

# **TCF INQUIRY**

## **SUBMISSION FROM THE LIGHT MANUFACTURING INDUSTRY TRAINING COUNCIL (WA) INC**

Following extensive discussions with the TCF Industry in Western Australia (WA), the Light Manufacturing Industry Training Council (LMITC) wishes to present this Submission to the Productivity Commission for their consideration.

Due to its isolation from the rest of Australia and the World, WA has developed a unique response to issues that have impacted on them. As a result, it is vital that a WA perspective is given in relation to the TCF Industry. The LMITC would like to acknowledge that many WA Stakeholders have prepared their own submission, even though they may have provided comments for this submission. See Appendix 1 for the list of Stakeholders contacted in WA in relation to the TCF Inquiry.

### **Recent performance and future prospects**

- The WA TCF Industry is reasonably competitive locally, nationally and internationally, depending on the sector. For example, the local Canvas and Sail Industry is very competitive locally but not nationally, while the Medical Grade Footwear and Leather Tanning Industries both need to be competitive globally.
- There is a similar case for Canning Vale Weaving Mills, which is a world class manufacturer of towels and is competitive locally, nationally and globally.
- WA disadvantaged because of isolation – victim of high costs for transporting goods.
- On the flip side, the proximity of WA to the Asian markets gives it the cutting edge and allows it to explore these markets at a lower cost to the Eastern States.
- Requirement for higher level of technical skills for all workers.
- Trend towards using subcontractors, with a greater need for them to be multi-skilled and able to handle the job independently. This outsourcing of manufacture could be local, interstate or offshore.
- In all sectors the markets that are surviving are the middle to upper with clients for these products continuing to buy quality products (brand names) irrespective of cheaper imports, or where the garment is made, etc. The Target market has become more discerning.
- Buying trends have also changed, with more consumers engaged at the creative level, buying different pieces to go together, without the focus on the designer label, but buying what is more interesting and what they like. Everyday people are buying more selectively.
- Niche markets are experiencing the greatest growth for the clothing industry. Small Boutiques are once again experiencing growth in WA, with many supporting local designers. This has seen a rise in the number of young

Designers entering the industry and embracing the challenges currently facing them. The Consumer does not want to see a lot of the one garment, but wants to experience a greater feeling of exclusivity in what they purchase.

- The greatest change in the Clothing Industry has been the demise of large scale manufacturing locally, and the rise of the need for small-scale 'boutique' manufacturers. This has resulted in the growth in Niche market contractors, as local designers want small runs at a high quality, and cannot get this from OS or even the Eastern States with ease. Some local manufacturers have refused to reduce their minimums, but this has opened the door for other contractors to establish manufacturing enterprises with a focus on small runs for the boutique market. Without support for these businesses, the new niche markets that have developed will not survive, as they are not producing the volume that would support a larger manufacturer or even offshore production.
- For industry survival, looking at the cutting edge within the creative industries will actually have a flow-on effect for the TCF&L industries, e.g. human skin being grown as a new textile medium. This evolves from building links with other technology industries – creativity, exploration, innovation and research.
- In many sectors, the TCF & L Industry has developed into a creative one, with manufacturing taking the form of a more specialised and highly technical focus. For it to survive in WA, it needs to become more cutting edge in both design and technology, which requires greater Government support and funding. However, in areas of new development, most funding programs are based in the Eastern States, which has frustrated many local stakeholders, especially those involved in innovative training within the textile area.
- Emerging trend is to outsource some products then bring them in to sell from a warehouse. A Company might bring in a container load of product, to complement what they are already manufacturing and marketing. This will require other skills, such as warehousing etc., so more training is required to meet these new industry demands.
- There has been a trend towards micro businesses, ranging in size from 1-10, with a need for manufacturers to service these businesses. More outsourcing is done, with the business itself focussing on design, marketing and product development. More development is needed in this area regarding training, which is why the Pin Point Project was initially developed. It was set up to assist Industry Managers to keep abreast of the changing trends and needs of their own industry, and was targeting specifically at the TCF Industry. It will be piloted in WA this year. For more information, contact the Project Manager, Janelle Leopardi, at Swan TAFE.
- The mass produced market is mainly focused on teen throw away fashion and the mainstream casual market.
- Surface design is a growing local industry, with people taking portfolios internationally. This has grown from the TCF industry, but can be applied across a variety of other industries, such as soft furnishings, where we have seen the crossover into the clothing industry.
- Businesses need to access technology and market strategies to enable them to get to the next level of their business, so funding is needed to enable training and other assistance, such as mentoring, which would enable these businesses to

grow. In WA, there has been an example where a local business precinct has mentored new entrants wishing to enter the industry, providing floor space at a reduced rent until they became more established. They also gave free advertising to promote the business.

