

Monday, 3 March 2003

TCF Inquiry  
Productivity Commission  
PO Box 80, Belconnen  
**ACT 2616**

Dear Members of the Commission,

**Re: Post-2005 Textile, Clothing and Footwear Assistance Arrangements  
Public Inquiry**

As Mayor of the City of Ballarat I would like to put forward the following submission to the Commission on behalf of the Ballarat City Council and the numerous local businesses that have been consulted as a part of this process. The Textile, Clothing, Footwear and Leather industries have always been an important part of Ballarat and the region's economy. The sector has employed a large segment of the community for over a century and despite recent downturns still has a significant impact on the local economy. The City of Ballarat would firstly like to support a freeze on the current tariffs, however if this is not achievable there are a number of other recommendations that have been outlined within the submission.

It is important that the Commission realises that whilst there are many benefits in competing in the global economy, there are risks for local businesses in competing with companies that are not required to create the same safe working environments and quality products as companies operating in Australia.

I believe that the submission prepared by the City of Ballarat is quite comprehensive and outlines the key concerns of local businesses, however in addition to these concerns I would also like to put forward some other matters that have been raised by businesses. There are some companies that struggle to compete at the current duty level of 15% however they have indicated that it will be possible to have a viable industry into the future, incorporating the lower tariff levels already announced if support similar to that provided between 2000-2005 is available. This would be especially through programs such as the Strategic Investment Program, with the modifications as outlined in the submission.

Businesses in the footwear industry would encourage further access to the imported footwear parts range by reducing the duty rate to zero at the earliest possible opportunity. If this reduction is given it will enhance the use of parts as opposed to the importation of finished footwear. This duty removal may encourage further employment and investment by existing businesses and may assist in creating a sustainable workforce, rather than a declining workforce.

Apart from the issues raised in the submission local businesses in Ballarat and the region would benefit from a more effective anti-dumping scheme and the creation of an export market development fund for the footwear industry. Local businesses have also recommended the development of special rebates on items that strike at the competitiveness of labour intensive firms but not limited to payroll tax.

As outlined in the submission, the City of Ballarat does not see the Textile, Clothing, Footwear and Leather industries as sunset industries, rather the City sees many of these industries transforming into sunrise industries. These industries will only make a successful transformation with proper support from all levels of government, that allows them to prepare properly for the changed economic environment in 2005. It is vital that the support for industries in the sector is forthcoming now, rather than as the structural adjustment is occurring.

The City of Ballarat has consulted with local businesses in the sector and there is a demonstrated enthusiasm from these businesses to participate in the industry post 2005. The City trusts that the Commission will take the appropriate measures to support businesses in the sector and especially in regional Australia.

Should you require further information or clarification, please contact David Keenan, Executive Director Business Ballarat on (03) 5320 5676.

**Yours sincerely**

**Cr David Vendy  
Mayor  
City of Ballarat**

# **Submission to the Productivity Commission Inquiry on the Textile, Clothing, Footwear and Leather Industry, by the City of Ballarat.**



## **Submission to the Productivity Commission Inquiry on the Textile, Clothing, Footwear and Leather Industry, by the City of Ballarat.**

### **1. Overview**

The City of Ballarat, after consultation with industry, has significant concerns relating to the changed environment for the Textile, Clothing, Footwear and Leather Industries post 2005. At present within Ballarat and the Central Highlands region, in excess of 500 people are directly employed in the Textile, Clothing, Footwear and Leather Industries, with many more employment positions created indirectly. The Textile, Clothing, Footwear and Leather Industries in Ballarat and the region represent a substantial and continuing investment in infrastructure and technology, and a commitment to innovation and the development of niche products into emerging markets.

