



# The Textiles, Clothing & Footwear Industry Advisor

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## New TCF 'Trade Management' team

I am pleased to announce that TCF Services has begun the New Year with an expansion of its services to clients through the appointment of a new team offering a full range of Import, Customs & Trade Consulting services.

Paul Angel, formerly Regional Director for Trade Management Services (a division of UPS), and Greg McKillop, formerly Senior Consultant for Trade Management Services, have both joined the TCF Group to form the nucleus of **TCF Trade Management Pty Ltd**.

The decision to establish a trade advisory group within TCF Services reflects developments in the global trading environment, and the reality that - despite the influence of the World Trade Organisation - commercial relationships between countries in many industries are becoming more complex.

This complexity is reflected in the growth of preferential trading groups and bi-lateral trade deals, most of which contain derivative 'rules of origin' and 'content' formula's outside those generally accepted as the norm.

As both Paul & Greg are licensed Customs Brokers, they bring a new and extensive experience base to TCF Services clients covering export and import activity across a broad range of industries. If you have an urgent need for early consultation on Customs or trade management issues, please do not hesitate to contact Paul, Greg or myself on (02) 9310-2900.

Gerry Frittmann  
Managing Director  
TCF Services Pty Ltd

## Response to new international trade environment

**E**xport/Import processing and Customs administration will take a major leap forward over the next few years as Government pushes for further efficiencies through the adoption of new trade management tools such as: the Customs Accredited Client Program; Customs Cargo Management Re-engineering; Project By-Law apparatus; and new Tradex & Duty Drawback regimes.

TCF Trade Management's brief will therefore span all of these programs, as well as more traditional Customs services such as: Tariff Classification & Binding Rulings; Tariff Concession Applications; Customs Valuation; Country of Origin and Preference eligibility; International Trade Agreements; NZ Customs & GST; and trade complaints and appeals. **TCF Trade Management Pty Ltd** will have one principal goal in its service delivery to clients - and that is to bring together the most optimum form of cargo management and Customs processing that delivers goods to their destinations in the most efficient and timely manner, and at the least possible cost.

## Strategic partnering approach

**T**o enable this outcome, our Trade Management group will focus on the coherency of each clients' supply chain, so that the most efficient and effective import and Customs processes can be applied. In today's environment of self-assessment, TCF Trade Management will further strive to ensure client systems are compliant with all Customs and related laws and regulations. As part of this approach, advice will also be provided to ensure clients are strategically managing all relevant legal avenues in relation to the assessment of duty and payment of import taxes.

TCF Services increasingly looks to position itself as a strategic partner with clients in the textiles, clothing, footwear and leather areas. The creation of a trade advisory group enables us to take a fresh look at how clients can improve the effectiveness of their relationship with Government, and how as a user of Government services, each client's business model can be subsequently improved and focused on higher 'bottom line' returns.

## Politicians in no hurry to return to Canberra

**A**fter what was admittedly a hectic closing four months of 2001, the re-elected Howard Government seems reluctant to make an early start on its third-term agenda, despite the emergence of a number of substantive issues facing Australia's TCF industries, including the continuing string of financial collapses - Brian Rochford's group being the most recent.

Now scheduled to meet for the first time on 12 February 2002, the 40th Federal Parliament will come together some three months after the 10 November election, and 138 days since the Parliament last met. From 21 March there will be a recess of seven weeks before the 2002/03 Budget is brought down on 14 May. At this point, there will have been only 14 sitting days in 2002. Parliamentarians have also penciled-in a seven-week Winter break from 27 June. And, of course, the Parliament will not be sitting on Melbourne Cup Day. For those times Parliament is meeting over 2002, the sitting program will reflect the now familiar two-weeks on/two weeks off approach developed in recent years, so any visits to Canberra will have to be meticulously timed!

## Final election outcome

**T**he state of the parties in the House of Representatives following the 10 November poll is: Liberal - 69 (67 after the 1998 election); National - 13 (16); ALP - 65 (64); and Independents - 3 (1). The Government now has a majority of 14 in the House (compared to 12 in the previous election), although numbers in the House have been increased to 150 members, compared to 148 previously. Over the term of the 40th Parliament, the issue of post-2005 TCF industry assistance will have to be dealt with, and by necessity will bring into play a wider community for consultation (ie: Labor, the Democrats and Greens, and Independents), as - despite the favourable election result - the Government remains dogged by the inability to gain a majority in the Senate.

## Productivity Commission back on the scene

**I**n its most recent Trade & Assistance Review, the Productivity Commission reports the TCF industries in 2000/01 had an effective rate of assistance of around 23%, with total (combined) assistance of around \$800m using the Commission's 'net subsidy equivalent' measure. This outcome reflects the Government's decision to reduce all TCF tariffs (apart from those already at rates of 5% or less) to 25%, 15% or 10% in July 2000.

These rates have been 'frozen' until January 2005, when tariffs on apparel and certain finished textiles, footwear and fabrics are legislated to decline immediately to 17.5%, 10% and 7.5%, respectively. The Commission projects that the effective rate of assistance for TCF at that time will then be around 17% - still well over three times the average for manufacturing industry as a whole.

