

The Australian Textile, Clothing and Footwear (TCF) Industry

The TCF Industry

The TCF Industry in Australia covers a diverse range of activities, including: early stage processing of leather and natural fibres; the production of textiles; the transformation of leather, yarns and textiles into clothing and footwear, carpets and other fabric products for the home and office; and ‘technical’ textiles such as shade cloth, medical and sanitary products, filtration products and insulation materials.

The TCF industry is facing significant global competition and has been undergoing structural adjustment for some time. Australian manufacturers have generally moved from producing commodity goods to manufacturing specialised higher value-add and niche market goods—i.e. specialised textiles for emergency and defence services. This is reflected in the industry’s performance, with large declines in industry value added, employment and exports. International developments, such as Free Trade Agreements, continue to present both opportunities and challenges for the sector.

Trade statistics for the TCF industry for the period 2002/03—2006/07 can be found at **Attachment A**.

Policy Framework 1997—2008

The TCF Industry has been the subject of two major reviews since 1997.

1. The Industry Commission’s Textile Clothing and Footwear Industries Review, Report No. 59, published on 9 September 1997

The Industry Commission found that assistance arrangements after 2000 should involve a reduction of TCF tariffs to five per cent in order to bring TCF into line with the general tariff rate for manufacturing and to prepare for free trade in APEC developed countries by 2010. It agreed that this tariff policy should be accompanied by transitional adjustment assistance.

The Industry Commission made 13 recommendations from all three Commissioners (Mr Cosgrove, Mr Bass and Professor Snape), the first one being that the policy adopted by the Government for the TCF industry should be that the sectoral program applying to the TCF industry should be the last one to apply to it. Further the Commissioners agreed that the program for changes to assistance should be legislated and the tariff reductions inscribed in Australia’s APEC Individual Action Plan.

The other 12 recommendations included recommendations in respect of employee assistance, homeworkers, industry assistance, and international trade.

Two Commissioners (Mr Cosgrove and Professor Snape) made three recommendations, proposing that (a) TCF tariffs be reduced steadily to five per cent by 1 July 2008; (b) that the Overseas Assembly Provisions Scheme be expanded; and (c) that the Import Credit Scheme be terminated on 30 June 2000.

Commissioner Bass made six recommendations, including proposing a pause in tariff reductions from 2000 to 2005, and an administrative examination of international progress in trade liberalisation in 2004. He also proposed that if that examination returned a positive finding then further reductions in TCF tariffs to five per cent should occur in 2010, with the implementation of positive assistance to Australian TCF businesses to position themselves in viable sectors and niches.

The previous Government's response to the Industry Commission's report was the announcement of the TCF Post-2000 Assistance Package in September 1997. A copy of the media release is at **Attachment B**.

The TCF Post-2000 Assistance Package

This Package was aimed at increasing the international competitiveness of Australia's TCF industries through increased investment in innovation, research and development and in regional Australia. It provided **\$640,946,794** in grant assistance and duty forgone to the industry from 2000—2006.

The TCF Post-2000 Assistance Package comprised:

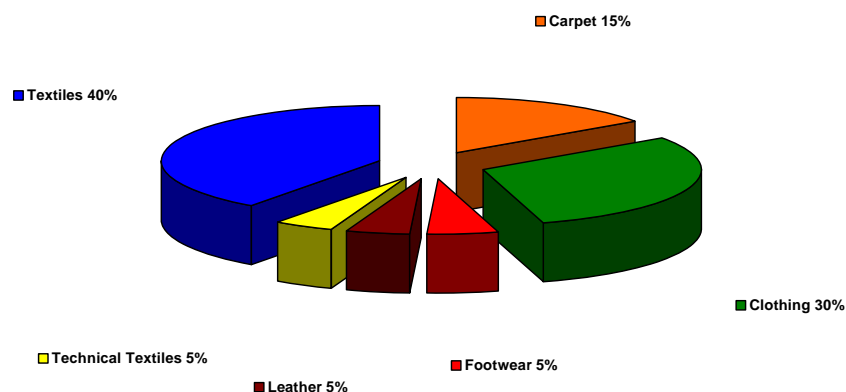
- **The TCF (SIP) Scheme:**

The TCF (SIP) Scheme was a five year \$677.7 million scheme designed to promote (a) an increase in investment by the TCF industry in capital plant and equipment, and in research and development including innovative product development, and (b) assistance for regional reconfiguration. The TCF (SIP) Scheme provided support directly to TCF entities by way of five different types of grants:

- grants in respect of new TCF plant, equipment and buildings expenditure, known in the scheme as a Type 1 grant;
- grants in respect of research and development expenditure, known in the scheme as a Type 2 grant;
- grants in respect of value-added, known in the scheme as a Type 3 grant;
- special grants in respect of second-hand TCF plant and equipment, known in the scheme as a Type 4 grant; and
- special miscellaneous grants in respect of TCF dependent communities, known in the scheme as a Type 5 grant.

The TCF (SIP) Scheme provided **\$605,218,736** in grant funding to the following sectors:

TCF (SIP) Scheme
Program Years 2000-2005
Total Grants by Sector



- **The Expanded Overseas Assembly Provisions (EOAP):**

The EOAP Scheme facilitated the ongoing development of Australian textile, clothing and footwear firms by encouraging the retention of high value added and skilled activities in Australia, while at the same time supporting an expansion in overseas assembly activities. The EOAP provided assistance through duty concessions to firms which assemble garments and footwear overseas from predominantly Australian fabric and/or leather and then import them back into Australia for local consumption. Duty forgone under the EOAP Scheme for the period 2000—2005 was **\$30,127,303**.