Employers in Ballarat and the region range from the larger companies, such as Hilton Fabrics and Creswick Woollen Mills employing up to 100 people each, to small and medium firms, such as Bulace Dyeing and Comfy Garments that employ 18 and 6 persons respectively. With the changing environment, domestically and internationally, in the Textile, Clothing, Footwear and Leather Industries over recent years, companies in Ballarat and the region have moved away from traditional production strategies. The majority of businesses are now operating in new markets and involved in the development of new innovative products, utilising new production techniques.

As a result of consultation with these industries, there is a clear indication that the local businesses involved in the Textile, Clothing, Footwear and Leather Industries have a clear intention of operating beyond 2005. The reduction in tariffs post 2005 will increase the need on local industries to be competitive internationally, and it is with this in mind that the City of Ballarat in conjunction with its local Textile, Clothing, Footwear and Leather Industries would seek the following;

1. That the criteria for the Strategic Investment Program (SIP) scheme be re-examined and allow for more flexible purchasing of equipment, especially in relation used equipment, and that the application process for SIP be simplified;
2. That the Federal Government commence immediately a range of initiatives to support industries and businesses that intend to operate post 2005 that may include;
  - Business planning assistance
  - Soft loan assistance
  - Funding for marketing and new market assessment
  - Research and development
  - Skill development and training for existing staff and assistance with the attraction of new skilled workers
  - Exit strategies be developed for those businesses planning to leave the sector;

3. That the Federal government make available appropriate levels of funding to assist with labour market readjustment in areas where there will be large numbers of workers leaving the sector;
4. That the Federal Government work closely with businesses leaving the sector to ensure that redundant workers receive all entitlements and allowances;
5. That the Federal and State Governments work co-operatively to reduce the amount of additional costs that are currently placed on the industry through issues such as other tariff reductions, Workcover and general insurances;
6. That the commencement of the above initiatives occur before 2005 and allow interested businesses to prepare for the new more competitive environment;
7. Recognise that the Textile, Clothing, Footwear and Leather Industries still have a significant role in the Ballarat and Central Highlands regional economies at present and in the future.

The City of Ballarat and local industries would prefer to have the tariff freeze extended beyond 2005 and would see this as a priority. If this is not possible then the City of Ballarat views the implementation of the above initiatives as a priority for the Federal Government, with support from the State and Local Government.

At present there is the opportunity to plan and prepare prior to the tariff reduction in 2005, which has not been the case in past restructures in the Textile, Clothing, Footwear and Leather Industries. The City of Ballarat and its local industries insist that specific actions are undertaken within the next financial year to ensure that every opportunity and resource is made available to those industries that intend to operate post 2005.

Those industries participating in the Textile, Clothing, Footwear and Leather sector post 2005 should be viewed as sunrise industries, rather than sunset industries, which is often the case in the Textile, Clothing, Footwear and Leather sector.

These industries that wish to continue need to be supported immediately by real assistance packages and incentives.

## **2. Textile, Clothing, Footwear and Leather Industries in Ballarat and Central Highlands Region**

Ballarat and the surrounding region have had a heavy involvement in the Textile, Clothing, Footwear and Leather Industries for well over 100 years. During the period 1987/8 and 1991/2 the Textile, Clothing, Footwear and Leather sector declined by almost 400 effective full time positions in Ballarat. This loss of positions had a significant impact on the local economy in relation to the unemployment rate and investment confidence in Ballarat. By 1993-1994 the number of Textile, Clothing, Footwear and Leather Industries businesses operating in the Central Highlands Region had increased to 18 which directly employed 638 persons with a turnover of \$54.2 million.

In 1998 in the Central Highlands region there were 21 businesses operating in the Textile, Clothing, Footwear and Leather Industries. These businesses represented 8% of the manufacturing sector within the region and in employment terms this represented 690 effective full time positions or 10.4% of the manufacturing workforce of the Central highlands Region.

The most recent census data (2001) for Ballarat, not the region, indicates that there were 398 persons employed in the Textile, Clothing, Footwear and Leather sector, making up 6.8% of the manufacturing jobs within Ballarat.

