australia, which makes it difficult for local companies to attract capital and skilled labour.

The nature and the extent of these challenges and trends is already well documented in a number of industry plans, including the *Action Agenda for the Textile, Clothing, Footwear and Leather (TCFL) Industry*,² the *TCFL Forum Strategic Plan*,³ and the Victorian Government's *Strategic Audit and Industry Plan for Textile, Clothing, Footwear and Leather*.⁴ Accordingly, it is not proposed that the South Australian Government submission provide another elaborate account or undertake a detailed analysis of the major national and international trends in TCF covered in these other reports, unless it is of direct relevance to a particular issue being discussed.

In terms of the post-2005 assistance arrangements, given the magnitude of the challenges facing TCF, there is a strong consensus among South Australian TCF manufacturers, and workers and their union representatives about the importance of continued government support for the industry beyond 2005. In particular, continued assistance in the form of a stable tariff until at least 2010, as well as support for additional investment in TCF by existing manufacturers, are seen as vital for helping the industry adjust to a freer trade environment.

The South Australian Government believes that the case for continued support for the TCF industry is made most strongly on equity grounds. The industry requires above average but still modest assistance primarily because of the type of employment it provides. It employs a high number of mature-aged, women and migrant workers, many of whom are low-skilled and have low levels of literacy and numeracy. As explained in section 8.3, evidence in the TCF and other industries shows that, when such workers are displaced from their jobs, a significant number are relegated to either long-term or permanent unemployment.

² TCFL Action Agenda Advisory Board (2000), *Towards 2010 – The Action Agenda for the Textile, Clothing, Footwear and Leather Industry*, Report to the Minister for Industry, Science and Resources.

³ TCFL Forum (2002), *TCFL Forum Strategic Plan*.

⁴ Victorian Government (2002), *Industry Plan for the Victorian Textiles, Clothing, Footwear and Leather Industry*; Victorian Government (2001) *Strategic Audit for the Victorian Textiles, Clothing, Footwear and Leather Industry*.

In relation to tariffs, given the significant reductions in protection that have already taken place, there is in fact very limited scope for additional efficiency gains from any further reductions. It is the strong view of the South Australian Government that any possible benefits to the wider economy from lower tariff levels will be outweighed by the definite and very substantial adjustment costs resulting from industry rationalisation and the displacement of the existing workforce. In relying on general equilibrium models to assess the net benefits of reduced industry support, previous studies have typically placed insufficient emphasis on these types of adjustment costs. This includes the Industry Commission's 1997 inquiry into the TCF industry. As a consequence, such studies have significantly overstated the extent of the net benefits from reductions in support for the industry.

Rather than a naïve reliance on the benefits of unilaterally reduced protection, the South Australian Government seeks a balanced approach to the issue of industry assistance and believes that the post-2005 assistance arrangements for TCF should be designed to encourage:

- increased investment by existing manufacturers in productive plant and equipment
- increased investment in R&D and innovation, which leads to product improvement and more efficient and technologically advanced production and distribution
- critical mass for the sector which will ensure a reliable supply chain
- increased exports of TCF products, through greater export market access and market development programs
- skills development within the existing TCF workforce
- industry-specific adjustment assistance for TCF workers displaced from their jobs as a result of changes in the industry.

Under the South Australian Government's approach, TCF would after 2005 receive modest levels of assistance for ongoing restructuring toward self sustainable, high value added production, and Australia would continue to have one of the most open TCF markets in the world.

It is vital that the Commonwealth Government signals its ongoing commitment to the industry by ensuring that it does not withdraw its support prematurely and by working for greater access to global TCF markets, through bilateral and multilateral avenues.

2. DOWNSIZING IN SOUTH AUSTRALIAN TCF COMPANIES SINCE THE 1997 INQUIRY

In recent decades, and more recently since the 1997 inquiry, the experience of the South Australian TCF industry has mirrored the experience of the industry nationally. At both the State and national levels, business closures, the tendency for manufacturing operations to shift offshore and the consequent job losses have received strong media attention. Workers in the industry, and their representatives, have grown increasingly concerned about safeguarding their jobs and their entitlements.

Since the 1997 inquiry, the South Australian TCF industry has seen the closure of Clarks Shoes, Palm Beach Towels and G H Michell's leather tannery at Thebarton. This follows closures earlier in the decade, such as those at Onkaparinga Woollen and Mt Gambier Spinning. The industry has also recently seen significant reductions in employment at Slatter's Shoes, Levi Strauss, Consolidated Apparel Industries (which closed and later reopened as The Jeans Factory with reduced staff) and Sheridan Domestic Textiles.

In a number of cases, the closures or reductions in employment have involved production moving off-shore, with jobs being exported to China in the case of Sheridan, Pakistan in the case of Levi Strauss and initially Fiji then China in the case of Clarks Shoes. Many such companies have closed or reduced employment despite being major recipients of Commonwealth and/or State Government assistance. This reinforces the need to ensure that any future budgetary assistance for the TCF industry is well targeted and not directed towards local production in areas that favour low-wage, developing countries.

PROFILE 1 – CLARKS SHOES CLOSURE

Up to the time of its closure in 1999, Clarks Shoes was Australia's largest manufacturer of men's shoes. It also had a large range of ladies' shoes.

In 1996, the former South Australian Government agreed to give the company a financial incentive of more than \$500,000 to consolidate its Australian operations at its Marlestone plant in Adelaide (money that was later recovered). The company also subsequently received \$133,558 under the Commonwealth's TCF 2000 program.

The company employed about 250 people in 1998. Following a wave of retrenchments, this number had fallen to 190 at the time the company's impending closure was announced in 1999. Of these 190 workers, 20 per cent had served with the company for 17 or more years. The longest serving had been with the company for 42 years.

The company continued production at the Marlestone plant until its equipment was finally transferred to Fiji. The move to Fiji was unsuccessful for a number of reasons. Production has subsequently shifted again, this time to China. Clarks no longer manufactures in SA.

This is not an argument for no assistance but for better targeted modest assistance that helps the industry to adjust while maintaining Australia as one of the world's most open TCF markets.

3. STATISTICAL SNAPSHOT OF TCF MANUFACTURING IN SOUTH AUSTRALIA

TCF manufacturing covers all stages of the production of textile, clothing, footwear and leather products – from the processing of raw materials such as cotton, wool, leather and synthetics, to the production of final goods.

While the TCF industry in South Australia is not as large as in Victoria and New South Wales, its contribution to the State's economy is significant. TCF accounts for about 4.5 per cent of total manufacturing employment and 2.9 per cent of total manufacturing value-added in South Australia (2000-01). This compares to 6.1 per cent and 3.6 per cent respectively for Australia.

The ongoing rationalisation of the TCF industry, at both the State and national level, is reflected in a range of performance indicators such as employment, industry value-added, exports and imports.

	South Australia		Australia	
	1998-99	2000-01	1997-98	2000-01
Industry value-added (IVA) (\$m)	173.5	176.7	3 298.9	2 583.3
Employment ('000)	4.5	4.2	73.8	57.8
% number employed in businesses with				
Less than 20 persons	28.8%	23.3% (1999-00)	39.3%	31.4% (1999-00)
Between 20 and 49 persons	10.4%	17.3% (1999-00)	14.9%	16.2% (1999-00)
Between 50 and 99 persons	11.1%	19.1% (1999-00)	13.3%	16.4% (1999-00)
Over 100 persons	49.6%	40.3% (1999-00)	32.6%	36.0% (1999-00)
IVA per person employed (\$'000)	38.6	42.1	44.6	44.7
Wages and salaries (\$m)	143.3	115.9	2 152.9	1 753.9
Exports as a proportion of sales/transfers	38.5%	46.4% (1999-00)	16.3%	17.4% (1999-00)
Trade				
Exports (\$m)	181.2	127.5 (2001-02)	2 999	2 739.9 (2001-02)
Imports (\$m)	146.9	183.9 (2001-02)	6 039	7 420.1 (2001-02)

Source: ABS Cat No: 8221.0, *Manufacturing Industry Australia (2000-01)* and ABS data request; export data based on ANZSIC classifications.

Between 1998-99 and 2000-01⁵ industry value-added increased by 1.8 per cent, to just under \$177 million. This compares to a 2.5 per cent increase for total manufacturing in South Australia and 20.5 per cent fall for the national TCF industry over the same period.

⁵ Statistics for 1998-99 were used, rather than 1997-98, as the ABS has recently changed the methodology for collecting manufacturing industry statistics. As a result, 1997-98 figures are not directly comparable to the latest statistics.

While value-added in South Australian TCF industry has been increasing, employment levels have fallen by 7 per cent, and aggregate wages and salaries levels have fallen even further, by 19 per cent – implying an increase in the proportion of lower paid jobs in South Australia at the expense of higher paid ones. The fall in wage levels notwithstanding, an increase in industry value-added per person employed means that productivity in South Australian TCF has improved over this period. In South Australia, the improved productivity in TCF is likely to be the result of an ongoing commitment to enterprise improvement among leading TCF businesses (for example, see profile 4 on Rossiter's in section 7), as well as the closure or downsizing of less efficient manufacturers' operations. It is most likely also reflected in the percentage decline in total employment in businesses with over 100 persons (from 49.6 to 40.3 per cent).

With this productivity increase, value-added per person employed in South Australian TCF (\$42,000) is now only marginally below the corresponding national figure (\$44,700), which has remained static since the 1997 inquiry. However, both the State and national figures are well below the level of value-added per person for manufacturing more generally (which for South Australia is \$66,700).

In the case of South Australia, the improved productivity performance in TCF described above has not been accompanied by an improved trade performance. As with the Australian TCF industry more generally, the South Australian TCF industry has experienced a further decline in the value of exports (29.6 per cent) and an increase in the value of imports (25.2 per cent) since the 1997 inquiry. For South Australia, this has resulted in a trade balance reversal in TCF. This has occurred despite a low Australian dollar.

Overall, the persistently poor export performance in TCF may reflect the difficulty local TCF companies have in accessing overseas markets, as opposed to the comparative ease overseas companies have in accessing Australian markets. It may also reflect the fact that productivity has not improved enough for the TCF industry to achieve the type of trade performance characteristic of a number of other manufacturing industries. (By comparison, manufacturing exports in South Australia have increased by 67.2 per cent since 1998/99). Some of the larger, export-oriented TCF companies, which could have taken advantage of factors, like a lower Australian dollar no longer manufacture in Australia. Some of the smaller manufacturers prefer to focus on the domestic market, relying on their customer service and ability to produce high-quality merchandise to attract a loyal but demanding local clientele (see profile 3 regarding Angus Clyne in section 7).

In addition to these aggregate figures for TCF manufacturing exports, which are based on standard ANZSIC classifications, figures based on the Standard International Trade Classification (SITC) give further insight into South Australia's and Australia's export performance for particular TCF products. These figures, for some products, are reproduced in table 2 below.