## Are dollars more relevant than tariffs?

**A**s well as tariff assistance, the Commission's Trade & Assistance Review notes manufacturing industries also receive substantial assistance in the form of budgetary outlays and tax concessions. It says total budgetary assistance to the manufacturing sector accounted for \$1.6 billion in 2000/01. The principal budgetary assistance package for TCF is the Strategic Investment Program (SIP), which commenced in July 2000 and will run until 2005 under a total funding cap of \$700m. The Commission says total budgetary assistance in 2000/01 was around \$3.7 billion, comprising \$1.9 billion in program outlays (such as SIP, ACIS, etc), and \$1.8 billion in tax concessions, which worry the Commission as they can be open-ended, involve no cap on revenue foregone, and complicate Government budgeting at times when there is unpredicted growth in applications for assistance, as with the recent introduction of the Tradex Scheme.

Total budgetary assistance in 2000/01 was provided through around 100 separate government programs and tax concessions, although the bulk of total budgetary assistance - some 77% - was accounted for by 20 particular initiatives. Of total budgetary outlays, 44% was provided in

the form of direct financial assistance in the form of: R&D Start and Innovation Investment Fund (11%), Export Market Development Grants (8%); Pharmaceutical Industry Investment Program (2%); and other schemes (19%).

The balance of budgetary assistance to industry is accounted for by the funding of Government directed institutions such as: the Commonwealth Scientific and Industrial Research Organisation (20%); Austrade (8%); the Australian Tourist Commission (8%); the Rural R&D Corporation (8%); Co-operative Research Centres (6%); and other institutions (9%). The principal Government-endorsed tax concession schemes (and their relative share of tax expenditures) are: the Passenger Motor Vehicle export facilitation and ACIS arrangements (28%); the R&D tax concession (26%); the Development Allowance (13%), Infrastructure Bonds and Tax Offsets (8%); Tradex (6%); and other concessions (19%).

## Over 100 major assistance schemes

In summary, the largest shares of budgetary assistance goes to support for Research & Development (38%); export assistance (29%) and investment measures (13%). Sectoral and adjustment assistance and other industry-specific measures accounted for 7% and 13% (respectively) in 2000/01. The largest proportion of budgetary assistance goes to manufacturing (42%), followed by services (27%), primary production (19%), with mining receiving the smallest share.

As a proportion of gross value added (that is, relative to industry size), the Commission says budgetary assistance was highest for the primary production sector (3.4%), followed by manufacturing (2.3%), mining (1.1%), and 0.2% for the services sector. The incidence of assistance becomes more concentrated when it is further measured as a percentage of industry gross value added. Of all industry groupings, 'motor vehicles and parts' is by far the most assisted (16.5%), pipping 'textiles, clothing, footwear and leather' (3.5%) and 'primary production' (also 3.5%). In contrast, most other industries recorded budgetary assistance well below 2.5% with many less than one percent.

## Fashion worries over population statistics

Long-term changes in demand patterns for textile, clothing and footwear products - especially youth-oriented fashion - have become more apparent in Australian Bureau of Statistics (ABS) releases made at Christmas time. According to the ABS, Australia's population continues to age due to sustained low levels of fertility, and increasing life expectancy. Over the past twenty years, low fertility levels have resulted in minimal growth in the number of children aged 0-14 years (5%), whilst the number of persons aged 15-64 years has increased by 34%. Further, those aged 65 years and over have increased by 65%, with those aged 85 years and over showing the greatest increase (156%).

Overall, these trends have contributed to a 5.8 year increase in the median age of the Australian population (the age at which half of the population is older and the other half is younger), which stood at 35.4 years in June 2001. During the twelve months to June 2001, the number of children aged 0-14 years increased by just 0.03%, while the number of people aged 15-64 years increased by 1.4%, and the number aged 65 years and over increased by 1.8%. The greatest population increase in the twelve months to June 2001 occurred in the 85 years and over age group, which increased by 5.7%. Australia's population as a whole increased by 1.2% (or 229,500 people) over the year.

The median age of Australia's population is similar to that of the USA (35.2 years in 2000), New Zealand (34.4 years) and Canada (36.9 years). European countries with very low levels of fertility have much older populations, such as Italy (40.2 years) and Japan (41.2 years). In contrast, Asian regions with relatively high levels of fertility and improved standards of living over the last twenty years have younger populations, such as Indonesia (with a median age of 24.6 years), Malaysia (23.3 years) and the Philippines (20.9 years).

**Disclaimer** - Before relying on the information contained in this newsletter, users should independently verify its currency, completeness and relevance for their purposes, and should obtain any proper professional advice. In particular, users should seek more detailed independent professional advice before making any investment or business decisions.

The Textiles, Clothing & Footwear Industry Advisor (C) 2002 [Co-Operative Ventures (Australia) Pty Ltd] brings you the latest facts, analysis and contacts regarding Australia's TCF industries and related Government support programs.

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