Whilst there has been a general decline in the sector over the past five years in Victoria, the Textile, Clothing, Footwear and Leather sector remains a large employer in Ballarat. The sector makes an important contribution to the regional economy, as well as exporting product out of the region and around the world. The sector also functions as an important part of the production chain for other businesses located in Melbourne and other regional areas, such as Geelong. Industries in Ballarat have now developed niche products for specific markets and manufacturers, for example in the dyeing of product, both in large and short runs.

In the 2001/02 Review of the Manufacturing Sectors in Ballarat and the immediate region approximately twenty-two industries were identified, these included;

- B & D Troughton Screen Printers (Ballarat)
- Ballarat Blinds (Ballarat)
- Bulace Dyeing Pty Ltd (Ballarat)
- Comfy Garments (Ballarat)
- Country Babes (Ballarat)
- Creswick Blinds and Curtains (Ballarat)
- Creswick Woollen Mills (Creswick)
- Crumpler Design (Ballarat)
- Daytex Fabrics (Daylesford)
- Hawthorne Cottage Australia
- Hemco Industries (Ballarat)
- Hilton Fabrics (Ballarat)

- Interknit Australia (Ballarat)
- Lizard Moleskins (Ballarat)
- M.J. Soft Furnishings (Ballarat)
- Magic Needle (Ballarat)
- Oliver Footwear (Ballarat)
- Parker Leathergoods
- Rivers Australia (Ballarat)
- Rufcut Clothing (Ballarat)
- The Skin Inn (Ballan)
- Walkabout Leisurewear (Ballarat)
- Willabaa (Ballarat)

Of the above industries it was estimated that in 2002/03 over half were involved in exporting activities, whether these opportunities related to value adding to a product or complete exporting of the entire product.

There are a number of world class businesses from the Textile, Clothing, Footwear and Leather sector that have operated in Ballarat for over 100 years and the skill base amongst the community is significant.

### **Oliver Footwear**

The Oliver Footwear retains its commitment to footwear manufacturing in Ballarat, Australia, operating from a modern manufacturing plant supported by a dedicated team of employees. The company has been operating in Ballarat for over 100 years. Innovation in product research and development to address the needs and demands of tough workplace safety environments is a central part of the company's philosophy. Innovation in manufacturing technology and business systems is reflected in more than \$7 million in new capital investments made by the company in the last five years. Oliver Footwear today is Australia's largest producer of industrial and safety footwear and a company committed to operating at world's best practices in all dimensions.

In the past five years, new capital investment of \$7 million has been made from internal company resources. The milestones include

- The installation of a new 30 station DESMA, German Polyurethane injection moulding machine, complementing our original 24 station moulder, leading to the release of the Oliver GRIPthane range of safety and recreational footwear.
- The commissioning in late 1999 of a new MAIN Group Dual Density Nitrile Rubber moulding machine for our Oliver SOFTtrac range of safety footwear. Only the second installation of this leading edge technology in the world, our new Oliver SOFTtrac range reflects significant product features and customer benefits in safety footwear, which offers increased comfort, extra-durability and attractive styling.
- Complementing these major capital investment items has been the incorporation of significant robotic process applications and

streamlining of our materials management and production flows to enhance customer response times.

- A Just in Time manufacturing strategy, common to the automotive industry, in conjunction with our Quick Response Manufacturing techniques are key platforms in the Oliver Continuous Incremental Improvement Program to ensure the company continues to perform at or equal to World's Best Practices
- Complementing the manufacturing and process improvement investments, has been the addition of expanded warehousing capacity to further enhance customer service. A new internal computer system has been installed providing the business management systems, which will support continued growth.
- Oliver Footwear believes electronic commerce and information technology will be critical to the future of customer relationships and the existing platform is being rapidly expanded to enhance electronic commerce capabilities.
- All Oliver Footwear is manufactured to Australia Standard AS/NZS 2210.2 while individual footwear products are continuously benchmarked against other recognised international industry and performance tests.
- Oliver Footwear is an Accredited Quality Endorsed Company to the Australian and International Quality Standard ISO 9002.