(\$Aust)	1998/99		2001/02	
	South Australia	Australia	South Australia	Australia
SITC category (see note*)				
(21) Hides, skins and fur skins	\$864,601	\$21,274,141	\$207,949	\$2,532,189
(26) Textile fibres and their wastes	\$82,006,488	\$2,647,159,999	\$90,317,215	\$2,728,505,189
(61) Leather, leather manufactures and dressed fur skins	\$65,032,789	\$439,634,061	\$606,922	\$223,998,116
(65) Textile yarn, fabrics, made-up articles and related products	\$14,658,107	\$581,466,460	\$23,427,946	\$536,190,151
(84) Articles of apparel and clothing accessories	\$9,925,845	\$349,454,719	\$6,194,424	\$345,369,471
(85) Footwear	\$7,299,620	\$53,428,823	\$3,600,719	\$54,792,495
Other	\$2,965,968	\$28,178,949	\$6,237,870	\$67,855,257
Total	\$182,753,418	\$4,120,597,152	\$130,593,045	\$3,959,242,868

Source: ABS trade data

*Note: The exports for these two-digit SITC categories exclude those products that are not related to TCF manufacturing.

Table 2 shows that there has been a dramatic reduction in the value of State and national exports in the categories of hides, skins and fur skins, and leather, leather manufacturers and dressed fur skins. Between 1998-99 and 2001-02, the value of South Australian exports for two product categories fell by 75.9 per cent and 99.1 per cent respectively, compared to a fall of 88.1 per cent and 49 per cent respectively at the national level. In absolute terms, it is the fall in leather exports that is most significant. This has been driven largely by the closure of G.H. Michell's tannery operations in 1999.

For South Australia, the next biggest fall in exports – both in absolute and percentage terms – has been in the area of footwear. Between 1998-99 and 2001-02, South Australian footwear exports fell by over 50 per cent. This is in contrast to the national trend in which footwear exports have risen slightly (2.6 per cent). South Australia's decline in footwear exports can be partly attributed the closure of Clarks Shoes. However, there are exceptions to this trend, with companies like Rossiter's Pty Ltd using its products' excellent reputation to maintain export markets.

In terms of export increases for South Australia, textile yarn, fabrics, made-up articles and related products is one area in which export levels have increased considerably, rising almost \$8.8 million or 59.8 per cent between 1998-99 and 2001-02. This compares to the national figure, which dropped 7.8 per cent. The major contributor to this increase has been cotton bed linen, which has grown 111 per cent, from \$7.3 million to \$15.3 million, between 1998-99 and 2001-02.

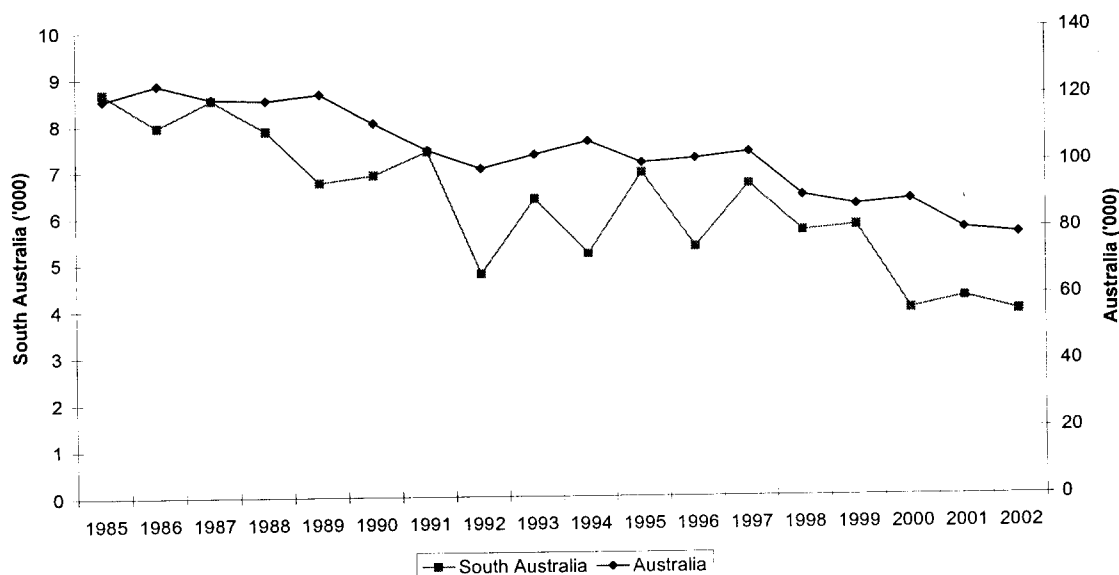
4. THE OFFICIAL TCF WORKFORCE

The TCF industry's long-term decline in the State and across the nation is reflected most notably in employment statistics.

Officially, without taking account of out-work, the South Australian TCF industry is estimated to employ almost 4,000 people.⁶ Other estimates for the South Australian TCF workforce, such as those made by the now-disbanded SA Light Manufacturing Industries Training Board in its Draft Industry Training Plan 2002-04, put total employment at closer to 6,000. While it is not clear to what extent this unofficial estimate takes account of out-workers, the magnitude of its discrepancy with the official estimate is consistent with informed speculation suggesting that there are upwards of 2,000 South Australians performing out-work in TCF over the course of a year (see section 5).

Data from the Australian Bureau of Statistics (ABS) Labour Force Survey (LFS) shows that official employment (ie not including out-workers) within TCF manufacturing in South Australia has fallen from 8,700 in 1985 to 3,900 in 2002, a fall of 55 per cent. Over the same period, national employment within the TCF industry declined by 41,000 jobs, a fall of 35 per cent. South Australia now accounts for 7.3% of national employment in TCF.

Employment in the Textiles, Clothing, Footwear and Leather Manufacturing Industry Subdivision



⁶ ABS 2001 Census. (Note a 4,200 estimate of workforce size for 2000-01 (table 1)).

In terms of a breakdown of the official TCF workforce in South Australia:⁷

- clothing manufacturing employs just under 40 per cent
- textile product manufacturing employs 29 per cent
- textile fibre, yarn and woven fabric manufacturing employs 10 per cent
- footwear manufacturing employs 8.0 per cent
- leather and leather product manufacturing employs 5.5 per cent
- knitting mills employ just over 1.0 per cent.

The TCF workforce in South Australia is geographically concentrated in particular suburbs – such as Elizabeth and Salisbury in the north, Holden Hill in the northeast, and Thebarton and Woodville in the west – which record traditionally higher than average levels of unemployment.

At the time of the 2001 census, over a third (37.2 per cent) of total TCF employment in South Australia was located in northern Adelaide, followed by 19.1 per cent in western Adelaide and 18.1 per cent in southern Adelaide. Just under 86 per cent of TCF employment was located in metropolitan Adelaide. In non-metropolitan South Australia, the largest concentrations occurred in the southeast (where Fletcher Jones is a major employer), Mt Lofty Ranges and the Barossa. However, the numbers employed in these regions are small compared with metropolitan Adelaide.

	Number	Per cent
Northern Adelaide	1,477	37.2
Western Adelaide	759	19.1
Eastern Adelaide	449	11.3
Southern Adelaide	719	18.1
Barossa	74	1.9
Kangaroo Island	6	0.2
Mt Lofty Ranges	94	2.4
Fleurieu	35	0.9
Yorke	8	0.2
Lower North	16	0.4
Riverland	30	0.8
Murray Mallee	21	0.5
Upper South East	68	1.7
Lower South East	125	3.1
Lincoln	16	0.4
West Coast	9	0.2
Whyalla	17	0.4
Pirie	31	0.8
Flinders Ranges	9	0.2
Far North	6	0.2
Off-Shore Areas & Migratory	0	0.0
South Australia	3,969	100.0

Source: 2001 Census of Population and Housing

⁷ Source: ABS 2001 Census.

As with Australia more generally, the TCF workforce in South Australia is typical of other manufacturing workforces in that it comprises a relatively high proportion of lower-skilled jobs and has a mature workforce with typically low levels of literacy and numeracy. However, there are also some major differences between the workforce in TCF and manufacturing more generally. TCF relies on a high proportion of workers from non-English speaking backgrounds, with the industry generally being one of the first that new migrants enter when they come to Australia. Unlike the workforce in most other parts of manufacturing, there is a significant proportion of female workers (64.5 per cent) in TCF. There is also a higher level of out-work, which is not captured in official statistics (see section 5 below).

As explained below in section 8.3, the fact that TCF is such a significant employer of low skilled workers, many of whom would face significant adjustment costs if displaced from their jobs, is one of the chief reasons why the South Australian Government views continued Commonwealth Government support for the industry as so important. However, the importance of the industry and the issue of its potential decline also goes beyond current TCF workers losing their jobs. In the long run, the potential decline in the industry is likely to result in an inequitable change in the structure of the economy, one that further discriminates against low-income earners and perpetuates inequality in a gender and ethnically specific way.

Having said this, it is important to recognise that the industry is also a potential employer of more highly skilled workers. According to the SA Light Manufacturing Industries Training Board Draft Industry Training Plan 2002-04, the past two years have seen an increase in demand by the TCF workforce for a more sophisticated range of skills and knowledge than demanded in the past. This is reflected in a growing need for training opportunities and qualifications to develop business skills and technological and product development competencies. This is particularly evident in the clothing and footwear sectors.

The demand for “fashion-focussed” training has also been re-invigorated by recent student success, along with effective marketing and promotion of opportunities in this area. While a number of successful students in “fashion-focussed” training are migrating interstate and overseas, their success is seen as generating good publicity about the benefits that such training brings. A number of graduates also go on to start their own businesses in South Australia, creating employment and raising the profile of the industry. Demand for this type of training is expected to continue.

5. THE UNOFFICIAL TCF WORKFORCE – OUT-WORKERS

There are no reliable data on the extent to which the TCF relies on the use of out-work. However, informed opinion suggests that at least 1,000 and possibly as many as 2,000 people are engaged in out-work for the South Australian TCF industry over a 12-month period.

Out-work provides a mechanism by which TCF businesses can reduce costs by circumventing award wages, labour standards and industry regulations and by adjusting the scope of production to match demand. While competition from low-cost manufacturers overseas may make resorting to out-workers necessary for some TCF businesses, it is important to recognise that a significant amount of the demand for out-workers is also likely to come from businesses responding merely to the local fashion industry's need for flexible, quick-response production. Relying on superior service levels in terms of responsiveness, flexibility and speedy delivery, such businesses clearly have nothing to fear from low-cost competition from overseas.