Previous Programs under the TCF Post-2000 Assistance Package (but ceased as part of Budget measures in 2002) include:

- **National Framework for Excellence in TCF Education and Training (NFE):**

Education and training were seen as key determinants for the future success of the TCF industry. The objective was the creation of a world class education and training infrastructure that will meet the needs of Australia's TCF industry as it approached a free trade environment. A total of **\$1,162,580** in grants was paid under the NFE.

- **Technology Development Fund (TDF):**

The TDF was set up to help industry achieve best practice in technology development and product design. The fund aimed to promote TCF industries' competitiveness by encouraging joint investment in innovation and the diffusion of technology. A total of **\$1,808,320** in grants was paid under the TDF.

- **The TCF Market Development Program (MDP):**

The MDP was a program directed at developing and implementing strategies to increase the competitive capabilities of the Australian TCF industry in a global market environment. A total of **\$2,264,877** in grants was paid under the MDP.

In addition to the programs under the TCF Post 2000 Assistance Package, **\$364,978** was paid as a grant to the TCF Action Agenda Forum.

2. Productivity Commission's Review of TCF Assistance Report No. 26, published on 31 July 2003.

The then Treasurer, the Hon Peter Costello MP, referred the post 2005 assistance arrangement for the TCF industry to the Productivity Commission (PC) for inquiry and reporting on 19 November 2002. The scope of the inquiry provided to the Commissioners (Mr David Robertson and Mr Phillip Weickhardt) was to evaluate the current TCF assistance arrangements (the TCF Post 2000 Assistance Package) and assess the long term viability and opportunities for the industry. The terms of reference also required the PC to bear in mind the previous Government's desire to encourage the sector to adjust into activities where it would be internationally competitive with lower levels of Government assistance and improve the overall performance of the Australian economy.

The key points made by the PC were:

- Major structural change has occurred in the Australian TCF industry, mainly in response to global competitive pressures affecting producers in all developed countries. More adjustment and job losses are inevitable, regardless of future assistance arrangements.
- Some Australian TCF manufacturers are internationally competitive, others have the capacity to become so, particularly if impediments and weaknesses that reduce viability can be addressed. Improving workplace outcomes is a priority.
- Large labour cost disadvantages mean that many firms producing standardised clothing and footwear will not survive, which in turn will pose a threat to their suppliers. TCF workers displaced by changes in the sector will need help.
- The 2000–2005 tariff pause and transitional budgetary support helped some firms improve their international competitiveness and long term viability. However, the PC saw this special assistance treatment as costly for others in the community and did not believe that it could continue indefinitely.
- Further reductions in tariffs after 2005 would reduce the price of TCF products for consumers, reinforcing incentives for improved performance in the industry and would signal Australia's continuing commitment to the APEC trade liberalisation process.
- The PC's preferred option was to maintain all TCF tariffs at the 2005 legislated levels until 2010, then reduce most of them to five per cent. However, tariffs on apparel and certain finished textiles, which are higher than other TCF products, would not reduce to five per cent until 2015.
- The PC proposed that to facilitate adjustment to the tariff reductions transitional budgetary support be extended for a further eight years from 2005, but with funding levels reducing over time, using a modified version of the Strategic Investment Program.
- The PC proposed that given the inevitability of further firm closures, special labour adjustment support was warranted through the tariff transition period, which could be provided through augmentation to the Job Network.

- The PC was of the view that, rather than more regulation, voluntary approaches based on cooperation between parties were likely to achieve better compliance with pay and condition requirements for outworkers.
- Continued microeconomic reform and government efforts to improve access to overseas markets would help TCF firms become more internationally competitive.
- There is little that can or should be done to stop further adjustment out of labour intensive, standardised TCF production in Australia, the policy focus should be on facilitating and supporting the adjustment process.

The previous Government's response to the PC's report was the announcement of the TCF Post-2005 Assistance Package announced by the then Minister for Industry, Resources and Tourism on 27 November 2003. A copy of the media release is at **Attachment C**.

The TCF Post-2005 Assistance Package

The \$747 million TCF Post-2005 Assistance Package comprises two legislated five year tariff pauses and six programs designed to increase the international competitiveness of Australia's TCF industries through increased investment in innovation, research and development and in regional Australia. The policy objective of the Package is to foster the development of Australian TCF manufacturing activity so that it is viable and internationally competitive without continued special assistance.

The rate of scheduled tariff reductions is:

	2004	2005	2010	2015
Clothing and finished textiles	25%	17.5%	10.0%	5.0%
Cotton sheeting and fabrics	15%	10.0%	5.0%	5.0%
Sleeping bags, table linen	10%	7.5%	5.0%	5.0%
Carpet	15%	10.0%	5.0%	5.0%
Footwear	15%	10.0%	5.0%	5.0%
Footwear Parts	10%	7.5%	5.0%	5.0%
Other (eg yarns, leather)	5%	5.0%	5.0%	5.0%

The six programs within the Package are:

1. The TCF Post-2005 (SIP) Scheme:

The ten-year \$575 million scheme is designed to foster the development of a sustainable and internationally competitive TCF manufacturing industry and TCF design industry in Australia by providing incentives which will promote investment and innovation.