Oliver Footwear employs approximately eighty people and has demonstrated that regionally based companies can compete in the global market with quality niche products.

### **Hilton Fabrics**

Located in Ballarat Hilton Fabrics is a division of the James Nelson Group, a privately owned family company. The group includes a weaving division, James Nelson (Tas) Pty Ltd and two further companies offering textile finishing services, Omnibond and Omnitex. Hilton Fabrics specialises in the dyeing and finishing of high quality woven fabrics, particularly wool and wool-blends, together with all man-made fibre fabrics, including polyester furnishing fabrics. Hilton's mission is to be assessed by its customers as the most innovative, diverse, cost-effective and customer relationship oriented provider of dyeing and finishing services to the Australian and overseas textile and related industries. The company employs approximately eighty persons and is keen to develop more niche products into domestic and overseas markets.



### **Bulace Dyeing**

Bulace Dyeing Pty Ltd are commission dyers and finishers specialising in dyeing and overdyeing most fabrics in smaller quantities. Bulace's equipment has been modified to enable it to process dyeings as small as 50m and up to 500m on beam or jet. Bulace can also dye as little as 1m of fabric or lace but professional finishing is limited on smaller dyeings. Bulace is also involved in the dyeing and finishing of lace, elastic, ribbons and tape, either continuously, on beam, or hank.

Bulace has been in business since 1975, servicing the lingerie industry with their smaller dyeings of fabrics in all fashion shades and all the different components required to manufacture many different types of lingerie. The company currently employs eighteen people and is keen to explore further development opportunities.

### **Comfy Garments**

Established in Ballarat in 1986, Comfy Garments Manufacturers of clothing for elderly, disabled people, as well as a full range of comfortable wear for the mature market. The company currently employs six people and is seeking to maximise opportunities to increase its presence in the domestic market place

### **3. Economic Impact of the Textile, Clothing, Footwear and Leather Industries**

It is submitted that there were 398 effective full time jobs in the Ballarat Textile, Clothing, Footwear and Leather Industries in 2001. These jobs create an additional 99.5 indirect positions in related areas (transport, retail, etc), utilising a conservative multiplier factor of 0.25 indirect positions for each effective full time position. (It should be noted that many regional areas utilise a multiplier factor of 0.5 or higher.) Therefore the total employment directly and indirectly related to the Textile, Clothing, Footwear and Leather Industries in Ballarat, not the region, is 497.5 positions.