Out-work has a long history in the Australian TCF industry.⁸ While out-work in TCF has persisted during periods of both low and high protection for the industry, a number of recent trends have increased both the opportunities and the pressures for TCF businesses to rely on it. The advent of enterprise bargaining within the industrial relations system, in particular, has established a framework in which out-work can prosper in an increasingly competitive TCF industry. It follows that assistance arrangements for TCF will, at best, have only a partial influence on the industry's tendency to rely on out-workers. Such an inference is certainly consistent with historical experience. Arguably, the marginalisation and disadvantage faced by out-workers in our society has more to do with the industrial relations environment than it does with general industry assistance arrangements.

With respect to the experience of individual out-workers, the process of out-sourcing work has resulted in what one key union argues is "the lowest, most exploited layer of an integrated system which functions to manufacture textile, clothing and footwear products and supply them to consumers throughout Australia".⁹ Out-work is a hidden type of employment and, especially in the TCF industry, is typically undertaken by migrant women who rarely have English skills and, if concerned about work conditions, who are frequently unaware with whom they can lodge a complaint or are too fearful to do so.¹⁰ As an example of the potential exploitation of this group, out-workers can be paid as little as \$5 for three hours work. They can work anywhere from 12 to 18 hours a day and receive less than 5 per cent of the retail price of the garments they make.¹¹

⁸ Tassie (1988), "Out of sight out of mind – Out work in South Australia", p 2.

⁹ Cited in Stevens (2002), "Review of South Australian Industrial Relations System", p 56.

¹⁰ Tassie (1988), p 12.

¹¹ Dale Street Women's Health centre (1998), "Out-work – Reaching an Invisible Workforce", pp 28-30.

6. INTRA- AND INTER-INDUSTRY LINKAGES

Using input-output tables that describe the South Australian economy in 1999-00 (prepared by Econsearch Pty Ltd in 2001), it is possible to provide a picture of the TCF industry's relationship with the rest of the South Australian economy.

Traditionally, it has had significant linkages with other parts of the State economy. For example, linkages have extended upstream to the supply of natural fibres and downstream to service areas including design, pattern making, retailing and major consumers such as furniture manufacture, engineering and health. Table 3 indicates that the industry made \$301 million in local purchases in 1999-00, which equates to over 45 per cent of turnover. The manufacturing industry in general sources a larger proportion of its raw materials locally, at just over \$11.6 billion or almost 54 per cent of turnover.

	TCF industry		Manufacturing	
	\$ million	% of turnover	\$ million	% of turnover
Value of turnover	662		21,787	
Value, local purchases	301	45.5%	11,613	53.3%
Value, interstate & overseas purchases	156	23.6%	4,341	16.9%

Table 4 shows a breakdown of local purchases by the TCF industry. Purchases from within the TCF industry (raw materials such as cloth, leather, etc) represent 29.1 per cent of all local purchases. The wholesale trade (14.8 per cent) and business services (8.8 per cent) sectors are also significant from a business-input perspective.

	\$ million	% of local purchases
Local intermediate purchases by sector		
TCF	87	29.1%
Wholesale trade	44	14.8%
Business services	26	8.8%
Sheep	13	4.4%
Chemicals	13	4.3%
Meat & meat products	13	4.2%
Legal & Accountancy Services	10	3.4%
Road Transport	9	3.1%
Other Sectors	85	28.0%
Total	301	100%

Source: Econsearch Pty Ltd.

These industry linkages are, however, being increasingly threatened. According to industry sources, a significant amount of the raw materials used by the South Australian industry can now no longer be sourced locally, resulting in increased imports (interstate and international) of items such as leather and fabric. This is discussed briefly later.

7. SOUTH AUSTRALIAN TCF – FUTURE PROSPECTS

The competitive position of the Australian and South Australian TCF industry has been in decline for over thirty years, as the pattern of world production and trade has shifted towards low-wage developing countries, local costs of production have increased and protection for the local industry has been scaled-back.¹²

As a consequence, there has been an ongoing structural change in the local TCF industry, away from the production of low-cost, mass-produced items in which Australia has a competitive disadvantage, towards higher-priced, higher-quality fashion items in markets – often niche markets – in which local TCF businesses are more competitive.

It is in this area of producing and delivering higher value-added goods and services that the future of the local industry lies. In these activities, non-price factors such as quality, design and brand identification will all continue to be major drivers of advantage. These, in turn, will depend on the ability of firms to add value to all parts of the production chain from raw materials to the distribution of finished goods. Even relatively modest markets gains for such products should bring significant benefits because of the associated price premiums.

Increasingly, higher value-added activity within the local industry is being driven by two types of businesses.

Firstly, there are those TCF manufacturers, which have well and truly risen to the challenges of operating in a global industry and on a global scale. These include businesses such as Rossiter's (Rossi Boots), R M Williams, G H Michell and Vacel Leather, all of which export their products overseas. Rossi Boots and R M Williams are profiled in more detail below (see profiles 2 and 4). G H Michell is Australia's largest and a world-leading wool processing company, whose processed wool is shipped to buyers in Asia, the United States, South Africa, the European Community and Australia. It employs more the 500 people in South Australia. Vacel Leather is a major exporter of finished kangaroo leather for use in high-end sporting footwear. It exports around 95 per cent of its product to the high-end sports shoe market in Japan, USA and Europe.

For these companies, operating on a global stage means more than simply exporting to global markets – it also means establishing global networks and global supply chains. G. H. Michell has a leather plant in Ireland and a strong network of sales offices in major markets. The consortium which founded Vacel Leather five years ago, after purchasing the leather tannery that was formerly part of Burge Skin and Leather, included its major customer who was a resident of Japan. Rossiter's relies not just on Australian suppliers, but also suppliers overseas. R M Williams, which due to the decline in the Australian TCF industry found the quality of some local products unreliable, has moved part of its manufacturing to China, from where it will import lower-cost items such as logo-bearing T-shirts, a small number of other shirts and baseball caps.

¹² Productivity Commission (1999), *Microeconomic Reforms and Australian Productivity: Exploring the Links*.

PROFILE 2 – R M WILLIAMS, AUSTRALIAN ICON

R M Williams is an Australian icon – an image and symbol of the outback to many urban Australians and overseas customers.

Established in 1932, R M Williams began by supplying work clothes for Australia's pastoral industry. Today, it is a large-scale manufacturer and major employer, based in Adelaide, whose core products include boots and leather goods, jackets, shirting, moleskin and jeans apparel. The company has used its brand strength to move into retailing and it has strongly integrated production and retail operations.

R M Williams' overseas expansion began in the 1980s, when it opened a store in the UK. During the 1990s, its exports expanded 400 per cent to about \$6.5 million out of total sales of \$44 million. Export markets now include UK, EU, Asia, NZ, US and South Africa. The company's current total annual sales amount to almost \$50 million.

Until November 2002, R M Williams was the only remaining TCF company of its size whose products continued to be wholly Australian-made. However, under growing competitive pressures, the company has been forced to move some part of its manufacturing to China, from where it will import lower-cost items such as logo-bearing T-shirts, a small number of other shirts and baseball caps. The company believes the move will make it more competitive and further secure its Australian factory operations and its future as an Australian manufacturer and major employer.

Importantly, all R M Williams design and development will continue in Australia, and all core products will continue to be Australian-made.

The second category driving higher value-added activity within local TCF are those businesses characterised by their high-quality products, high service levels, flexibility and rapid responses to local market demand at both the state and national levels. This includes a number of nationally recognised fashion houses based in South Australia, such as George Gross, Rapsimo, Tim O'Connor and Miss Gladys Sym Choon. This category also comprises a number of small-to-medium manufacturers whose main focus is on local niche markets, including manufacturers such as PDR Sport, which supplies garments to major sporting clubs and organisations, and is exemplified by Angus Clyne, which specialises in the production and retail of uniforms for corporate clients (see profile 3 below).

PROFILE 3 – ANGUS CLYNE, NICHE PLAYER

Angus Clyne is a small Adelaide-based clothing designer and manufacturer, specialising in the production and retail of uniforms for corporate clients.

It has had strong growth, despite the decline in the TCF industry. Starting with a turnover of \$75,000 in 1988, Angus Clyne now has an annual turnover of around \$2.5 million. Annual growth of 60 per cent between 1996 to 1998 saw the company included three years running in the BRW Fastest 100 Growing Private Australian Companies list.

Although moderating since this time, the company's growth remains steady. The company prefers to concentrate on South Australia as its main market, but does sell garments interstate and has established alliances with companies like King Gee. A focus on producing high-quality garments and maintaining high levels of customer service provides the basis for Angus Clyne's competitive advantage, in what is essentially a niche market.

Angus Clyne places considerable emphasis on training for its 25 employees. It used the Douglas Mawson Institute of TAFE to develop an internal staff training program that sets out operating procedures and helps ensure staff competence. In 1999, it was recognised for its work in this area when it received the South Australian Small Business of the Year Training Award.

While the TCF industry's declining fortunes have not harmed Angus Clyne's prospects to this point, managing director Leonie Clyne anticipates that skilled labour will be harder to find in the years ahead, if the industry continues to decline.

While rationalisation within the industry has seen it increasingly characterised by these two groupings, a further consequence has been the difficulty of some local TCF companies to source local input for their products. A number have become more reliant on overseas material and expertise. According to some manufacturers, the size of the domestic industry has made it unprofitable for component suppliers to maintain operations in Australia. This in turn threatens the size and viability of the domestic industry.

Despite these trends, many TCF businesses believe that the ability to form stronger local linkages will be important to their future success. Collaborative projects, particularly to improve supply chain linkages, offer considerable opportunity to the sector.

Over the past few months, a group of TCF companies has worked with the South Australian Government's Centre for Innovation Business and Manufacturing (CIBM) to develop a network that will share resources such as skilled machinists, technical staff and specialised machinery. While the network is still at the development stage, the companies involved, which include R M Williams, Rossiter's, Vacel Leather, Pinz Industrial Sewing, The Jeans Factory and Angus Clyne, have shown a willingness to work with one another and with two companies in the upholstery sector of the furnishing industry for the overall betterment of the industry.

Another emerging area for potential collaboration between local industry partners is in supply chain management. Effective supply chain management has the potential to improve competitiveness by reducing waste and inventory, and increasing flexibility and responsiveness. Achieving such outcomes is likely to be easier with local, as opposed to overseas, partners. The workability of such arrangements is dependent upon the continued existence of a viable TCF industry – and perhaps a prerequisite for it.

One company that is making considerable progress in this area is Rossiter's, which is profiled below.