The TCF Post-2005 (SIP) Scheme provides for two grant types, which provide subsidies for capital expenditure and innovation activities, specifically.

- Type 1 grants — are grants in respect of TCF capital investment expenditure, including investment in new TCF plant and buildings; brand support; and for clothing and finished textile entities only, investment in non-production related information technology.
- Type 2 grants — are grants in respect of TCF research and development expenditure, except leather and/or technical textile expenditure.

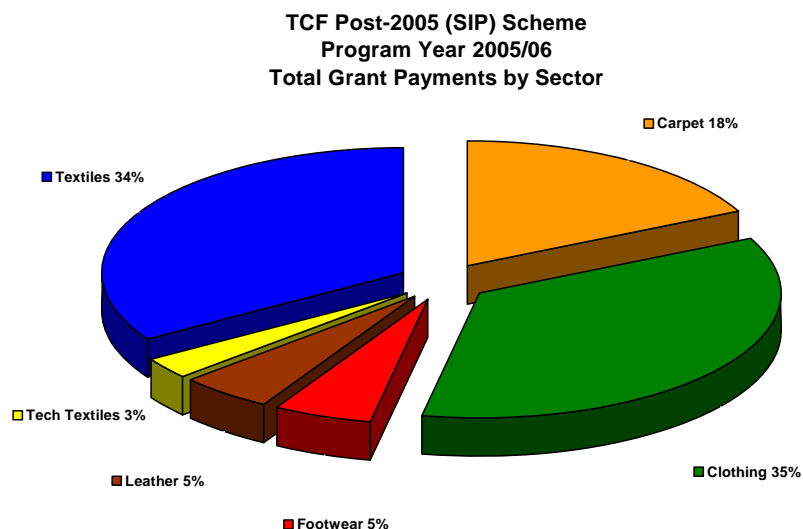
The TCF Post-2005 (SIP) Scheme runs for ten years, from 2005/06 to 2014/15. Most TCF entities will be eligible for grant support under the Scheme for five years, while TCF entities undertaking eligible clothing and finished textile activities will be able to benefit from the Scheme for the full ten years.

Entities undertaking leather and technical textile activities will not be able to access innovation grants under the Scheme. These provisions are a reflection of the then Government’s decision to concentrate support towards those firms facing the greatest tariff adjustment in the future.

Grants are capped at \$97.5 million a year for the 2005/06-2009/10 program years and are paid annually and in arrears, for example grants for the 2005/06 program year were paid in June 2007.

To date, grants paid have been in respect of the 2005/06 program year. The modulation factor for the 2005/06 program year was 0.7367, which meant that grant amounts were paid at less than the maximum amount. Total grants paid for the 2005/06 program year were **\$96,149,564.57**. In addition, \$1,079,570.86 in deferred grant eligibility amounts has been set aside to be paid in future years when the grant entitlement arises.

The breakdown of grants by TCF sector is:



2. The TCF Small Business Program:

The \$25 million ten-year TCF Small Business Program (SBP) is a competitive grants program to improve the business enterprise culture of TCF small businesses that do not qualify for assistance under the TCF (SIP) Scheme or the TCF Post-2005 (SIP) Scheme. The Program will run for ten years, with funding available from 1 July 2006 until 30 June 2016. There is one selection round a year, generally announced in December, with final decisions and announcements of successful applicants by May the following year.

To date there have been two selection rounds for the TCF SBP, with **\$4,917,078.62** provided in grant funding for 133 projects. Round 1 resulted in 70 projects, with \$2,424,455.62 in grant funding provided. Round 2 resulted in 63 projects, with \$2,492,623.00 in grant funding provided.

3. The TCF Structural Adjustment Program:

The \$50 million ten-year TCF Structural Adjustment Program (SAP) supports industry consolidation and labour market adjustment. The Program has three parts that:

- increase the awareness of existing programs and services such as the Government's *Job Network* to be used to support any requirement for major labour adjustment such as dislocation associated with large scale plant closure;
- provides restructuring initiative grants to both metropolitan and regional firms, subject to strict eligibility criteria through the TCF Restructuring Initiative Grants Scheme; and
- provides support in regionally sensitive areas through the *Regional Partnerships* program.

Part 1 of TCF SAP is the Job Network element, delivered by the Department of Education, Employment and Workplace Relations (DEEWR).

As of 18 January 2008 the pattern of activity for Part 1 of TCF SAP is:

- **822** ex-TCF employees had registered with the Job Network, with **607** individuals placed into employment.
- **\$155,019** has been expended from the Job Seeker Account by Job Network members on training for TCF workers.
- The total cost of Part 1 of TCF SAP was **\$2,417,731**
- The average expenditure on retrenched TCF workers through the Job Seeker Account is **\$491.77**.

Part 2, the TCF Restructuring Initiative Grants Scheme (RIGS), of TCF SAP is delivered by the TCF Policy Group in the Manufacturing Division. As at 18 February 2008 four grants totalling **\$6,113,252** have been paid under RIGS.

Part 3, the Regional Partnerships Program, is delivered by the Department of Infrastructure, Regional Development and Local Government. There has been no funding provided under Part 3 of TCF SAP.