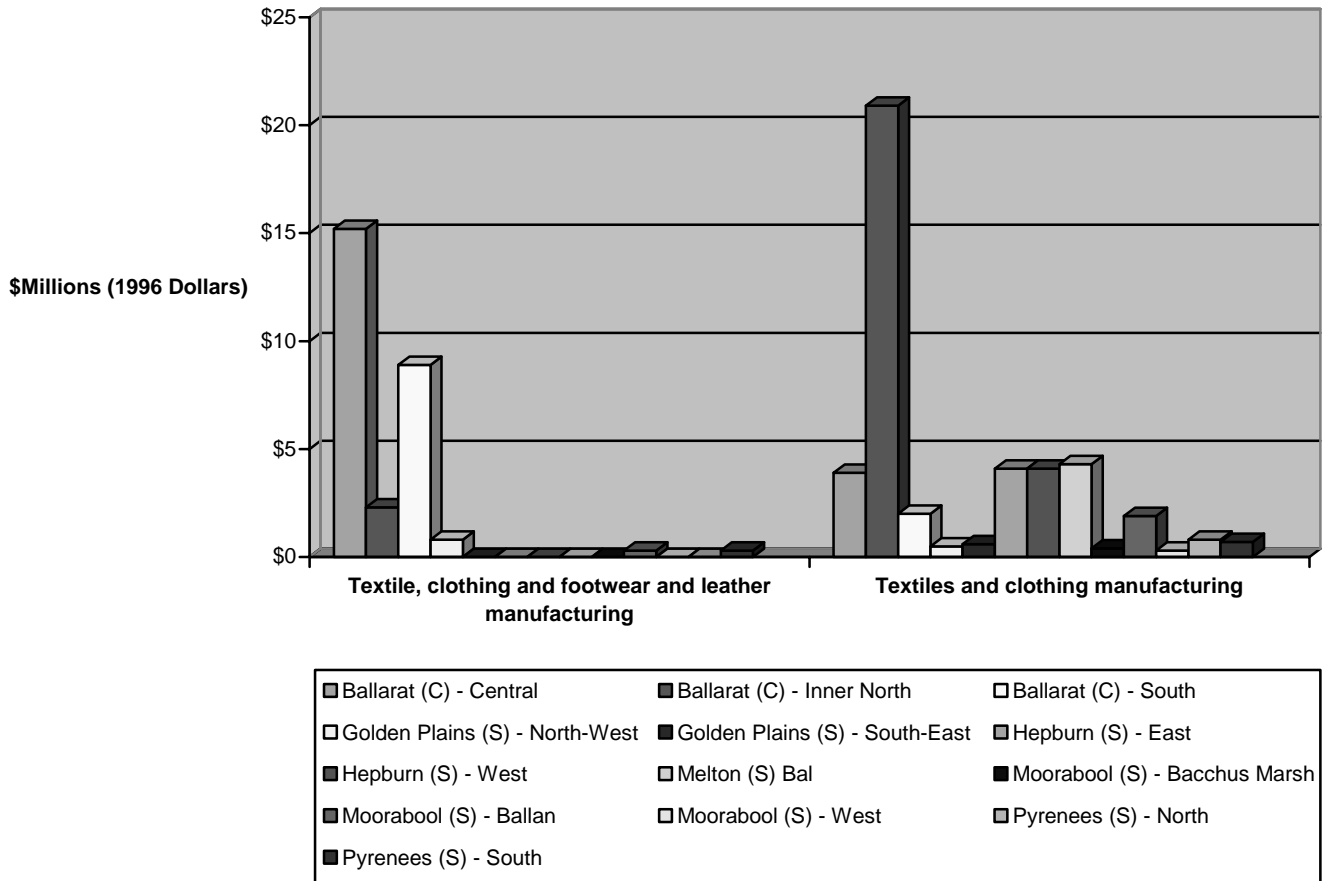
In applying mean taxable income of Ballarat residents, \$30,693 to each of these positions equates to a wage injection of \$15.3 million into the local economy each year. This investment in the local economy obviously supports the building and construction, transport and retail sectors as well as a diversity of other services and businesses in the education and health areas indirectly. The contribution to the local economy also provides sustainability in the population and utilises an existing skill base. It should also be noted that there is no allowance made in these estimates for the positive impact of industrial tourism and visitor expenditure from facilities such as the Rivers Factory Outlet.

#### **TOTAL WAGE EXPENDITURE FROM TEXTILE, CLOTHING, FOOTWEAR AND LEATHER INDUSTRY EMPLOYEES IN BALLARAT IS \$15,300,000 PER ANNUM**

This wage expenditure is important as it supports other industries such as retail, housing and construction, professional services, education, health, etc. A removal or reduction in this expenditure will cause contractions in other parts of the local economy, which will ultimately result in employment losses and a further loss of investment in the local economy.

