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24<sup>th</sup> March 2003

Mr. Phillip Weickhardt  
Associate Commissioner  
Productivity Commission

Dear Mr. Weickhardt

**Re: PC modelling seminar**

Although I remain highly sceptical about the value of economic modelling for an area as complex and diverse as the TCF, I thought the PC modelling seminar came up with a number of interesting 'results'. These were:

- Unanimous belief that a reduction in tariffs to 5% and no SIPS would have almost no net gains for the Australian economy. In other words, the only reason to implement this policy would be for ideological reasons because the net benefit was close to zero. (This, of course, doesn't factor in job losses and the other affects of any reduction in assistance because these are not matters considered by the model)
- Agreement that this policy change would have a negative impact on the terms of trade. In times of record current account deficits this is something to be clearly taken into account by Government.
- Agreement that a substantial number of jobs in regional Victoria would be lost (around 8%).
- That the biggest impact on the TCF sector would arise from reductions in tariff and non-tariff barriers by our major trading partners.

I trust your final report to Government will reflect these outcomes of the modelling commissioned by the Productivity Commission.

Yours Sincerely,

Gerard Kitchener  
National Industry Policy Advisor

cc: Malcolm Roberts, Advisor to the Hon. Ian Macfarlane, MP, Minister for Industry, Tourism and Resources.