- A major trend in WA has been the use of Offshore production Facilities. For small businesses, these have raised many issues, with a major one being quality. When dealing with manufacturers thousands of miles away, maintaining control of production is very difficult. Larger companies send people to oversee these processes, but smaller ones cannot afford to. As a result, there has been a reverse trend for these companies, which has seen them revert to local manufacturers, even with the increased labour costs. This has given them greater control over the quality of the finished product, and has meant that they may have changed their market to a higher level because of the price point, which is then reflected in the finish and design.
- The trend for offshore production has also seen a shift in the type of training required, with more focus on specifications and quality, as well as cultural issues when working with other countries.
- Research and Development and environmental issues have created new demands for many TCF Industries, especially those dealing with high tech machinery or chemicals, such as the Laundries, Early Stage Wool Washers and Hide, Skin, and Leather processing companies.
- Exchange rates have had a major impact on the TCF industry, as so much of the raw product is imported. An example is the Canvas and Sail Industry, which has experienced huge rises in costs of PVC, which is a treatment on the canvas which is now done offshore, due to the high labour costs in WA. Every time the Australian dollar goes down, the price of PVC and other related products immediately goes up. Therefore, if they were to export their product, it would be more economically viable to produce part of it in WA, then send it overseas to be coated in PVC.
- Within the TCF industry, technology is constantly improving, causing a need to stay abreast of these changes. This can lead to extra costs, as machinery must be replaced.
- Because of the global market we are now in, lower tariffs make it easier for imports to create unfair competition, specifically from those countries that have a very low labour cost.
- Many of the TCF industries are doing well internationally, especially in areas such as Canvas and Sail and Designer Clothing, as the local industry is seen as having a higher quality standard, while doing creative and innovative work.
- Many of the larger companies have used the Tariff pause to consolidate and investigate alternative market strategies. However, some smaller TCF firms in WA feel that the damage has already been done, with the reduction having gone so low that it has caused irreparable damage to many businesses, especially in the Clothing sector.

## **Impact of current assistance arrangements**

- Restriction of parameters to access research funding in the TCF&L industries, precludes small groups or individuals. Many Projects are based in the Eastern States as this is where facilities have been established, such as the CSIRO.
- The SIP has been perceived in WA as being too prescriptive and therefore impossible to access. From original intent to where it is now, there are too many bureaucrats involved, too many barriers restricting people using it.
- People who are actually doing SIP applications may not have come from a background that would make it straightforward enough. It would cost the company money to find someone to do it. In fact, in one company, they used a person to do the application who was familiar with the jargon, and even they experienced difficulties.
- The SIP was perceived in WA as being aimed at large companies who spent large amounts of money on machinery up front, and could then afford to wait for the grant. This was begun at a time when in WA most of the large TCF Companies had closed down or moved production offshore, so SIP was seen as assisting the then Eastern States industry, with very few in the West benefiting. Locally, the feel in WA is that greater assistance needs to be available for micro businesses, with fewer restrictions to access it, and more immediate results.
- Funding also needs to be made available to open up Overseas markets, especially in the development of an International client base, as this is vital for the survival of the TCF industry in any form. In WA, we have a couple of large TCF companies who survive on Overseas Clients, yet have done so with little assistance or help from the Government. However, the focus on funding has been for high profile TCF sectors, such as Designer Fashion, who exhibit a more glamorous industry profile. There needs to be a greater balance so that all industries have the opportunity to develop and expand to meet their changing needs.