PROFILE 4 – ROSSI BOOTS, INNOVATOR IN MANUFACTURING & SUPPLY CHAIN MANAGEMENT

Rossiter's Pty Ltd is an Adelaide-based boot manufacturer with a stable and dedicated workforce of 90 staff – many of whom are employees of long-standing – and a turnover of around \$12 million. The company draws supplies of leather, materials and components from numerous suppliers in Australia and overseas. It has 10 commission agents in Australia, serving some 2,000 retailers in all states and territories. It also exports its boots under the Rossi Boots brand name to countries including New Zealand, the US, South Africa and a number of European nations.

In recent years, Rossiter's has invested significantly in state-of-the-art equipment, training and computer systems in order to increase productivity and achieve world-best practice manufacturing. To gain maximum benefit from these improvements, Rossiter's recently participated in a Commonwealth Department of Industry, Tourism and Resources value chain management project. Its key partners in the project were Duncan Rubber Australia Pty Ltd (its Melbourne-based supplier of moulded soles), Stackhouse Sales Pty Ltd (its Victorian agents) and Trims (a leading Adelaide retailer). The aim was to establish a basis for more effective communications and synchronization between Rossiter's and both its suppliers and its end consumers.

Rossiter's now has in place a web-based communications infrastructure, which integrates information flow between the company and its suppliers, agents, retailers, and end-consumers. Suppliers benefit from the more effective decision-making that follows from improved data; retailers and consumers benefit from the reduced time it takes Rossiter's to respond to retail orders.

8. POST-2005 ASSISTANCE ARRANGEMENTS FOR TCF – SOME KEY CONSIDERATIONS

TCF is not a major segment of the national economy, but its contribution continues to be important. In 2000-01, it delivered almost \$2.6 billion in value-added to the national economy. In South Australia, the equivalent contribution was \$173 million. Most importantly from the South Australian Government's perspective, TCF also supports almost 4,000 jobs across the State and more than 60,000 jobs nationally (this is without taking account of the contribution of out-workers in the industry). Evidence shows that, when such workers are displaced from their jobs, a significant number are relegated to either long-term or permanent unemployment. Safeguarding these jobs must therefore be the key consideration when determining the post-2005 assistance arrangements for TCF.

8.1 Government assistance to TCF industry internationally

While the Australian TCF industry continues to benefit from government assistance, both tariff and non-tariff, it is clear that free and open international trade for TCF is not a reality – and is unlikely to become so over the next decade.

As recognised by the Victorian Government in its industry plan for the TCF industry (2002), government policy continues to be a major strategic driver for the development and operation of the TCF industry around the world. The TCF industry has been and continues to be among the most highly protected industries around the world. Global trade in TCF products has been characterised by import quotas in major importing destinations (eg Europe and the US) and very high tariff and non-tariff barriers in major exporting locations (eg China and India).

According to United Nations Conference on Trade and Development estimates, for example, US tariffs on more than half its textile imports still range from 15 to 40 per cent, as compared with its average industrial tariff of around 3 per cent. US tariffs on most imports of footwear range from 10 per cent and 37.5 per cent. Moreover, there is growing industry pressure for further support for TCF within the US – and elsewhere.¹³

Appendix 2 provides an expansive list of “basic indicators” of tariff rates imposed by different countries for TCF commodities. Taken from the July 2002 *Market Access Industry Participation Program Report*,¹⁴ it shows that global tariffs on TCF products are highly variable. It also shows that Australia's tariffs are middle to low level when compared with its competitors. In addition, Australia relies on fewer non-tariff barriers than other countries – recording no quotas for TCF imports.

¹³ See, for example, *The Economist*, 28 May 2002, “Tangled up in textiles”.

¹⁴ TCFL Forum (2002), *Market Access Industry Participation Program*.

From 2005 onwards, there will be an increase in competitive pressures in global TCF markets, following the worldwide elimination of all quotas on TCF products in accordance with the WTO Agreement on Textiles and Clothing. These changes will affect TCF nations differentially. They will negatively impact on manufacturers in a number of developing world nations, many of whom have been beneficiaries of quotas under current trading arrangements. On the other hand, low-cost countries which have not received preferential treatment under the agreement – such as China – will gain greater access to markets in developed countries. *The Economist* predicts that China's share of world garment exports, for instance, will increase from 20 per cent now to 47 per cent by 2010.¹⁵

It is anticipated, therefore, that the Australian TCF industry will face both increased competition and greater opportunities over the next decade. It is also clear that this will happen in an international environment which will continue to see governments provide support to the industry by both tariff and non-tariff means.

The South Australian Government believes that any further decline in assistance after 2005 for the Australian TCF industry must match reductions elsewhere. At the same time, changes to assistance should assist the local TCF industry to exploit the opportunities which will arise from the elimination of global TCF quotas. If Australia retains sufficient capacity in TCF, then its leading companies should be in a position to take advantage of such opportunities. It would be a serious misapplication of policy if declining Commonwealth Government support deprived the TCF industry of this capacity.

Ultimately, Commonwealth Government policy should be aiming to improve the allocation of resources within TCF by encouraging activity in those areas where the Australian industry has natural advantages and not where it is in direct competition with low-wage, developing countries.

Note that this is not a proposal to match the unjustifiably high levels of protection of our competitors. Rather, it is an argument for continuing modest assistance after 2005 and a recognition that Australia already has one of the most open TCF markets in the world.

8.2 Maintaining critical mass in TCF manufacturing

From an industry development perspective, maintaining a critical mass in TCF manufacturing is a pre-requisite to ensuring its viability in a future freer-trade environment. While the inter-industry linkages in TCF are perhaps not as extensive or powerful as they are in the automotive industry, their importance must not be ignored.

¹⁵ *The Economist, The World in 2003*, p 103.

If there continues to be a contraction in local sources of supply, then there is a real risk that the TCF industry will reach a point where manufacturing will decline to insignificance. Should this be the case, Australia will find itself falling back on its trade patterns of the 1950s and 1960s – a supplier of primary products, such as fibres, with the higher value-added activity undertaken elsewhere.

While the TCF industry continues to make the shift to niche products and markets – underpinned by good design and high quality – rationalization on the basis of smaller market segments can yield only so many benefits for the industry. For its continued survival and growth, it is vital that the industry maintain a critical mass of expertise and investment within Australia and, in particular, a reliable and medium-volume supply chain. Any assistance should be targeted to ensure these aims.

8.3 The employment impact of reduced assistance

As the past decade has shown, reduction in assistance to the TCF industry has contributed significantly to the loss of jobs within the industry. The resultant unemployment poses costs to individuals, to families, to the community and to the economy. It also imposes significant costs in terms of Commonwealth and State government expenditure on support services such as welfare support, vocational training and job search assistance. The costs to the individual can include loss of income, poor health, social exclusion, homelessness, loss of self-esteem and confidence, and loss of vocational skills.

South Australia, as a smaller state economy with a relatively large manufacturing base, is particularly vulnerable to shifts within the industry and its component parts. Any adjustment costs arising from changes in government policy will therefore impact the State significantly. The State has already been impacted by economic adjustment and its associated social and economic stresses due to its historical reliance on ‘traditional’ industries, including the TCF industry, which until recently have been relatively insulated from international competition through high levels of industry protection.

The potential impact on sub-regions within the State is even greater. Given the regional concentration of TCF manufacturing in South Australia in Adelaide’s north, northeast and west, any job losses resulting from reduced industry assistance will impact directly on local labour markets and on the economic and social well-being of those regions. These regions already record above average unemployment rates and social security assistance.

This is demonstrated in the general case by previous modelling undertaken by the Productivity Commission for its recent inquiry into Australia’s general tariff arrangements. This modelling shows that the removal of general tariffs of 5 per cent or less would negatively impact South Australia and, in particular, its regional areas. The study found, when compared to leaving the tariffs in place, that all regions within South Australia (as defined by the Commission) were expected to see a fall in employment – including Outer Adelaide.¹⁶

¹⁶ Productivity Commission 2000, *Review of Australia’s General Tariff Arrangements*, Report No. 12; AusInfo, Canberra, pp 46-47.

South Australia already suffers from structural unemployment, evidenced by the higher average duration of unemployment than the national average. In the December quarter 2002, the average duration of unemployment in South Australia was 68 weeks, compared with the national average of just over 54 weeks.¹⁷

According to the Productivity Commission's own research, there are many adjustment costs that workers experience after being displaced.¹⁸ If given advance warning of being displaced, some people are able to find a similar job elsewhere and therefore do not experience significant adverse effects. However, many displaced workers experience a period of unemployment. Many leave the labour force altogether, or if they do get another job, this often involves reduced hours and earnings.

The study also found that older retrenchees and people retrenched from lower skill occupations were more likely to have trouble in adjusting, and were less likely to be re-employed. According to the Commission, if the contracting industry has a disproportionate share of people from groups identified as having greater trouble in adjusting (as is clearly the case in the TCF industry), then the adjustment costs are likely to be higher.

This is supported by the findings, reported in Webber and Weller (2001),¹⁹ of a mid-1990s longitudinal study on the employment experiences of TCF workers after losing their jobs. Among more than 600 TCF workers in the sample, at least a third never worked again (over the four years of the study). If retraining is regarded as equivalent to unemployment, then 58 per cent of those displaced TCF workers who ultimately returned to employment were without paid work for more than 12 months. Retraining itself was found to have had little impact on outcomes and, because it meant additional time out of the workforce, actually increased the probability of unemployment.²⁰

In relying on a general equilibrium model to assess the net benefits of reduced protection, which has been a feature of its past inquiries into industry assistance, the Productivity Commission has traditionally taken insufficient account of the adjustment costs of and thereby overstated the net benefits from reduced protection. Any longer term benefits to the national economy to be achieved from further reductions in assistance to the TCF industry need to be weighed against the inevitable adjustment costs, which are likely to be significant not just in South Australia, but in any community whose members rely on TCF for employment and, the fact that the major benefits from tariff reduction have already been derived. The benefits from further cuts from the modest 2005 levels proposed will likely be swamped by high adjustment costs. Given the nature of the TCF workforce, it is likely that these negative impacts will be most keenly experienced by displaced workers – it is to be expected, on the basis of past history, that displaced workers will face very poor employment prospects, with many facing a future without work.

¹⁷ Refers to duration of unemployment since last *full time* job. Source: ABS Labour Force Survey.

¹⁸ Productivity Commission (Oct 2002), *Unemployment and Re-employment of Displaced Workers*, Staff Research Paper.

¹⁹ Webber and Weller (2001), *Refashioning the Rag Trade*.

²⁰ *Ibid* pp 252-253, 316.

9. PROPOSED POST-2005 ASSISTANCE ARRANGEMENTS

The South Australian Government strongly supports the Commonwealth Government's continued assistance to the TCF industry, but assistance that better targets those elements of the industry which can deliver an ongoing contribution to the Australian economy.

