

Submission to the Productivity Commission Inquiry

Textile, Clothing, Footwear and Leather Industry

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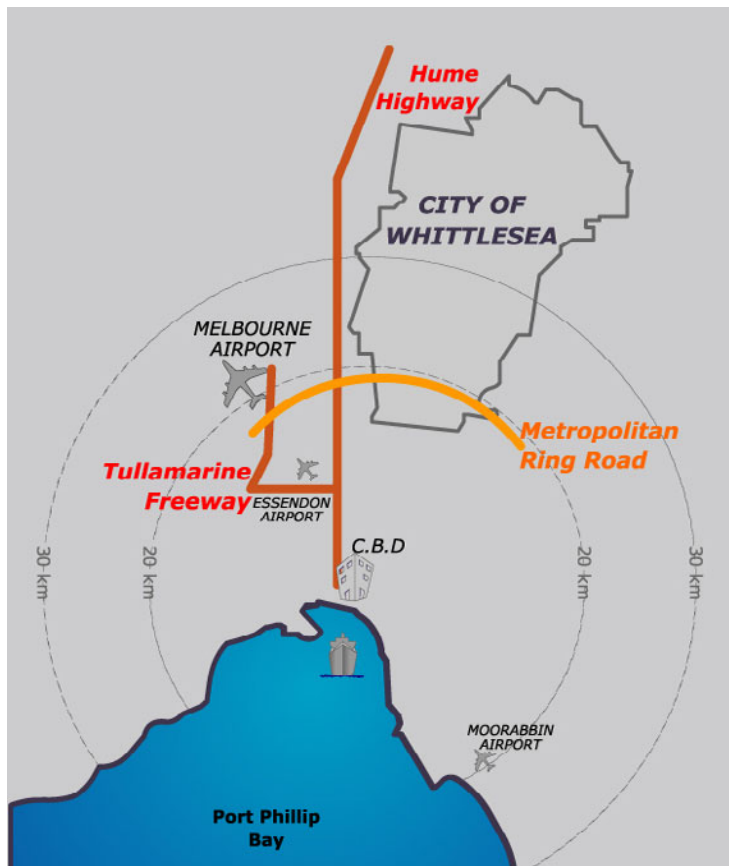
City of Whittlesea

Index

	Page No.
1. Introduction	3
2. Our position regarding the TCF Industry	4
3. Trends of Employment in the City of Whittlesea	4
4. The TCF Industry in City of Whittlesea	6
5. Local Employment Issues	7
6. The Broader Consequences of Further TCF Job Losses	8
7. A Regional Perspective	9
8. Industry Assistance Measures	10
9. Conclusion	11

1. Introduction

The City of Whittlesea is a significant metropolitan municipality on the fringe of Melbourne's north and approximately 500km² in area. The current population of the municipality is 120,000 and is expected to increase by around 110,000 in the next fifteen years, making it one of the fastest growing municipalities in Victoria.



The City's southern region is a heavily populated urban/industrial area encompassing the suburbs of Epping, Mill Park, Thomastown, Lalor and South Morang. The sparsely populated northern region which accounts for around seventy per cent of the City's land area is comprised mainly of smaller rural holdings used principally for grazing.

2. Our position regarding the TCF Industry

The City of Whittlesea requests that the Productivity Commission recommend that the Government freeze tariff levels in the TCF Industry at their current level until at least 2010 and that any further reduction after this time be subject to a review process in 2008. This will allow the industry more adequate time to implement new ideas, develop niche markets, establish offshore partners and also allow time for the aging labour force of the sector to make way for a more skilled and younger workforce.

The Council also requests that the Strategic Investment Program (SIP) Scheme application process be reviewed to allow for easier access by smaller businesses in the sector, and in particular, the \$200,000 threshold of eligible expenditure under access type 1, 2 and 3 grants be removed or reduced. In addition, the Council requests that the Extended Overseas Assembly Program (EOAP) Scheme remain, and the government provide other initiatives and incentives for the industry to become more efficient, innovative, develop niche markets and create long term skilled employment opportunities for the local community.