4. The Product Diversification Scheme:

The \$50 million ten-year Product Diversification Scheme (PDS) will assist clothing and finished textile manufacturers located in Australia internationalise their sourcing arrangements and complement their existing product range by providing Duty Credit that can be used to offset duty payable on finished clothing items or relevant finished textile articles. For the 2006/07 financial year **\$5 million** of duty credit was distributed under PDS.

5. The Expanded Overseas Assembly Provisions (EOAP) Scheme:

The EOAP Scheme will facilitate the ongoing development of Australian textile, clothing and footwear firms by encouraging the retention of high value added and skilled activities in Australia, while at the same time supporting an expansion in overseas assembly activities. The EOAP provides assistance through duty concessions to firms who assemble garments and footwear overseas from predominantly Australian fabric and/or leather and then import them back into Australia for local consumption. The Scheme will finish on 30 June 2010, and has an estimated value of duty forgone of \$27 million.

Duty forgone for the 2005/06 financial year was \$2,971,444, and for the 2006/07 financial year it was \$3,219,515, a total of **\$6,190,959**.

6. The TCF Supply chain Opportunities Program:

The TCF Supply chain Opportunities Program (SOP) will be a \$20 million competitive grants program aimed at supporting major capital investments to strengthen the local supply chain for the clothing and finished textile sectors of the TCF industry. TCF SOP is due to be implemented from 1 July 2010.

Australia's Free Trade Agreements, the World Trade Organization and the international TCF trading environment

The Australian Government has actively pursued opportunities to negotiate better trade and investment conditions.

- Australia is a member of the World Trade Organization (WTO).
- Australia works in cooperation with countries in our region, through organisations such as APEC.
- The Australian Government has sought to enter into Free Trade Agreements (FTAs).

The WTO and FTAs

As a member of the WTO, Australia is required to comply with its obligations.

A key rule of the multilateral trade system is that reductions in trade barriers should be applied, on a most-favoured nation basis, to all WTO members. This means no WTO member should be discriminated against by another member's trade regime.

Regional trade agreements (RTAs) are an important exception to this rule. Under RTAs reductions in trade barriers apply only to parties to the agreement. This

exception is allowed under Article XXIV of the General Agreement on Tariffs and Trade (GATT) for trade in goods.

There are two major types of RTA:

- customs unions; and
- free trade areas

WTO rules require that parties to an RTA must have established free trade on 'substantially all' goods within the regional area within ten years, and that their formation should to the greatest possible extent avoid creating adverse effects on the trade of other WTO members.

Industry assistance under the WTO regime

The use of industry assistance is generally permissible under GATT 1994 and the WTO Agreements. GATT 1994 provides an exception to the principle of non-discriminatory treatment of domestic goods with imported goods. Governments are able to provide subsidies exclusively to domestic producers.

The *WTO Agreement on Subsidies and Countervailing Measures* (SCM) is the generic agreement dealing specifically with subsidies. It provides a definition of a subsidy and disciplines the use of subsidies, further information can be obtained from the WTO website at: <http://www.wto.org/>. The SCM prohibits the use of subsidies if they are contingent, in law or in fact, upon export performance or upon the use of domestic over imported goods.

Australia's FTAs

While the WTO Doha round remains the Government's highest trade negotiation priority, the conclusion of comprehensive, genuinely liberalising FTA is seen by the Government as a means of supporting our multilateral efforts. FTAs can promote stronger trade and commercial ties between participating countries, and open up opportunities for Australian exporters and investors to expand their businesses into key markets.

Australia is party to four FTAs:

- Australia - United States Free Trade Agreement
- Thailand - Australia Free Trade Agreement
- Singapore - Australia Free Trade Agreement
- Australia New Zealand Closer Economic Relations Trade Agreement

There are currently six FTAs under negotiation and three currently at the feasibility study stage.

Australia - US Free Trade Agreement (AUSFTA)

The AUSFTA, which entered into force on 1 January 2005, eliminated around 30 percent of US tariffs on textiles and apparel, with the remaining duties to be phased out by 2015. The rate of phase down for an item depends on its tariff category, with the categories broadly arranged as follows: T1- mainly yarns and

fibres; T2 – mainly fabrics and carpets; T3 – apparel and finished textiles; and TX – various items.

AUSTFA rules of origin for textiles mean that only those textiles made using materials sourced in either Australia or the United States will qualify for the tariff reductions.

Footwear trade became duty-free, with the exception of 17 specific tariff lines predominantly related to waterproof footwear and footwear with outer-soles of rubber and plastic. These remaining tariffs will be phased down in line with US phasing, with all duties to be abolished by 2015.

Under the AUSFTA neither country may adopt or maintain any prohibition or restriction on the exportation or sale for export of any good destined for the territory of the other country. The only exceptions are contained in Article XI of GATT, which allows for quantitative restrictions to be imposed in limited circumstances.

The United States is one of Australia's top ten export destinations for clothing, however average annual growth for the 2002-03 to 2006-07 period was -4%.

Thailand - Australia Free Trade Agreement (TAFTA)

The TAFTA, which entered into force on 1 January 2005, will result in Thai tariffs on the majority of goods exported from Australia being eliminated by 1 January 2010. Tariffs will remain in place in respect of many clothing articles until 2015. These tariffs will be progressively eliminated according to agreed phasing timetables over a transition period that varies according to the product.