The South Australian Government also recognises the importance of determining post-2005 assistance arrangements now, so that the industry has an opportunity to plan ahead and put into place changes in a realistic and phased manner. It is vital that the Commonwealth Government signals its commitment to the industry by ensuring that it does not withdraw its support prematurely and by continuing to work for greater access to global TCF markets, through bilateral and multilateral avenues.

This case for continued support is made most strongly on equity grounds. As outlined above, the TCF industry is a crucial employer of low-skilled workers in both its official and unofficial sectors. The industry also makes an important contribution to the national economy, with value-added of around \$2.6 billion (2000-01) and exports valued at \$2.74 billion (2001-02). The loss of these economic inputs will have a definite, negative impact on the national economy and especially on those regions in which the TCF sector is concentrated. Many of these regions already record above average unemployment and social security figures.

Rather than a naïve reliance on the benefits of unilaterally reduced protection, the South Australian Government seeks a balanced approach to the issue of industry assistance and believes that the post-2005 assistance arrangements for TCF should be designed to encourage:

- increased investment by existing manufacturers in productive plant and equipment
- increased investment in R&D and innovation, which leads to product improvement and more efficient and technologically advanced production and distribution
- critical mass for the sector which will ensure a reliable supply chain
- increased exports of TCF products, through greater export market access and market development programs
- skills development within the existing TCF workforces
- industry-specific adjustment assistance for TCF workers displaced from their jobs as a result of changes in the industry.

Under the South Australian Government's approach, TCF would after 2005 receive modest levels of assistance for ongoing restructuring toward self sustainable, high value added production, and Australia would continue to have one of the most open TCF markets in the world.

The South Australian Government makes the following specific recommendations regarding post-2005 assistance arrangements and calls on the Commonwealth Government to implement any changes in a phased manner after 2005 so that adjustment costs may be minimised while efficiency and productivity gains can be firmly embedded.

9.1 Tariff Levels

Recommendation 1

That the Commonwealth provide continued assistance to the TCF industry including the retention of 2005-level tariffs until at least 2010 and until real market access outcomes are achieved.

Much of the industry has factored in expectation of tariff reductions scheduled for 2005. Not all stakeholders view this reduction as a *fait accompli*. For instance, the South Australia Government acknowledges the position of the TCFUA, which asks the Commonwealth Government to rethink the scheduled tariff reduction and continue the freeze on tariffs at 2000-levels beyond 2005. While agreeing with the TCFUA about the paramount importance of maintaining the existing TCF industry and workforce on a viable footing, the South Australian Government accepts the scheduled tariff drop in 2005 but advocates a tariff freeze at the 2005 level until at least 2010. However, this acceptance of the scheduled tariff reduction in 2005 is contingent upon Commonwealth support for continued budgetary assistance similar to the existing Strategic Investment Program, as in Recommendation 3.

The South Australian Government recognises that the scheduled reductions are already likely to be factored into decisions being made by TCF manufacturers about their future operations. Moreover, a back-flip by the Commonwealth Government on its public commitment to reduce TCF tariffs in 2005 might affect its credibility in future bilateral and multilateral trade negotiations – negotiations that will be crucial to the future success of the TCF industry and Australian industry more broadly.

However, a freeze on TCF tariffs at 2005-levels would be consistent with the direction already taken by the Commonwealth in respect of the Australian automotive industry, which faces similar market access difficulties to the TCF industry. It is an approach which has similar justifications in both cases.

As with the automotive industry, the South Australian Government strongly believes that tariffs for the TCF industry should not be reduced beyond 2005-levels until real market access outcomes are achieved vis-à-vis Australia's trading partners. As indicated in section 8.1, the TCF industry continues to be among the most heavily protected industries internationally. Reciprocity should therefore be sought before any decision is made to further reduce Australian tariffs. The TCF industry should be entitled to expect real market access gains before being required to face – as a consequence of further tariff reductions – increased exposure to intense and often unfair international competition.

Moreover, given the already historically low levels of tariffs for the Australian TCF industry, it is highly doubtful that the overall economic benefits – in terms of allocative efficiency – of further unilateral tariff reductions would outweigh the very substantial adjustment costs resulting from industry rationalisation and the displacement of the existing workforce (as described in 8.3).

As also accepted for the automotive industry, a freeze at 2005 levels will allow the industry to continue its adjustment in a phased and planned manner which minimises closures and job losses while maximising opportunity for gains in productivity, product development, greater market access, and workforce skilling. This arrangement needs to be coupled with assistance aimed at supporting investment, R&D and innovation in the industry, as in Recommendation 3.

Finally, if the Commonwealth Government accepts the South Australian position that tariffs should be frozen at 2005-levels, then the appropriateness of these arrangements should be reviewed again in 2008 and measured against progress by other countries in reducing their tariff and non-tariff barriers. It should also be measured against the performance of the industry at that time.

9.2 Market Access

Recommendation 2

That the Commonwealth continue to seek improved market access for the Australian TCF industry, both in the multilateral and bilateral spheres.

The South Australia Government is concerned about the lack of real market access gains realised through multilateral trade groupings since the 1997 inquiry. As indicated above, the South Australian Government is of the firm view that further reductions in TCF industry assistance should not be contemplated until significant market access gains have been achieved in major markets throughout the world and particularly in Asia.

Looking beyond Australia's small domestic market and improving its trade performance will be important factors in any attempt to improve the TCF industry's overall economic performance. This in turn will depend significantly on the Commonwealth Government being able to achieve better market access outcomes in overseas markets. Australia is currently engaged in multilateral trade negotiations under the auspices of the World Trade Organisation as well as a number of bilateral negotiations with the US, Thailand, China and Japan. Freeing up overseas markets for Australian TCF companies should be a clear aim in each of these negotiations.

The South Australian Government believes Australia's APEC commitment to move to zero tariffs by 2010 will not be matched by other developed APEC members and that the 2020 deadline for developing countries may also be missed. In any case, APEC commitments are non-binding. A move by Australia to hold TCF tariffs at 2005-levels would therefore not cause a trade policy dilemma for the Commonwealth Government.

It would be naïve to suggest – as some sections of the trade policy community do – that unilateral tariff reductions enable Australia to have greater influence at the negotiating table when it comes to market access negotiations. Despite Australia's ambitious tariff reductions in recent decades, there is little evidence to support this.

Finally, with the proposed progressive removal of international tariff barriers, the Australian Government must also ensure that Australia's trading partners do not seek to replace tariff barriers with equally restrictive non-tariff barriers to trade. Non-tariff barriers present the same restriction to trade as tariffs and have the potential to reduce or remove potential benefits from multilateral tariff reductions.

9.3 Industry Development Support for TCF

Recommendation 3

That dedicated assistance supporting investment, R&D and innovation within the industry – along the lines of the existing Strategic Investment Program – should be continued for at least another five years beyond 2005. Such assistance should be accessible to both large and small businesses across the range of sub-sectors making up the TCF industry. As a consequence, the current threshold for investment support should be lowered and support extended to currently ineligible sectors such as wool processing.

This support should be augmented by broader industry development measures to encourage greater collaboration within the industry.

The South Australian Government views appropriate tariff settings and market access as limited elements of a more comprehensive industry policy that must be maintained if the TCF industry is to remain viable and indeed grow in the future.

While many of these objectives will be achievable through some of the more generalised industry support programs available to all industries (see 9.4), some require more dedicated support through programs that are targeted specifically at TCF.

9.3.1 The Strategic Investment Program

There is strong support among South Australian TCF companies and workers for a program – such as the current Strategic Investment Program – that encourages investment and innovation in the TCF industry. Indeed, such a program is a necessary part of any genuine attempt to ameliorate the pressures the TCF industry faces in adjusting to progressively lower tariff protection levels. It should be seen as a quid pro quo for lower protection levels.

A precedent for continuing the type of assistance provided through the Strategic Investment Program has recently been set in the automotive industry, when the Commonwealth Government contributed additional funds through the Automotive Competitiveness and Investment Scheme (ACIS), which remains operative until 2015. While clearly the automotive industry makes a larger contribution to the national economy than does TCF, the need for increased investment, industry integration and innovation in TCF is just as strong.

In terms of the current assistance, the Strategic Investment Program is already succeeding in encouraging TCF companies to undertake significant investment in new plant and equipment, R&D, and product development. This is reflected in the significant number of claims made since the program's commencement. While the program has not yet advanced to a stage where its impact can be properly quantified (having only begun operation in July 2000), a review of the program by the Department of Industry, Tourism and Resources in September 2002²¹ found that positive effects on decision-making by TCF companies was an outcome of the program. It has helped encourage investment decisions and has allowed companies to bring forward or increase the scope of particular investments. This finding is consistent with the experiences of those South Australian companies that have benefited from the scheme.

Nevertheless, based on its consultation with local companies and representatives of the workforce, the South Australian Government also believes there are a number of changes to the program that should be considered in order to position the industry to face international competition. While the current Productivity Commission inquiry is focussing on post-2005 assistance arrangements, the following proposed changes could apply equally to the current program or any successor scheme:

- ***Lowering the \$200,000 threshold for investment***

The \$200,000 threshold for investment clearly favours larger firms and limits the access of smaller firms to the program. It especially favours companies in more capital-intensive sub-sectors like carpets and technical textiles. The South Australian Government strongly supports reasonable access to the scheme by small- and medium-sized businesses. Creative, fashion-based small businesses are as much a part of the future of TCF industry in Australia as the large, highly capital-intensive components of the industry. Moreover, if it is accepted that support for TCF companies is most easily justified on equity rather than industry development grounds, then there is good reason for strongly supporting the smaller, more labour-intensive sectors within TCF.

- ***Extending the SIP program to cover the wool processing sector***

Expenditure on investment related to wool processing is not eligible for support under the current strategic investment program. Companies in this sector are major employers both in South Australia and elsewhere in Australia. Unlike other sectors within TCF, wool processors receive no benefit from Australian tariffs against imports, as they are primarily exporters. On the other hand, wool processors have the same difficulties as other TCF sectors in accessing overseas markets. They are faced with intense competition from foreign companies with strong government support and/or protection. There are, accordingly, strong arguments in favour of extending to wool processors industry support available to TCF at large.

²¹ Department of Industry, Tourism and Resources (2002), "Review of the Textile, Clothing and Footwear Strategic Investment Program Scheme".

▪ *Supporting the purchase of second-hand equipment*

The South Australian Government believes that, under a SIP-type scheme, the purchase of second-hand equipment should be eligible for support if it is new to Australia and sufficiently “state of the art”. Many TCF companies will be in a position to make use of imported equipment that is second-hand but contains technology that is new to Australia. Given the global rationalisation of the TCF industry, such equipment is expected to be readily available. It will also tend to be less costly. Moreover, where a particular type of equipment is unavailable for purchase, either new or second-hand, then expenditure on refurbishment of existing equipment should likewise be eligible for support under a SIP-type scheme.