## **Workplace issues**

- Biggest hurdles faced by employers are wages, superannuation and workers compensation as they find it is cheaper to outsource offshore than manufacture locally, due to prohibitive costs. Changes to the cost structure would help Industry, especially micro-businesses, who are hesitant to expand due to the added financial and administrative burden.
- Scheme to help employer organisations working in the same area, to reduce costs by keeping workers together. A good example of this is an incubator, where like businesses can share resources by being located in the same place.
- Due to the increased pressure to reduce margins many local TCF companies have identified the need to improve skills of both middle and upper management to see an improved return. They are looking for a greater return from investment in middle and upper management, with the quality of product directly related to the quality of staff. Every company is going to be affected differently. Training must reflect these differences to assist in their survival.

- Due to a lack of skilled workers in many of the TCF Industries, the demand has risen, which has led to an increase in the salaries of these workers. This can be evidenced in the Footwear Industry, where a local company advertised nationally with no response, and was forced to sponsor someone from overseas to fill the position. This puts an added burden on the business, as the profit margin is low to begin with, due to the highly competitive nature of the industry. If Industry was able to access more specialised training, these issues would be reduced. Although Training Packages have helped considerably, in those industries with very small numbers, the access to training is limited to the employer, who may not have all the requisite skills needed to meet the requirements of his own business.
- In some TCF industries, there has been a concern raised that the standard of work from contractors is not at a suitable standard. This has seen many try to raise the standard by introducing Training into their industries, going for a national consistency that ensures a higher quality. In the Canvas and Sail industry, the national association, and its WA based counterpart have instigated a set of strategies to make the Industry more aware of the need for a high standard based on a trained workforce, which has seen many employers receive Skills Recognition. They are then being encouraged by their own industry to take on a Trainee to keep the standard of all employees as high as possible.
- In WA, although some of the TCF Industry is aware of the outworker issue, it is still basically unregulated. The initiatives were promoted mainly in the Eastern States, and any controls in WA have come from within the Industry itself. The question still remains for many companies – who police the businesses? There are too many operating, and although the Union has tried, an employee must still invite it onto a worksite before it can do anything further. As many of the Outworkers are non-English speaking, there is a reluctance to speak out in case they lose their only source of income.
- Trained personnel in the TCF Industry in WA have more mobility within the industry than those not trained. This has seen some Companies hesitate to introduce training as they fear their staff will move on. There needs to be greater incentives to Employers to ensure the training ethos grows.
- In WA, there are still large numbers of ESL workers in the Industry. Some employees see the TCF industry as a stop gap between coming to Australia, where they use it to earn money while waiting for their own skills to be recognised, or waiting for something to become available more suited to them. This causes a great deal of movement in this Industry, with many workers staying in it because they cannot find work anywhere else. Some businesses, for example Canning Vale Weaving Mills have used training as an enticement for employees to stay on with them, as there is now a clear career pathway within the Company. This has also seen a reduction in the average age of workers, as more young people see the benefits of working in an Industry that offers training and career outcomes.
- A large issue for the industry, especially small businesses, is the need for enterprise skills, especially for the owner and management team, who may have worked their way up from the bottom of the Company.

- Many TCF companies identified lack of skills as having a major impact on their business. The types of areas highlighted included knowledge about offshore production, quality, standards (especially an Australian Standard for Clothing sizing, which created chaos when dealing with Off-shore companies), and the ability of all workers to be multi-skilled. The Industry no longer had a need for one person to only do one job.
- The Belmont Business and Enterprise Centre also raised the issue of outworkers who had been forced 'underground' due to some Government initiatives. They were currently investigating the need to do a skills analysis of outworkers – Identification of where they came from – with the intention of matching skills to industry players. This will only work if the Government supports the move, as Industry itself must be educated more on the issue of outworkers.
- Some TCF industries in WA were struggling to attract new, young entrants due to the nature of their workforce. Some sectors, such as the Tanning, Footwear and Dry Cleaning, had employees who were mostly from non-English speaking backgrounds and aged 30+. There needed to be assistance for some sectors regarding promotion to a potential workforce, as they were finding it too expensive and difficult to do alone. Some believed a National focus on all the sectors, which didn't just look at the glamorous side of the Industry, could help with attracting new entrants. In WA, the LMITC was currently working with these sectors to develop strategies to better market them to school leavers.
- Some Companies in WA have taken on Trainees with disabilities, and have been very pleased with the outcomes. They have found the employees to be very loyal and reliable, with assistance from the supporting agencies to be excellent. Other TCF businesses are now investigating this as an avenue for getting new employees.
- In WA, policy prohibits training existing workers, unless special circumstances can be demonstrated. Gosh Leather was able to access existing working training for their entire workforce, and have found it to be invaluable for the company. The belief for many TCF businesses is that Training should be available to all workers, but that financial assistance is needed, especially for those sectors struggling in a competitive and sometimes hostile marketplace. This should be a Federal initiative, to ensure all States are given the same opportunities.
- Many Companies highlighted issues of ESL, especially when these workers move through to middle management. It is vital that adequate programs are in place to train these workers while recognising their language difficulties. Their return is more important now than ever.
- Age of workers in some sectors has gone down with more young people seeing it as a career with improved training. This has also seen an improvement in the literacy levels of some industries.
- Roles within Industry are still very traditional, with men working predominantly in areas such as warehousing, large machinery etc, while women work in sewing, finishing and goods inspection areas.
- One company who operate 24 hours per day, utilise a "mums shift", which allows women with small and school age children to work from 9.30am-2pm. They employ more women during the "mums shift" to get the work done in the reduced