TCF was not identified as a growth opportunity area for Australian exports under TAFTA. While Thailand remains one of Australia's top ten import sources for clothing, annual growth for the 2002-03 to 2006-07 period averaged 0.2%.

Singapore - Australia Free Trade Agreement (SAFTA)

The SAFTA entered into force on 28 July 2003. All tariffs on Australian products exported to Singapore, and Singapore products exported to Australia, were eliminated. Goods may now enter Singapore, or Australia, tariff-free provided they meet the Rules of Origin outlined in [Article 3, Chapter 3 of SAFTA](#).

There has been no significant impact on exports and average annual growth from 2002-03 to 2006-07 was -0.8%.

Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA)

The central provision of ANZCERTA was the creation of a GATT-consistent free trade area consisting of Australia and New Zealand. The agreement has been in effect since 28 March 1983, and has undergone three general reviews during this time ANZCERTA provides for concessional (duty free) access for goods that meet the rules of origin tests, with most goods now qualifying.

Under ANZCERTA, preferential rates of duty have been set at zero since 1990. The preferential rate is determined by each other's produce or manufacture in accordance with the Rules of Origin provisions of ANZCERTA, administered through each country's domestic legislation.

All tariffs and quantitative import restrictions on trade in goods originating from within the free trade area are prohibited under ANZCERTA. Exceptions apply to allow each country to meet specific policy objectives in areas such as security and the protection of intellectual property.

New Zealand remains Australia's top export destination for clothing, although the average annual growth from 2002-03 to 2006-07 was -0.6%. As an import source for clothing growth was -6.1% for this period.

Attachment A

TCF Statistics

TCF Manufacturing	1997	2002	2005	2006	2007	Growth over last 10 years	Growth over last 5 years	Growth over last year
Industry Value Added (\$million) ¹	\$5,910	\$4,502	\$2,937	\$3,044	\$2,781	-7.3%	-9.2%	-8.6%
Employment (000s) ²	98.3	76.9	59.5	46.2	51.6	-6.2%	-7.6%	11.9%
Exports (\$million) ³	\$3,059	\$2,870	\$1,748	\$1,680	\$1,675	-5.8%	-10.2%	-0.3%
Imports (\$million) ⁴	\$5,644	\$7,764	\$8,175	\$8,703	\$8,959	4.7%	2.9%	2.9%
Investment (Actual) (\$million) ⁵	\$267	\$218	\$263	\$181	\$146	-5.9%	-7.7%	-19.3%
	1996-97	2001-02	2004-05	2005-06	2006-07	Growth over last 10 years	Growth over last 5 years	Growth over last year
BERD (\$million) ⁶	\$21	\$22	\$35	\$39	NA	4.1%	7.6%	9.7%

Growth is measured using an average annual growth rate.

NA - Not available. The latest data available for Business Expenditure on R&D is 2005-06.

¹ ABS Cat. No. 5206.0 – Australian National Accounts: National Income, Expenditure and Product, Dec 2007, Table 6 – Gross Value Added by Industry – Chain volume measures, original data.

² ABS Cat. No. 6291.0.55.003 – Labour Force, Australia, Detailed, Quarterly, Nov 2007, Table 06: Employed persons by Industry Subdivision and Sex – original data. Employment is at November (i.e. 2006-07 is at November 2007).

³ ABS Cat. No. 5368.0 – International Trade in Goods and Services, Australia, Dec 2007, Table 32: Merchandise Trade: Exports By Industry, FOB Value.

⁴ ABS Cat. No. 5368.0 – International Trade in Goods and Services, Australia, Dec 2007, Table 35: Merchandise Trade: Imports By Industry, Customs Value.

⁵ ABS Cat. No. 5625.0 – Private New Capital Expenditure and Expected Expenditure, Australia, Dec 2007, Table 2E: Actual Capital Expenditure, Detailed Industries – Seasonally Adjusted Current Prices.

⁶ ABS Cat. No. 8104.0 – Research and Experimental Development, Businesses, Australia, 2005-06.

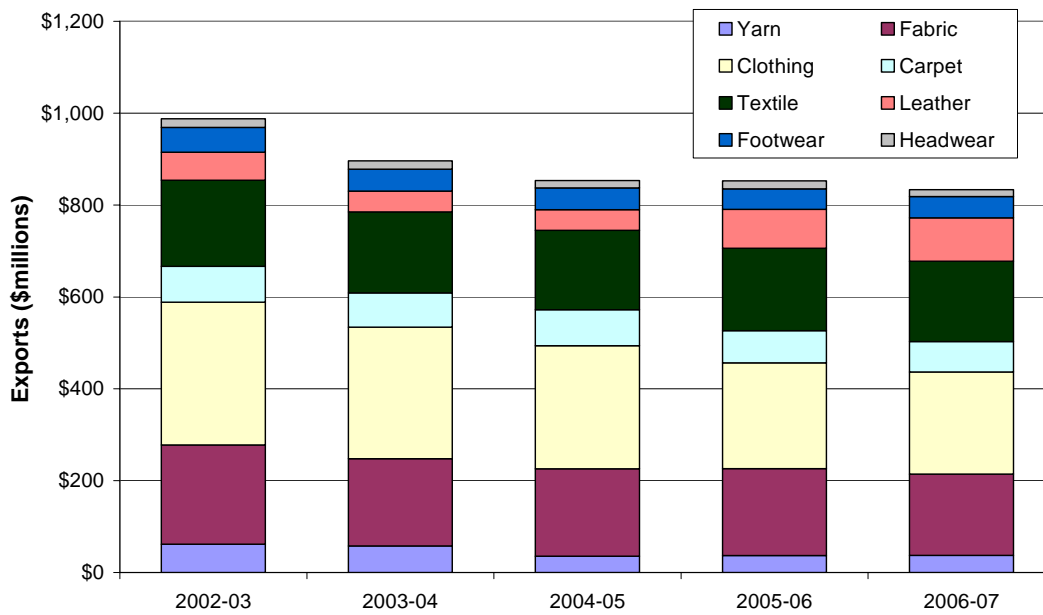
* Figures for Imports and Exports include raw materials and early stage processing products not covered by the TCF Package, such as wool and leather.