9.3.2 Expanded Overseas Assembly Provisions (EOAP) Scheme

Under current assistance arrangements, TCF firms also benefit from the Expanded Overseas Assembly Provisions (EOAP) Scheme, which allows participants to assemble goods overseas from predominantly Australian fabric or leather, and then import them for local consumption with duty payable only on the cost of overseas processing and content.

The South Australian Government has no objection to the rationale of the scheme, which is to avoid levying duty on the Australian content of goods made overseas. While this does little to encourage value adding to Australian materials, the scheme is of small practical importance with only \$5 million in duty forgone under the scheme in 2001-02.

9.3.3 Other industry-specific support

Given the difficulties faced by the TCF industry in terms of critical mass and domestic sourcing of supplies, the Commonwealth Government should give consideration to industry-specific assistance which encourages collaboration and which develops firmer and more reliable supply chains. Intra-industry linkages are critical. The National Food Industry Strategy could act as a model in this regard. One outcome would be a pooling of resources for R&D and technological change – vital to an industry which has a large number of small- and medium-sized enterprises.

9.4 General Industry Assistance Available to TCF

Recommendation 4

That the Commonwealth Government commit to general assistance to the TCF industry as currently delivered through Commonwealth industry development agencies and programs.

The TCF industry receives Commonwealth Government assistance through dedicated resources within Commonwealth agencies, including the Department of Industry, Tourism and Resources, Austrade and the Department of Foreign Affairs and Trade. The industry has the opportunity to access assistance through non-industry specific programs including through R&D Start, the Export Market Development Grants scheme (EMDG), and R&D tax concessions. These resources form an important part of the national structure which supports the TCF industry – as well as the economy more generally – and should remain open to the industry.

South Australia recognises the need for this assistance to be performance-based and subject to regular review to ensure that objectives related to the efficiency and the effectiveness of assistance are being achieved.

9.5 Structural Adjustment Assistance

Recommendation 5

That the Commonwealth Government implement strategies to deal with structural adjustment issues should the TCF industry suffer further significant contraction in output and employment. This must include strategies to support and address the workforce needs of the large number of out-workers reliant on the TCF industry.

Should the domestic TCF sector contract as a result of reduced government assistance and/or global pressures, there will be a strong need for structural assistance programs to address the needs of companies, affected workers and the regions in which the TCF sector is concentrated. Specifically, such programs should:

- assist regions to expand industries in which they already demonstrate some strength and/or to establish new industries to maintain overall levels of employment and economic well-being
- assist workers made redundant within the industry, including through training, re-training, re-location and labour programs.

According to the Productivity Commission, programs which aim to ease the effects of industry adjustment ‘crises’ work best when they are focused on what is best for the workers and the region as a whole. They also work best with a long-term perspective.

Assistance to those workers displaced as a result of industry adjustment should be a key principle.²²

A phased approach to relaxation of industry assistance accompanied by a targeted adjustment assistance program will best allow the industry, its workers and the regions in which it is concentrated to make those changes required for ongoing competitiveness and well-being.

The South Australian Government places a high priority on regional adjustment and, given the concentration of TCF companies in Adelaide's northern, north-eastern and western suburbs, expects that any decline in Commonwealth assistance will be linked with appropriate levels of structural assistance in the medium term. Although the overall contribution of the TCF industries in these regions is not large, high unemployment and low skill-levels in these areas mean that the adjustment cost of industry contraction will further disadvantage areas already experiencing significant economic difficulty.

There are currently no specific South Australian or Commonwealth Government initiatives to support retrenched workers seeking alternative employment – although there are general job assistance programs. The latter do not adequately meet the needs of displaced workers and particularly of workers, characteristic of the TCF industry, who are low skilled, of non-English speaking backgrounds, and isolated (either culturally or as out-workers). Workers from the TCF industry, as demonstrated earlier, suffer longer periods of unemployment – and may never achieve employed status again – once retrenched.

The need to develop an industry-specific response for employees is therefore critical if further reductions in assistance to the TCF sector are implemented. As the Productivity Commission found in its 2002 report on the automotive manufacturing sector, there is a case both for general employment programs to be altered in their design and delivery to meet specific sector needs and for industry-specific labour programs to be instituted.²³

There is a range of options for addressing this need, as demonstrated by the variety of government policies and programs in operation around the world. Some countries have in place compulsory notification legislation, which requires employers to notify government of their worker adjustment plans. It enables government to step in and either negotiate alternatives to retrenchment or provide services to retrenched while they are still in the workplace.

More direct forms of assistance to employees could include:

- specific job search training/workshops: these could include resume writing classes, stress/financial management, planning how to get back to work
- skills training: literacy and numeracy training, English as a second language (this is particularly relevant to retrenched from declining industries)

²² Productivity Commission (Oct 2002), *Unemployment and Re-employment of Displaced Workers*, Staff Research Paper.

²³ Productivity Commission (2002), *Review of Automotive Assistance: Inquiry Report*; p 213.

- one-on-one job counselling – this could involve the preparation of personalised action plans for individual retrenched
- resume preparation service – retrenched could receive a voucher or subsidised access to professional resume writers
- priority access to vacancy databases
- relocation assistance – to assist retrenched to relocate to areas with greater employment opportunities
- ‘broadcasting’ – this approach has been implemented in Singapore, whereby the government communicates the profile of the retrenched workers to companies considering hiring large numbers or new staff.

South Australia, as a regional economy and highly dependent on the manufacturing sector as a whole, is well placed to work with the Commonwealth in designing and delivering both employee and regional programs. However, this remains primarily a Commonwealth responsibility.

APPENDIX ONE

COMMONWEALTH ASSISTANCE ARRANGEMENTS FOR TCF

Current Commonwealth assistance arrangements for the TCF industry are scheduled to an end in 2005. On January 1, 2005, the current tariff pause ends, when previously agreed and announced further reductions in Australia's TCF tariff levels become operative (see table A.1 below).

Table A.1 – Scheduled decline in TCF Tariffs

	2000 - 2005	2005 onwards
Clothing & finished textiles	25	17.5
Cotton sheeting & fabrics	15	10
Sleeping bags, table linen	10	7.5
Carpet	15	10
Footwear	15	10
Footwear parts	10	7.5
Other (eg. yarns, leather)	5	5

In addition to the cessation of the tariff pause, the Commonwealth's \$700 million TCF Post 2000 assistance package – which incorporates the Expanded Overseas Assembly Provisions (EOAP) Scheme and the Strategic Investment Program (SIP) – is also scheduled to end on 1 July 2005.

The Expanded Overseas Assembly Provisions (EOAP) Scheme allows participants to assemble goods overseas from Australian fabric or leather, and then import them for local consumption with duty payable only on the cost of overseas processing and content.

Of greater significance is the TCF Strategic Investment Program, which aims to encourage Australian TCF firms to increase their investment in new plant and equipment and undertake increased levels of research and development (R&D) and product development. It provides grants of the following types:

- grants in respect of new TCF plant/building expenditure (Type 1)
- grants in respect of TCF R&D/product development expenditure (Type 2)
- grants in respect of TCF value-adding (Type 3)
- special grants in respect of TCF-dependent communities (Types 4 & 5)

Other significant elements of the Scheme include:

- a minimum \$200,000 investment threshold (over the life of the Scheme) for access to grants
- a maximum grant entitlement in a program year of an amount equivalent to no more than 5 per cent of sales in the previous 12 months
- modulation of the Scheme to ensure that grants overall do not exceed the funding available
- payment of grants in arrears.

APPENDIX TWO

BASIC INDICATORS OF TARIFF RATES APPLIED TO TCF COMMODITIES IN AUSTRALIA & AROUND THE WORLD

HS Code	Description	These tables do not reflect free trade agreements, quotas or tariff rate quotas												
		Australia	Canada	China	EU	India	Indonesia	Israel	Japan	Korea	Malaysia	Mexico	Sth Africa	USA
Y A R N														
5106 10	Wool of carded wool, (not for retail sale) containing 85% or more by weight of wool	5.0	9.0	20.0	3.8	20.0	5.0	20.7	3.2	8.0	0.0	18.0	0.0	6.9
5106 20	Wool of carded wool, (not for retail sale) containing less than 85% by weight of wool	5.0	9.0	20.0	4.2	20.0	5.0	20.7	3.2	8.0	0.0	18.0	0.0	6.9
5107 10	Wool of combed wool, (not for retail sale) containing 85% or more by weight of wool	5.0	4.5	20.0	3.8	20.0	5.0	20.7	3.2	8.0	0.0	18.0	20.0	6.9
5107 20	Wool of combed wool, (not for retail sale) containing less than 85% by weight of wool	5.0	4.5	20.0	4.7	20.0	5.0	20.7	3.2	8.0	0.0	18.0	20.0	6.9
5206 11	Cotton yarn, other than sewing thread, containing 86% or more by weight of cotton: single yarn of uncombed fibres	5.0	4.5	8.4	4.6	20.0	10.0	26.9	4.7	8.0	10.0	18.0	N.A.	4.4
5206 21	Cotton yarn, other than sewing thread, containing 86% or more by weight of cotton: single yarn of combed fibres	5.0	4.5	8.4	4.6	20.0	10.0	26.9	4.2	8.0	10.0	18.0	N.A.	5.8
5206 31	Cotton yarn, other than sewing thread, containing 85% or more by weight of cotton: multiple (folded) or combed yarn of uncombed fibres	5.0	7.0	10.0	4.6	20.0	10.0	26.9	4.7	8.0	10.0	18.0	N.A.	5.8
5206 41	Cotton yarn, other than sewing thread, containing 85% or more by weight of cotton: multiple (folded) or combed yarn of combed fibres	5.0	7.0	10.0	4.6	20.0	10.0	26.9	4.7	8.0	10.0	18.0	N.A.	5.2
5206 51	Cotton yarn, other than sewing thread, containing less than 85% by weight of cotton: single yarn of uncombed fibres	5.0	9.0	10.0	4.6	20.0	10.0	10.0	5.6	9.0	10.0	18.0	N.A.	9.7
5206 61	Cotton yarn, other than sewing thread, containing less than 85% by weight of cotton: single yarn of combed fibres	5.0	9.0	10.0	4.6	20.0	10.0	10.0	5.6	9.0	10.0	18.0	N.A.	9.7
5206 71	Cotton yarn, other than sewing thread, containing less than 85% by weight of cotton: multiple (folded) or combed yarn of uncombed fibres	5.0	9.0	10.0	4.6	20.0	10.0	10.0	5.6	9.0	10.0	18.0	N.A.	9.7
5206 81	Cotton yarn, other than sewing thread, containing less than 85% by weight of cotton: multiple (folded) or combed yarn of combed fibres	5.0	9.0	10.0	4.6	20.0	10.0	10.0	5.6	9.0	10.0	18.0	N.A.	9.7
T E X T I L E S														
5111 11	Woven fabrics of carded wool, containing 85% or more by weight of wool or of fine animal hair - not exceeding 300 g/m ²	15.0	6.0	21.0	9.6	30.0	12.5	14.9	6.0	13.0	0.0	18.0	22.0	17.6
5111 19	Woven fabrics of carded wool, containing 85% or more by weight of wool or of fine animal hair - other	15.0	7.7	24.0	9.8	30.0	12.5	14.9	8.8	13.0	0.0	18.0	22.0	17.6
5111 90	Woven fabrics of carded wool, other	15.0	9.1	24.0	9.8	30.0	12.5	15.9	5.0	13.0	0.0	18.0	22.0	12.1
5206 39	Woven fabrics of cotton, dyed - Other fabrics	15.0	6.8	17.0	8.6	36.0	15.0	13.7	5.6	10.0	20.0	18.0	21.4	10.1
5206 38	Woven fabrics of cotton, dyed	15.0	13.5	17.0	8.6	36.0	15.0	13.7	5.6	10.0	20.0	18.0	22.0	9.6
5206 42	Woven fabrics of cotton, yarns of different colours - denim	15.0	13.5	18.0	8.6	30.0	15.0	27.4	5.6	10.0	20.0	23.0	22.0	8.3
5206 53	Woven fabrics of cotton, printed	15.0	13.5	17.0	8.6	30.0	15.0	27.4	5.6	10.0	20.0	23.0	21.6	8.8
5212 13	Other woven fabrics of cotton, weighing not more than 200 g/m ² - dyed	15.0	8.9	17.0	8.6	36.0	15.0	13.7	6.4	10.0	20.0	18.0	21.6	14.6
5512 19	Other woven fabrics of cotton, containing 85% or more by weight of polyester staple fibres	15.0	5.3	30.0	8.9	36.0	15.0	18.9	8.7	10.0	20.0	18.0	22.0	13.3