time. This adds no cost to the Company, but ensures that the job is done, while supporting a family ethos, which suits the workforce.

- The TCF industry has always had a tradition of fostering good family relationships, with many companies employing more than one person from the same family, and being more flexible to meet their unique needs.
- There is still a problem with the sweatshops concept, as labour costs make it very attractive to not use a boutique manufacturer, but to still shop around for the lowest quote, often at the expense of the worker who is still being exploited.

## **Market access issues**

- Due to the cheap costs of labour in other Countries, many products are being wholly manufactured offshore and then brought into Australia, with the costs lower than being made locally, even with the current Tariffs. This will continue to be a problem, especially with the eventual removal of all Tariffs. Unless local companies are prepared to follow this trend, they will disappear under the weight of competition.
- In some TCF Industries there has been a restriction on them exporting into other countries, where those countries are protecting their own local industry. However, this is not reciprocated, and those countries are given free reign to send their products to Australia with very little in the way of restrictions. This varies from sector to sector, country to country. This has created a level playing field in other countries, but not Australia.
- “Diffusion” designer label market is currently thriving. This has made designer clothing affordable for more consumers, and opened up new markets for the Clothing Industry. However, the local Designers must compete more with overseas labels, who are now able to access local markets with reduced tariffs making them also more affordable.
- Many TCF Industries in WA have found the Export Assistance offered by different organisations as not suitable due to the small size of their company. Although these suit the large TCF Firms, and some industries have benefited greatly, it has really only been the few large players within that sector who have actually felt the results.
- The WA Government is currently investigating what needs to be done to ensure the survival and growth of the Fashion Industry in WA. The Industry needs support and recognition from the government for marketing globally, especially with its distance from the Eastern States and other Countries. The Premier’s Fashion Industry Taskforce has been meeting for months, and is almost ready to present its recommendations to the Premier. More information on this initiative can be obtained from the State Government website at [www.premier.wa.gov.au/fashionindustrytaskforce](http://www.premier.wa.gov.au/fashionindustrytaskforce)
- We have the scope and potential to be the innovators and work with research, yet in WA we have limited access to funding to assist in these areas. Need research studies in the WA looking at partnerships with companies not directly involved with the TCF industries, e.g. skin technology. Partnerships between innovators and Industry will allow for greater opportunities in the TCF Industry.