Selected Exports of TCF Products (\$million)

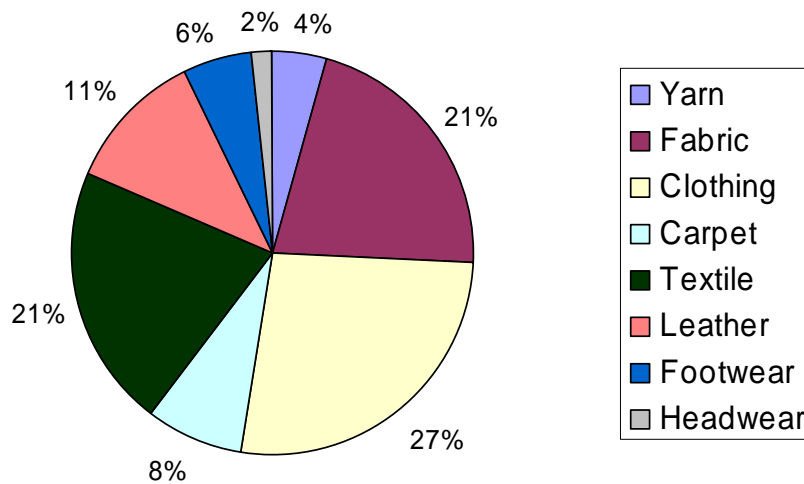
Selected Tariff Lines	Exports (\$millions)					Growth*
	2002-03	2003-04	2004-05	2005-06	2006-07	
Yarn	\$62.0	\$58.0	\$35.7	\$37.0	\$37.2	-9.7%
Fabric	\$215.7	\$189.5	\$190.0	\$189.0	\$177.2	-3.9%
Clothing	\$310.9	\$286.5	\$268.3	\$230.6	\$222.2	-6.5%
Carpet	\$78.2	\$74.8	\$78.3	\$69.7	\$66.2	-3.3%
Textile	\$187.4	\$176.0	\$172.6	\$179.3	\$175.0	-1.4%
Leather	\$60.9	\$45.3	\$44.8	\$85.0	\$94.4	9.2%
Footwear	\$53.8	\$48.0	\$47.3	\$44.3	\$46.1	-3.0%
Headwear	\$19.0	\$18.0	\$16.4	\$17.5	\$14.8	-4.9%
Total	\$987.8	\$896.2	\$853.4	\$852.5	\$833.1	-3.3%

* average annual growth from 2002-03 to 2006-07.

Selected Exports of TCF Products (\$million)



Break down of TCF Exports (2006-07)

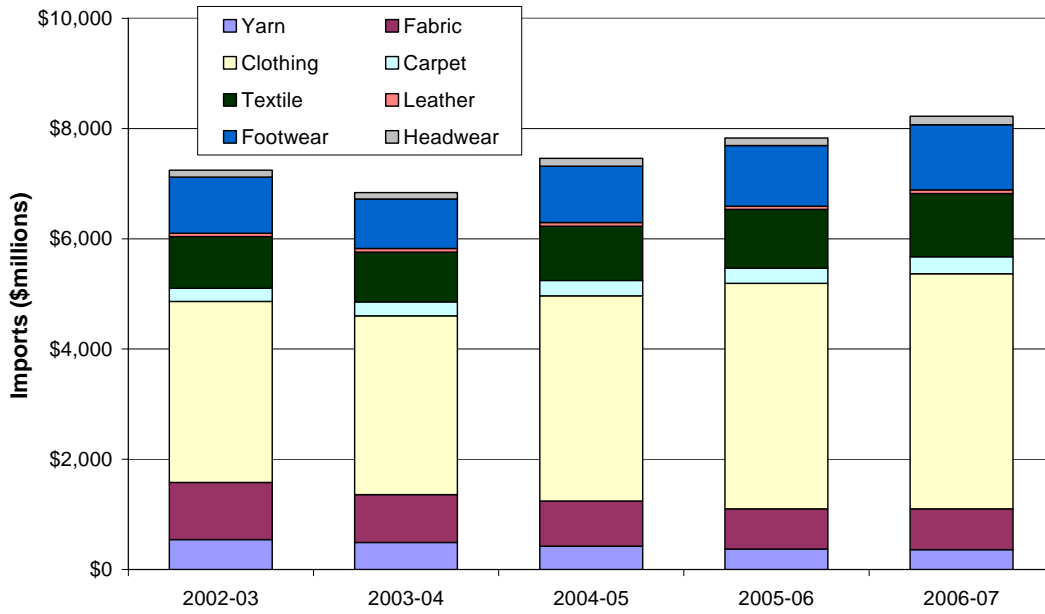


Selected Imports of TCF Products (\$million)