The City of Ballarat submits that the likely financial impact that the reduction in support to the industry post 2005 will have significant impact on the local economy given the role the Textile, Clothing, Footwear and Leather Industries have in the local economies. The value of production from the Textile, Clothing, Footwear and Leather for the Central Highlands Region in 1996 was approximately \$72,200,000. The geographical areas that contributed to this amount are outlined below,

Output 1998 Value by Industry



The above data indicates the importance of the Textile, Clothing, Footwear and Leather Industries to specifically Ballarat, and also the surrounding region, in relation to production and exports. The data also indicates that there are significant levels of investment in the industry and large amounts of existing infrastructure to support the existing levels of production. The data also indicates that the production output for Ballarat alone is \$53.2 million. If this figure is combined with the annual wage expenditure it equates to \$68.4 million of input being contributed into the local economy each year by the Textile, Clothing, Footwear and Leather industries.

**PRODUCTION OUTPUT FOR BALLARAT IN 1998 WAS \$53,200,000**  
**TOTAL WAGE EXPENDITURE AND PRODUCTION OUTPUT FOR BALLARAT EQUATES**  
**TO MORE THAN \$68,400,000 PER ANNUM**

#### **4. Support for Tariff Freeze Post 2005**

There are a number of reasons why it is important that the current tariff freeze should continue beyond 2005. Firstly, as indicated by the data, Ballarat and the region still have a heavy reliance on the Textile, Clothing, Footwear and Leather industries. This reliance relates to both employment and production and utilisation of existing infrastructure.

Secondly, Ballarat and the region have suffered in the past from significant employment losses in the Textile, Clothing, Footwear and Leather industries. Feedback from employment and community agencies indicates that former employees from this sector find it very difficult to re-skill or find alternative employment in the region. This is a major concern given there is already a significant manufacturing base in Ballarat, and that workers from the Textile, Clothing, Footwear and Leather industries have had difficulty in being re-employed in like industries.

Thirdly, many of the Textile, Clothing, Footwear and Leather industries in Ballarat and the region have now developed products in niche industries. Many of these niche industries are in emerging markets where competition is fierce and production is on a limited basis. There is a need to continue to support, protect and facilitate the entrance of regional companies into these emerging niche markets, to ensure their medium term sustainability and encourage the production of more innovative, quality products. In turn these niche products will assist with the development of exports, ensuring greater recognition for the region. These companies and products require time to fully develop and exploit their competitive advantages, which would occur with an extension to the tariff freeze.

Fourthly, from a regional perspective many of Ballarat and the region's existing industries are located in close proximity to the raw source of their materials and support many aspects of the agricultural community and transport networks. With the potential withdrawal of some of these industries post 2005, there is the potential for detrimental economic impacts in relation to base industries such as wool production and wool processing.

## **5. Removal of Tariff Post 2005**

If the freeze on tariffs is to be removed the City of Ballarat would be seeking to work closely with State and Federal Government agencies to determine the type and size of the readjustment packages to be offered to regions to assist with the re-training of the redundant workforce. As outlined previously, if the tariffs are to be reduced the City of Ballarat would like to see the following actions initiated by the Federal and State Governments

1. That the criteria for the Strategic Investment Program (SIP) scheme be re-examined and allow for more flexible purchasing of equipment, especially in relation used equipment, and that the application process for SIP be simplified;
2. That the Federal Government commence immediately a range of initiatives to support industries and businesses that intend to operate post 2005 that may include;
  - Business planning assistance
  - Soft loan assistance
  - Funding for marketing and new market assessment
  - Research and development
  - Skill development and training for existing staff and assistance with the attraction of new skilled workers
  - Exit strategies for those businesses planning to leave the sector;
3. That the Federal government make available appropriate levels of funding to assist with labour market readjustment in areas where there will be large numbers of workers leaving the sector;
4. That the Federal Government work closely with businesses leaving the sector to ensure that redundant workers receive all entitlements and allowances;
5. That the Federal and State Governments work co-operatively to reduce the amount of additional costs that are currently placed on the industry through issues such as other tariff reductions, Workcover and general insurances;
6. That the commencement of the above initiatives occur before 2005 and allow interested businesses to prepare for the new more competitive environment;
7. Recognise that the Textile, Clothing, Footwear and Leather Industries have a significant role in the Ballarat and Central Highlands regional economies at present and in the future.