- More companies are moving overseas and participating in fairs etc – however the cost can make it very prohibitive unless financial assistance can be given. Some businesses pool their resources to do this. It is felt locally to be a better marketing strategy, as the local TCF Industry cannot afford to wait for buyers to come to us, as they tend to visit only the Eastern States.
- Due to the cost of even travelling East for activities such as Mercedes Fashion Week, WA has started producing its own fashion week, with plans underway this year to expand into a Trade fair, called Designedge. This has been funded to encourage access for the TCF industry with the suppliers, buyers and manufacturers from around the world. See Appendix 2.
- Local Industry have identified a need for greater networking building, through data bases or other structures to allow industry to access information about suppliers and markets that could take a great deal of time and money. One model being considered is the establishment of an overseas Liaison person to deal with the local market, depending on what you require, e.g. marketing or manufacturing. This is an initiative being considered by the Belmont Business and Enterprise Centre, which also operates the TCF Resource Centre.
- The most significant issue affecting early stage wool processing in Australia is tariff and non-tariff barriers in China restricting access to this market. Over the last decade China has taken an increasing share of the downstream wool processing market, they currently purchase 43% of Australia's wool (ABS export statistics). The tariff structure in China discriminates against scoured wool over greasy wool. The Chinese import tariff for greasy wool is 11% and for scoured wool is 13%, in addition the VAT on scoured wool is 17% against 13% on greasy wool imports. This distinction between greasy and scoured wool prevents Australian companies competing with Chinese scourers and prevents value adding to the Australian wool clip. The current price of Australian wool is over \$11.00 per kg, the 2% additional import duty amounts to 22c per kg, given that Australian wool scourers charge between 30c and 40c per kg it makes it almost impossible to send large quantities of scoured wool into the Chinese market. As China's market share increases many of the traditional customers of Australian wool scourers have relocated some or all of their production to China, if this trend continues then early stage wool processors in Australia face a declining market with little chance of regaining market share from Chinese scourers. This is despite having more modern equipment, and more advanced effluent treatment methods, preventing environmental damage. This is a significant threat to the viability of Australian wool processors and should be addressed through the WTO or whatever other avenue is available.

## **Post 2005 assistance arrangements**

- Funding needs to be made available for new entrants entering the industry, assisting them with setting up a business, and the establishment of a more formal mentoring program. These have been run by the Govt previously, but are currently not available.
- As far as Tariffs are concerned, many comments made by industry reflected the fact that the damage had already been done, and that it would take a huge



turnaround before it would now make a difference. There was also a feeling that it could affect us internationally, if we suddenly precluded countries being able to bring in their products relatively tariff free.

- However, some stakeholders felt that to continue to lower tariffs would actually cause further damage to their business, which have been badly affected in WA due to our relative closeness to TCF producing countries within Asia and the Continent, who have used WA as a gateway into Australia.
- The intended removal of tariffs by the Government for the 50 poorest nations in the World would make it even more difficult to compete with overseas countries. The feeling locally is that the 50 countries targeted would be producers of textiles, clothing, footwear and leather, so the impact on the TCF Industry would be greater than any other.

Further comments can be found in the attached letter from Gadean Footwear, Appendix 3.

If any questions arise as a result of reading this submission, please contact Jillian Dielesen, Executive Officer, Light Manufacturing Industry training Council (WA) Inc., on (08) 9240 1048 or [jillian@lmitc.iinet.net.au](mailto:jillian@lmitc.iinet.net.au)

This submission is a reflection of comments made to the LMITC, with all comments not necessarily reflecting the opinion of the Board of Management or any other person named as a contributor in Appendix 1.

## Appendix 1

Below is a list of all Businesses and Individuals who were consulted throughout the preparation of this submission.

<b>Name</b>	<b>Company or Organisation</b>
Val Cullen	Gosh Leather
Lindsay Mitchell	Jandakot Wool Washing Pty Ltd
Fred Tarbotton	Canvas City
Gavin Evans	Dynasty Dry Cleaners
Geraldine Kent	TCFUA (WA)
Howard Smith	Gadean Footwear
Ray Costarella	Aurelio Costarella
Mary Clarke	Sunskids Clothing Company
Sylvia Carr	Sylvia Carr Designs
Carol Hanlon	TCF Resource Centre & Belmont BEC
Julie Calabrese	Challenger TAFE
Stephanie Sheppard	Swan College
Janelle Leopardi	Swan College
Patricia Arnott	Challenger TAFE
Anne Farren	Curtin University of Technology
Kerry Beazley	Texskill
Marcello Cabrera	Canning Vale Weaving Mills
Glen Chamberlain	BDM Leather & Canvas Pty Ltd
Jessie Lawson	Office of Training, Department of Education and Training, WA

## Appendix 2

### MEDIA RELEASE

#### THE FABRIC OF WESTERN AUSTRALIA

##### **Designedge – textile, clothing, footwear and leather exhibition**

**Western Australia is set to become the mecca of textiles, clothing, footwear and leather for Australia in September 2003, when the first ever *Designedge* trade expo with associated buyers programme and industry events, is held at the Burswood Convention Centre.**

*Designedge* will offer the chance for every player in the Australian textile, clothing, footwear and leather industries to expose their products to leading international and interstate buyers.