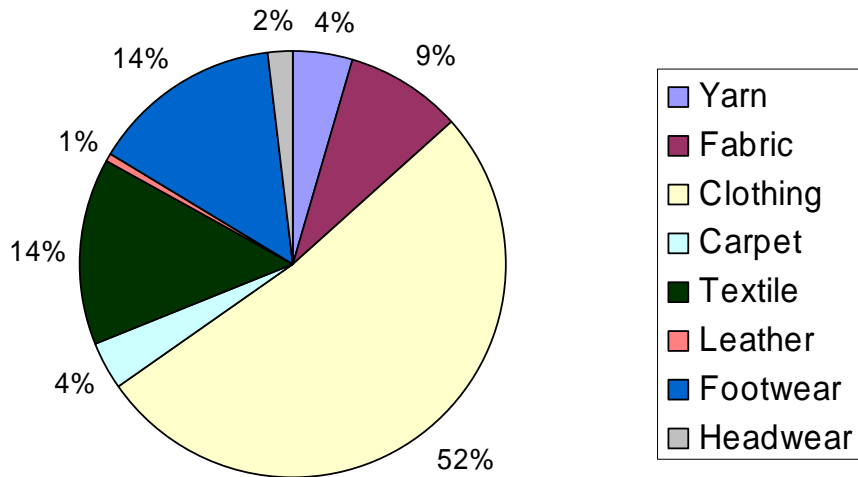
Selected Tariff Lines	Imports (\$millions)					Growth*
	2002-03	2003-04	2004-05	2005-06	2006-07	
Yarn	\$543.5	\$490.0	\$426.7	\$371.3	\$361.3	-7.8%
Fabric	\$1,037.7	\$871.1	\$813.4	\$730.5	\$738.5	-6.6%
Clothing	\$3,281.5	\$3,240.7	\$3,727.2	\$4,088.7	\$4,266.7	5.4%
Carpet	\$239.1	\$251.7	\$276.2	\$276.5	\$306.0	5.1%
Textile	\$935.7	\$904.0	\$982.4	\$1,066.0	\$1,147.6	4.2%
Leather	\$63.1	\$66.2	\$67.6	\$59.6	\$65.0	0.6%
Footwear	\$1,019.8	\$898.7	\$1,025.4	\$1,099.5	\$1,185.2	3.1%
Headwear	\$124.2	\$116.3	\$140.5	\$135.5	\$152.9	4.2%
Total	\$7,244.7	\$6,838.6	\$7,459.3	\$7,827.6	\$8,223.2	2.6%

* average annual growth from 2002-03 to 2006-07.

Selected Imports of TCF Products (\$million)



Break down of TCF Imports (2006-07)



Top Export Destinations for Clothing (\$million)

Exports (\$millions)	2002-03	2003-04	2004-05	2005-06	2006-07	Growth*
New Zealand	\$127.3	\$122.6	\$126.4	\$120.2	\$123.5	-0.6%
Hong Kong	\$102.2	\$90.9	\$59.4	\$29.9	\$14.6	-32.2%
United Kingdom	\$13.1	\$14.6	\$16.0	\$12.5	\$13.4	0.5%
United States	\$14.9	\$9.3	\$10.4	\$13.0	\$12.2	-4.0%
Singapore	\$5.7	\$4.7	\$5.2	\$5.5	\$5.5	-0.8%
Fiji	\$10.7	\$8.6	\$9.9	\$2.8	\$3.0	-22.5%
Japan	\$3.9	\$2.9	\$2.9	\$2.2	\$3.8	-0.3%
Papua New Guinea	\$1.4	\$1.4	\$2.2	\$4.4	\$3.3	19.4%
Canada	\$0.9	\$1.0	\$1.4	\$1.8	\$2.8	24.5%
French Polynesia	\$1.3	\$1.0	\$1.7	\$3.2	\$2.5	13.8%
South Africa	\$0.5	\$0.4	\$1.0	\$2.1	\$2.1	30.5%

* average annual growth from 2002-03 to 2006-07.

Top Import Sources for Clothing (\$million)

Imports (\$millions)	2002-03	2003-04	2004-05	2005-06	2006-07	Growth*
China	\$2,331.4	\$2,338.0	\$2,762.4	\$3,145.1	\$3,300.0	7.2%
Hong Kong	\$102.1	\$110.6	\$115.7	\$115.2	\$120.0	3.3%
New Zealand	\$106.0	\$99.3	\$101.3	\$87.0	\$77.3	-6.1%
Fiji	\$98.6	\$92.1	\$89.1	\$79.5	\$76.9	-4.8%
Thailand	\$58.3	\$53.3	\$54.9	\$50.9	\$58.9	0.2%
Indonesia	\$52.8	\$46.4	\$47.0	\$56.6	\$57.0	1.5%
Malaysia	\$52.6	\$52.6	\$50.3	\$60.1	\$56.8	1.5%
United States	\$39.4	\$38.4	\$40.9	\$41.1	\$40.5	0.5%
Viet Nam	\$35.7	\$21.1	\$30.3	\$28.3	\$27.9	-4.8%
Philippines	\$8.4	\$12.1	\$12.5	\$11.3	\$19.6	18.4%

* average annual growth from 2002-03 to 2006-07.