HS Code	Description/cont	Australia	Canada	China	EU	India	Indonesia	Israel	Japan	Korea	Malaysia	Mexico	StH Africa	USA
	"Basic indicators" that are a "simple average" that do not take into account the trade volume history. Sourced from www.uncitad.org June 2002. These figures are periodically changed													
	These tables do not reflect free trade agreements, quotas or tariff rate quotas.													
5912 99	Other woven fabrics of cotton, other	15.0	8.0	30.0	8.0	30.0	15.0	18.0	9.3	10.0	20.0	18.0	22.0	13.5
5932 10	Felt, whether or not impregnated, coated, covered or laminated; needleloom felt and stitch-bonded fibre fabrics	5.0	8.0	21.0	6.7	25.0	15.0	15.4	6.7	8.0	20.0	18.0	10.0	12.2
5903 90	Textile fabrics impregnated, coated, or laminated with plastics of cotton	12.5	4.6	17.3	9.2	25.0	15.0	18.0	4.2	8.0	30.0	23.0	15.7	4.6
6301 22	Pile fabrics, looped, knitted of man-made fibres (automotive)	15.0	16.0	22.0	9.2	36.0	12.5	36.6	9.6	10.0	20.0	23.0	22.0	17.6
6301 92	Pile fabrics, knitted of man-made fibres (automotive)	15.0	8.0	22.0	9.2	25.0	12.5	36.6	8.7	10.0	20.0	23.0	22.0	17.6
6302 30	Knitted or crocheted fabrics of a width not exceeding 30cm, containing by weight 5% or more elastomeric yarn or rubber thread	10.0	13.0	19.7	8.5	35.0	13.3	27.4	6.3	10.0	20.0	23.0	20.0	10.1
6002 43	Knitted or crocheted fabrics of a width not exceeding 30cm, other fabrics, warp-knit (shade cloth)	15.0	2.3	30.0	9.6	40.0	12.5	27.4	9.5	10.0	20.0	23.0	21.0	11.6
6301 20	Blankets & travelling bags of wool or fine animal hair	15.0	18.5	25.0	12.5	36.0	20.0	36.0	6.4	10.0	27.5	36.0	37.0	N/A
6300 11	Curtains, (including drapes) & interior blinds, knitted or crocheted	17.5	20.0	25.0	12.0	36.0	20.0	36.0	14.0	13.0	20.0	36.0	N/A	10.7
6306 12	Tarpaulins, awning & sunblinds (of synthetic fibres)	10.0	20.5	30.0	12.8	40.0	15.0	16.0	4.8	13.0	27.5	30.0	20.0	9.3
6307 90	Other made-up articles, (technical textile)	7.1	13.3	30.0	8.2	11.4	11.0	11.0	6.3	10.0	24.2	35.0	19.2	5.4
CARPET														
5701 10	Carpets and other textile floor coverings, knitted whether or not made up, of wool or fine animal hair	0.0	11.3	25.0	8.0	35.0	20.0	4.0	9.6	10.0	15.0	30.0	30.0	2.2
5701 30	Carpets and other textile floor coverings, knitted whether or not made up, of other textile materials	0.0	11.0	23.7	6.3	35.0	20.0	4.0	9.6	10.0	10.0	30.0	30.0	1.7
5702 41	Carpets and other textile floor coverings woven, not tufted or flocked, whether or not made up, other, of pile construction, made up of wool or fine animal hair	7.5	14.5	25.0	8.0	35.0	20.0	4.0	9.6	10.0	15.0	30.0	30.0	2.7
5702 49	Carpets and other textile floor coverings woven, whether or not made up, other, of pile construction, made up of other textile materials	10.0	16.0	25.0	8.0	35.0	20.0	11.4	11.5	10.0	10.0	30.0	30.0	2.5
5702 91	Carpets and other textile floor coverings woven, whether or not made up, other, not of pile construction, made up of wool or fine animal hair	7.5	14.5	25.0	8.0	35.0	20.0	4.0	9.6	10.0	15.0	30.0	30.0	3.6
5703 10	Carpets and other textile floor coverings tufted whether or not made up, of wool or fine animal hair	15.0	12.3	25.0	9.8	36.0	20.0	9.7	9.6	10.0	17.5	30.0	30.0	6.3
5703 30	Carpets and other textile floor coverings tufted whether or not made up, of other man-made textile materials	15.0	12.3	21.0	9.8	36.0	20.0	10.5	4.8	10.0	15.0	30.0	30.0	6.5
5704 90	Carpets and other textile floor coverings of felt, not tufted or flocked, whether or not made up, other	10.0	14.5	25.0	6.7	35.0	20.0	15.4	4.5	10.0	15.0	30.0	30.0	1.6
5705 30	Other carpets and other textile floor coverings, whether or not made up	6.8	14.0	25.0	8.0	35.0	20.0	12.6	10.0	10.0	15.0	30.0	30.0	2.2
FOOTWEAR														
6401 10	Footwear incorporating a protective metal toe-cap	15.0	20.0	24.0	17.0	36.0	20.0	36.0	25.6	8.0	30.0	36.0	30.0	37.5
6402 10	Other footwear with outer soles, & uppers of rubber or plastics, other footwear, incorporating a protective metal toe-cap	15.0	19.0	24.0	17.0	35.0	20.0	18.4	20.0	13.0	30.0	36.0	30.0	9.0
6402 30	Other footwear with outer soles, & uppers of rubber or plastics, other footwear, incorporating a protective metal toe-cap	15.0	17.5	24.0	17.0	35.0	20.0	36.0	20.0	13.0	30.0	36.0	30.0	21.9
6406 10	Other footwear, with uppers of leather or composition leather	15.0	9.6	24.0	3.5	35.0	15.0	36.0	32.9	13.0	30.0	36.0	15.0	10.0

HS Code	Description/cont.	Australia	Canada	China	EU	India	Indonesia	Israel	Japan	Korea	Malaysia	Mexico	Sth Africa	USA
6406 90	Other footwear, other	7.5	19.5	24.0	10.5	35.0	15.0	27.5	33.3	13.0	33.0	35.0	22.5	8.1
G A R M E N T S														
6101 10	Mens:boys overcoats, anoraks, windcheaters, wind jackets, knitted of wool or fine animal hair	25.0	20.0	25.0	12.5	35.0	15.0	35.0	15.4	13.0	20.0	35.0	40.0	N/A
6101 20	Mens:boys overcoats, anoraks, windcheaters, wind jackets, of cotton	25.0	20.0	21.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	N/A
6101 30	Mens:boys overcoats, anoraks, windcheaters, wind jackets, of other textile materials	25.0	20.0	25.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	4.2
6102 10	Womens:girls overcoats, anoraks, windcheaters, wind jackets, knitted, of wool or fine animal hair	25.0	20.0	25.0	12.5	35.0	15.0	35.0	15.4	13.0	20.0	35.0	40.0	N/A
6102 20	Womens:girls overcoats, anoraks, windcheaters, wind jackets, knitted, of cotton	25.0	20.0	21.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	15.2
6102 30	Womens:girls overcoats, anoraks, windcheaters, wind jackets, knitted, of man-made fibres	25.0	20.0	25.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	17.1
6103 11	Mens:Boys suits, jackets, blazers, trousers, overalls & shorts, knitted, of wool or fine animal hair	25.0	20.0	25.0	12.5	35.0	15.0	35.0	15.4	13.0	20.0	35.0	40.0	16.2
6103 41	Mens:Boys suits, jackets, blazers, trousers, overalls & shorts, knitted, of man-made fibres	25.0	20.0	25.0	12.5	35.0	15.0	35.0	15.4	13.0	20.0	35.0	40.0	14.5
6103 42	Mens:Boys suits, jackets, blazers, trousers, overalls & shorts, knitted, of cotton	25.0	20.0	21.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	13.4
6103 43	Mens:Boys suits, jackets, blazers, trousers, overalls & shorts, knitted, of other textile materials	25.0	20.0	25.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	12.9
6104 51	Womens:girls, suits, jackets, blazers, trousers, overalls & shorts, knitted, of wool or fine animal hair	25.0	20.0	12.5	12.5	35.0	15.0	35.0	15.4	13.0	20.0	35.0	40.0	15.5
6104 52	Womens:girls, suits, jackets, blazers, trousers, overalls & shorts, knitted, of man-made fibres	25.0	20.0	25.0	12.5	35.0	15.0	35.0	15.4	13.0	20.0	35.0	40.0	N/A
6104 53	Womens:girls, suits, jackets, blazers, trousers, overalls & shorts, knitted, of cotton	25.0	20.0	21.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	12.9
6105 10	Mens:boys shirts, of cotton	25.0	20.0	21.0	12.5	35.0	20.0	35.0	14.0	13.0	20.0	35.0	40.0	20.1
6105 50	Mens:boys shirts, of other textile materials	25.0	20.0	25.0	12.5	35.0	20.0	35.0	14.6	13.0	20.0	35.0	40.0	7.9
6106 10	Womens:girls, blouses, shirts & shirt blouses, knitted, of cotton	25.0	20.0	21.0	12.5	35.0	20.0	35.0	14.0	13.0	20.0	35.0	40.0	20.1
6110 10	Jerseys, pullovers, cardigans, knitted, of wool or fine animal hair	25.0	20.0	25.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	10.6
6110 20	Jerseys, pullovers, cardigans, knitted, of man-made fibres	25.0	20.0	25.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	4.2
6110 30	Jerseys, pullovers, cardigans, knitted, of cotton	25.0	20.0	21.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	11.4
6112 11	Track suits, ski parts & swimwear, of synthetic fibres	25.0	20.0	21.0	12.5	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	15.5
6112 31	Track suits, ski parts & swimwear, of cotton	25.0	20.0	25.0	10.3	35.0	20.0	35.0	15.4	13.0	20.0	35.0	40.0	25.4
6112 41	Track suits, ski parts & swimwear, women's or girls' swimwear, of synthetic fibres	25.0	20.0	25.0	10.3	35.0	20.0	35.0	15.1	13.0	20.0	35.0	40.0	25.4
6114 10	Other garments, knitted, of wool or fine animal hair	25.0	20.0	25.0	12.5	35.0	15.0	35.0	15.0	13.0	20.0	35.0	40.0	13.5
6114 30	Other garments, knitted, of other textile materials	25.0	20.0	25.0	12.5	35.0	20.0	35.0	13.3	13.0	20.0	35.0	40.0	4.1
6115 12	Party hose; light's socks - synthetic fibres, meas. per single yarn 57 or less	25.0	20.0	25.0	12.0	35.0	20.0	35.0	11.2	13.0	20.0	35.0	40.0	7.8
6115 91	Party hose; light's socks - other - of wool or fine animal hair	17.5	17.0	25.0	12.0	35.0	20.0	17.2	5.4	13.0	20.0	35.0	40.0	11.9