The Burswood Convention Centre will be a showcase of products ranging from fashion, woven textiles and carpet to safety products, construction and aviation accessories.

**In a bid to entice the most coveted buyers from around the globe, invitations are being extended to leading designers in Australia to nominate the buyer of their choice. Selected buyers from a short list will be offered an all expenses paid trip to visit the expo in Perth and view the fantastic array of national TCF products and services.**

Gloss Media, the organisers of the annual Perth Fashion Festival, are co-ordinating the expo on behalf of The Textile, Clothing and Footwear Resource Centre of Western Australia (TCF WA), supported by the Department of Industry, Tourism and Resources and the Belmont Business Enterprise Centre.

**The expo will include a three day trade exhibition, business seminars, buyers' programme and industry events.**

To be staged during the 2003 Perth Fashion Festival, *Designedge* offers yet more diversity and depth to the nationally recognised annual ten day programme of fashion events.

Organisers of Perth Fashion Festival stated; *"We are proud to feature such a broad industry event as part of the 2003 programme. It is yet another example of how we are striving to continue the growth and development of the festival, introducing events that bring local, national and international focus to our very talented, but under exposed local fashion industry – we applaud TCF WA for their initiative with Designedge"*.

Carol Hanlon of TCF WA, commenting on the trade show said; *"Designedge aims to highlight the talents of the entire TCF industry in Australia to the international market, whether they are raw materials or finished products. The trade show will also fulfil a wider aim of the TCF WA which is to support the domestic industry by providing new opportunities and generating goodwill."*

Designedge will be an amazing opportunity for Australian small to large businesses in the TCF industry to tap into a concentrated wealth of international and interstate client prospects at the three day expo.

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**Contact**  
**Melissa Lekias**  
**Magenta**  
**9321 1955 or 0419 961 020**

## Appendix 3

### Gadean Footwear (Australia) Pty. Ltd.

Unit, 17 Townsend Street

MALAGA. WA 6090

Phone: (08) 9249 7070 Fax: (08) 9249 4663

Email: [info@gadeanfootwear.com.au](mailto:info@gadeanfootwear.com.au)

Web: [www.gadeanfootwear.com.au](http://www.gadeanfootwear.com.au)

19<sup>th</sup> February 2003

To Whom It May Concern:  
Productivity Commission

As a general rule I am very disappointed with the treatment of the T.C.F. Sector (including Gadean Footwear) by many Government departments and policies.

We at Gadean will turnover 1 million dollars this year, our staff level is 13 fulltime people. We specialise in orthopaedic footwear.

Gadean Footwear is growing from strength to strength with very little help from the Government. We have a niche type market, however imports do affect us. At one stage orthopaedic footwear was being imported by many companies GST and Duty free, yet we as an Australian manufacturer had to charge GST.

Another project saw Gadean importing Xsensible Shoes from The Netherlands (stretchy medical shoes) we paid GST and Duty on these. When another Company imported the same product, they imported them as orthopaedic GST and Duty Free.

When we contacted both the Customs Department and the Taxation Office, they said it was a grey area and because we had a private tax ruling we must comply with it and pay GST, which left us uncompetitive and with no course of action other than to discontinue importing (leaving our competitor free to continue rorting the system that no-one cared about).

As there has been no training available in Western Australia for footwear, this has not been an option for Gadean. Staff costings have increased dramatically with superannuation and workers compensation now being a major cost.

The S.I.P. programme for the majority of T.C.F. had far too high an entry level. (Also monies had to be spent before you could apply).

I believe the best type of financial support for the T.C.F. Sector including Gadean, needs to be based on improving businesses with under 20 staff which is a big portion of the T.C.F. Sector.

Funding should be easily accessed and for small amounts for individual projects

Maximum \$5,000.00

1. Export project
  2. Business plans
  3. Business strategy
  4. Promotional projects
  5. Patenting a product
  6. Viability of more machinery
- etc , etc

Further funds should be assessed in part by success of previously funded projects.

I hope this information is of some help to the Productivity Commission.

Yours truly,

A handwritten signature in black ink, appearing to read 'H. Smith', with a long horizontal flourish extending to the right.

HOWARD SMITH  
MANAGING DIRECTOR.