SOURCE: The Trade Information System (TIS). TIS is sourced from Australian Bureau of Statistics (unpublished data on Australia's exports and imports).

Joint Press Release

The Hon. John Howard, MP
Prime Minister

The Hon. John Moore, MP
Minister for Industry, Science and Tourism

THE TEXTILES, CLOTHING AND FOOTWEAR INDUSTRIES

The Federal Government has confirmed its commitment to promote job security, with a sensible and practical new package for the TCF industries.

The package will help to develop sustainable, internationally competitive textile, clothing, leather and footwear (TCF) industries in Australia.

It is designed to assist in securing jobs in the TCF industries by encouraging additional investment and promoting the development of an internationally complete TCF sector in the lead-up to the free trade environment beyond 2010.

The Government's new TCF package provides a practical transition, designed to promote investment and innovation in the TCF industries and encourage the development of long-term, sustainable, real jobs. The key features of the package are:

- The current schedule for TCF tariff phasing will continue through to 2000.
 - TCF tariffs will be maintained at the same level from 1 July 2000 until 1 January 2005.
- The Government will introduce legislation in the current session to implement a reduction in TCF tariffs on 1 January 2005 (see attachment)
- Develop forward looking action agendas with industry for wool, cotton, leather and fashion to identify what can be done to make more use Australia's natural advantages in these areas.
- Establish a TCF Investment Programme designed to build globally competitive capacity in the industry.
- Establish a \$10 million TCF Technology Development Fund and provide \$10 million for a national centre of excellence for TCF training.
- Establish a new Market Development Programme with funding of \$2.5 million per year to develop and implement firm based strategies to increase export capabilities.
- An expanded Overseas Assembly Programme to enable increased use of Australian textiles.
- Examine removal of anomalies in TCF by-laws and tariff concessions.

- There will be a review in 2005 which will take account of our APEC commitments and progress on market access.

The period of consolidation between 2000 and 2005 will enable Australian TCF firms to strengthen their competitive position after a period of significant change.

The Government is committed to ensuring Australia will meet its APEC commitment to free trade by 2010. The TCF industries have indicated their agreement to this objective.

Entry to the new TCF Investment Programme will be competitive, based on a commitment to high value-added activities of significance to Australia. The TCF industries, as a result of the Government's plan, expect to see \$400 million per year in new investment.

The Government's plan will encourage more value added activity in natural materials processing, design, research and development, marketing, and product assembly. It will encourage strategic alliances, joint ventures, and effective value chain management, as well as investment in skills development.

10 September 1997

CMR 775 – 285/97

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TCF PACKAGE: KEY ELEMENTS

Tariffs

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Clothing & finished textiles	34	31	28	25	25	25	25	25	17.5
Cotton sheeting & fabrics	22	19	17	15	15	15	15	15	10
Sleeping bags, table linen	13	12	11	10	10	10	10	10	7.5
Carpet	21	19	17	15	15	15	15	15	10
Footwear	24	21	18	15	15	15	15	15	10
Footwear parts	17	14	12	10	10	10	10	10	7.5
Other	5	5	5	5	5	5	5	5	5

Note: Tariff reductions occur on 1 July annually. Reduction in 2005 will apply from 1 January.

Import Credit Scheme to terminate, as schedule, on 30 June 2000.

Action Agendas

Develop forward looking agendas with industry for wool, cotton, leather, and fashion to identify what can be done to make more use of Australia's natural advantages and skills in these areas.

These agendas will identify specific measures that can be taken to promote stronger investment and innovation and to improve our access to international markets.

Investment

A new TCF Investment Programme designed to encourage TCF companies to become more internationally competitive and better exploit Australia's natural advantage in raw materials such as wool and cotton.

Innovation

Establish a \$10 million TCF Technology Development Fund to promote the development of new technology related to the use of Australian materials.

Provide up to \$10 million for the establishment of a national centre of excellence for TCF training.

Market Development

Establish a TCF Market Development Programme with funding of \$2.5 million per year to develop and implement firm based strategies to increase export capabilities.

Overseas Assembly Programme

Continue the Overseas Assembly Programme and extend to provide improved access by including:

- A conversion offshore of cut or uncut fabrics and leather into finished goods; and
- Some post assembly operations to be undertaken overseas.

TCF Policy By-Laws

Provision for duty free importation to continue, but anomalies with existing TCF by law and tariff concessions to be examined.

Adjustment Assistance

Use existing programmes for regional adjustment and other appropriate programmes to provide assistance for displaced TCF workers.

Review

There will be a review in 2005 which will take account of our APEC commitments and progress on market access.

Media Release

The Hon Ian Macfarlane, MP

27 November 2003

Future Assistance Arrangements for the TCF Industry

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

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

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

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

The \$747 million package includes:

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

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

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

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

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

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

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Outline of TCF Package

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

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

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

\$50 million import credit scheme

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

\$50 million structural adjustment program

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

\$20 million supply chain program

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

\$27 million duty forgone under EOAP

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

A gradual 10 year program of tariff reduction

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

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