HS Code	Description/cont	Australia	Canada	China	EU	India	Indonesia	Israel	Japan	Korea	Malaysia	Mexico	South Africa	USA
	'Basic indicators' that are a 'simple average' that do not take into account the trade volume history. Sourced from www.uncitd.org June 2002. These figures are periodically changed													
	These tables do not reflect free trade agreements, quotas or tariff rate quotas.													
6115 10	Gloves, mittens, impregnated, coated or covered with plastics or rubber	0.0	20.0	25.0	8.4	35.0	20.0	12.0	7.0	8.0	20.0	35.0	30.0	12.1
6117 20	Ties, bow ties and cravats	10.0	20.0	25.0	12.6	35.0	17.5	36.0	14.9	13.0	20.0	35.0	40.0	4.7
6117 30	Shawls, scarves, mufflers, mantillas, veils and the like	0.0	10.0	25.0	12.6	35.0	20.0	15.2	14.0	13.0	20.0	35.0	37.0	8.6
6201 11	Mens/boys coats, coats, jackets and similar articles - of wool or fine animal hair	25.0	20.0	25.0	12.6	35.0	15.0	36.0	13.6	13.0	20.0	35.0	40.0	N/A
6201 11	Mens/boys suits, ensembles, jackets, blazers, trousers, shorts, of wool or fine animal hair	25.0	20.0	25.0	12.6	35.0	17.5	36.0	13.6	13.0	20.0	35.0	40.0	7.5
6203 23	Mens/boys suits, ensembles, jackets, blazers, trousers, shorts, of synthetic fibres	25.0	20.0	25.0	12.6	35.0	15.0	36.0	13.6	13.0	20.0	35.0	40.0	N/A
6203 41	Mens/boys suits, ensembles, jackets, blazers, trousers, shorts, of wool or fine animal hair	25.0	20.0	25.0	12.6	35.0	17.5	36.0	13.6	13.0	20.0	35.0	40.0	9.3
6203 42	Mens/boys suits, ensembles, jackets, blazers, trousers, shorts, of other textile materials	25.0	18.5	21.0	12.6	35.0	17.5	36.0	13.6	13.0	20.0	35.0	40.0	9.6
6203 49	Mens/boys suits, ensembles, suits, jackets, blazers, trousers, overalls, shorts, skirts & divided skirts, of cotton	25.0	20.0	25.0	12.6	35.0	17.5	36.0	13.6	13.0	20.0	35.0	40.0	11.1
6204 42	Womens/girls, ensembles, suits, jackets, blazers, trousers, overalls, shorts, skirts & divided skirts, of wool or fine animal hair	25.0	20.0	25.0	12.6	35.0	15.0	36.0	13.6	13.0	20.0	35.0	40.0	7.5
6204 44	Womens/girls, ensembles, suits, jackets, blazers, trousers, overalls, shorts, skirts & divided skirts, of artificial fibres	25.0	20.0	25.0	12.6	35.0	17.5	36.0	13.6	13.0	20.0	35.0	40.0	12.9
6204 52	Womens/girls, ensembles, dresses, of cotton	25.0	18.5	21.0	12.6	35.0	17.5	36.0	13.6	13.0	20.0	35.0	40.0	8.3
6204 53	Womens/girls, ensembles, dresses, of other textile materials	25.0	18.5	25.0	12.6	35.0	17.5	36.0	13.6	13.0	20.0	35.0	40.0	12.5
6204 62	Womens/girls, trousers, overalls, breeches and shorts - of cotton	25.0	18.5	21.0	12.6	35.0	17.5	36.0	13.6	13.0	20.0	35.0	40.0	6.6
6206 10	Mens/boys shirts, of wool or fine animal hair	25.0	20.0	25.0	12.0	36.0	15.0	36.0	9.0	13.0	20.0	36.0	40.0	9.4
6206 20	Mens/boys shirts, of cotton	25.0	18.5	21.0	12.0	36.0	20.0	36.0	9.0	13.0	20.0	36.0	40.0	14.5
6207 11	Mens/boys undershirts and briefs - of cotton	25.0	18.5	21.0	12.0	36.0	20.0	36.0	9.0	13.0	20.0	36.0	40.0	5.2
6208 30	Mens/boys shirts, of other textile materials	25.0	20.0	25.0	12.0	36.0	20.0	36.0	9.0	13.0	20.0	36.0	40.0	4.4
6208 20	Womens/girls blouses, shirts & shirt blouses, of wool or fine animal hair	25.0	18.5	21.0	12.6	35.0	15.0	36.0	12.1	13.0	20.0	36.0	40.0	9.1
6208 30	Womens/girls blouses, shirts & shirt blouses, of cotton	25.0	18.5	21.0	12.6	35.0	17.5	36.0	12.1	13.0	20.0	36.0	40.0	9.5
6208 90	Womens/girls blouses, shirts & shirt blouses, of other textile materials	25.0	18.5	25.0	12.6	35.0	17.5	36.0	12.1	13.0	20.0	36.0	40.0	6.8
6211 33	Swimwear, other garments, of man-made fibres	12.5	14.0	25.0	12.6	36.0	17.5	36.0	13.6	13.0	20.0	36.0	20.0	16.3
6207 21	Night shirts and pyjamas - of cotton	25.0	19.5	21.0	12.0	36.0	20.0	36.0	9.0	13.0	20.0	36.0	40.0	9.1
6211 12	Swimwear - Women's or girls	25.0	10.0	25.0	12.6	35.0	17.1	36.0	11.2	13.0	20.0	36.0	40.0	8.7
6211 32	Swimwear, other garments, men's or boys of cotton	12.0	18.5	21.0	12.6	35.0	17.5	36.0	13.6	13.0	20.0	36.0	20.0	8.2
6211 42	Swimwear, other garments, women's or girls of cotton	25.0	18.5	21.0	12.6	35.0	17.5	36.0	13.6	13.0	10.0	36.0	32.5	8.2
LEATHER														
4101 21	Raw hides of skins of bovine, fawn or veal stalker, whole	0.0	0.0	5.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0
4102 10	Raw skins of sheep, with wool on	0.0	25.0	9.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0
4102 29	Raw skins of sheep, without wool on	2.0	0.0	9.0	0.0	0.0	0.0	0.0	0.0	2.0	0.0	10.0	0.0	0.0

HS Code	Description/cont.	Australia	Canada	China	EU	India	Indonesia	Israel	Japan	Korea	Malaysia	Mexico	South Africa	USA
	-Basic indicators that are a "simple average" that do not take into account the trade volume history. Sourced from www.unctad.org June 2002. These figures are periodically changed.													
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4134 10	Whole bovine skin leather, of a unit surface area not exceeding 25 square feet	2.5	2.3	8.0	3.0	25.0	0.0	0.0	49.5	4.0	0.0	13.0	5.0	1.5
4135 10	Goat or kid skin leather, tanned or retanned but not further prepared, whether or not split	5.0	1.2	14.0	2.0	25.0	0.0	0.0	0.0	5.0	0.0	5.0	0.0	2.4
4107 21	Leather of other animals, of reptiles, vegetable, pretanned	0.0	0.0	14.0	0.0	25.0	5.0	0.0	0.0	5.0	0.0	13.0	0.0	5.0
4201 00	Saddlery and harness for any animal	5.0	8.0	24.0	2.7	35.0	20.0	10.0	8.8	8.0	25.0	35.0	30.0	2.8
4202 29	Handbags, whether or not with shoulder strap	0.0	10.5	24.0	3.7	35.0	20.0	4.0	10.0	6.0	25.0	35.0	30.0	9.1
4202 91	Other, with outer surface of leather, of composition leather or patent leather	5.0	6.0	22.0	3.0	35.0	15.0	12.0	12.5	8.0	12.5	35.0	30.0	4.5
4205 00	Other articles of leather or of composition leather	15.0	0.0	23.0	2.5	35.0	15.0	9.0	12.5	8.0	20.0	35.0	15.0	1.7
4301 20	Raw furskins, of rabbit or hare, whole, with or without head, tail or paws.	0.0	0.0	20.0	0.0	15.0	5.0	0.0	0.0	3.0	0.0	13.0	0.0	0.0
4302 12	Tanned or dressed furskins, whole skins with or without head, tail or paws, not assembled; of rabbit or hare	5.0	5.0	20.0	0.0	15.0	10.0	0.0	15.0	5.0	0.0	13.0	15.0	2.7
4302 30	Tanned or dressed furskins, whole skins and pieces or cuttings thereof assembled	5.0	4.0	20.0	2.7	15.0	10.0	0.0	17.5	5.0	0.0	13.0	15.0	5.3
4303	Articles of apparel, clothing accessories and other articles of fur skin	10.0	12.5	20.5	3.7	35.0	15.0	0.0	20.0	15.0	0.0	35.0	30.0	4.0

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