3. Trends of Employment in the City of Whittlesea

Manufacturing is the highest industry employer of City of Whittlesea residents and has been the largest employment industry sector for many years. Between 1986 and 1996 the residential employment in the manufacturing sector varied from 31.3% to 26.3% respectively for total persons employed. The major sector types in Whittlesea's manufacturing structure are food processing, metal fabrication, transport and automotive component manufacturing and timber processing.

City of Whittlesea Resident Employment by Industry

Industry	1986		1991		1996	
	No.	%	No.	%	No.	%
Agriculture, Forestry and Fishing	330	1.0	349	0.9	481	1.1
Mining	59	0.2	74	0.2	64	.01
Manufacturing	10,506	31.2	10,586	26.4	11,523	26.3
Electricity, Gas and Water	561	1.7	502	1.3	231	0.5
Construction	1982	5.9	2,136	5.3	2,858	6.5
Wholesale Trade	1,662	4.9	2,371	5.9	2,651	6.1
Retail Trade	4,294	12.8	5,435	13.6	6,546	14.9
Accommodation, Cafes and Restaurants	448	1.3	751	1.9	1,142	2.6
Transport and Storage	1,958	5.8	2,075	5.2	2,154	4.9
Communication Services	770	2.3	922	2.3	1,184	2.7
Finance and Insurance	1,605	4.8	2,028	5.1	1,857	4.2
Property and Business Services	1,326	3.9	1,845	4.6	3,119	7.1
Government Administration and Defence	1,420	4.2	1,705	4.3	1,234	2.8
Education	1,371	4.1	1,599	4.0	1,724	3.9
Health and Community Services	2,146	6.4	2,885	7.2	3,468	7.9
Cultural and Recreation Services	218	0.6	380	0.9	582	1.3
Personal and Other Services	1,062	3.2	1,054	2.6	1,377	3.1
Non-classifiable economic units	612	1.8	154	0.4	818	1.9
Not Stated	1,311	3.9	3,183	8.0	804	1.8
Total Persons	33,641	100.0	40,034	100.0	43,817	100.0

(Source: Northern Area Consultative Committee – Regional Profile)

3. Trends of Employment in the City of Whittlesea (continued)

The City of Whittlesea is one of the few areas within the Melbourne metropolitan area where there is an abundance of greenfield land for new Industrial development. The recently released *Melbourne 2030* by the Victorian Government has reinforced the potential of the City of Whittlesea as a major growth area for residential and commercial/industrial development. Access to the Hume Highway, Metropolitan Ring Road and the recently commenced Craigieburn By Pass, make the City of Whittlesea one of the most accessible regions in the metropolitan area and complements Whittlesea's strong Industrial base.

The City's industrial sector is also supported by the following key advantages:

- 17 minutes to Melbourne Airport
- 30 minutes to CBD
- 27 minutes to the Melbourne Docks
- 25 minutes to Freight Rail Centre
- Existence of RMIT (Bundoora) and La Trobe Universities for research and development support.

In these times of stagnation of the manufacturing sector in the region, the Council has also been proactive in assisting the industry to develop 'clusters' in many of the sub-groups to assist with their medium to long term viability. In working with these groups it is evident that the manufacturing sector generally is under extreme pressure from the threat of imports, depleting markets and lack of appropriately skilled younger employees. A further reduction of the TCF tariff would be another unnecessary burden being added to the long list of concerns to the industry.

4. The TCF Industry in the City of Whittlesea

The TCF industry plays an important part of the manufacturing sector of the City of Whittlesea. The total number of City of Whittlesea residents employed in the TCF sector, as at 2001, was 1,193, representing a decrease of some 318 since 1998. Together with the indirect positions lost in related areas, the total employment directly and indirectly affected by this downsizing is close to 400 positions. The economic impact of these job losses means that approximately \$10M in lost wage injection may not be available in the local or regional community.

The changes of employment in the TCF sector from 1998 to 2001 in the Northern Region of Melbourne LGA's is illustrated in the following table. These figures highlight that within a region perspective, the City of Whittlesea is impacted significantly by the change of employment in the TCF sector.

Total Persons Employed

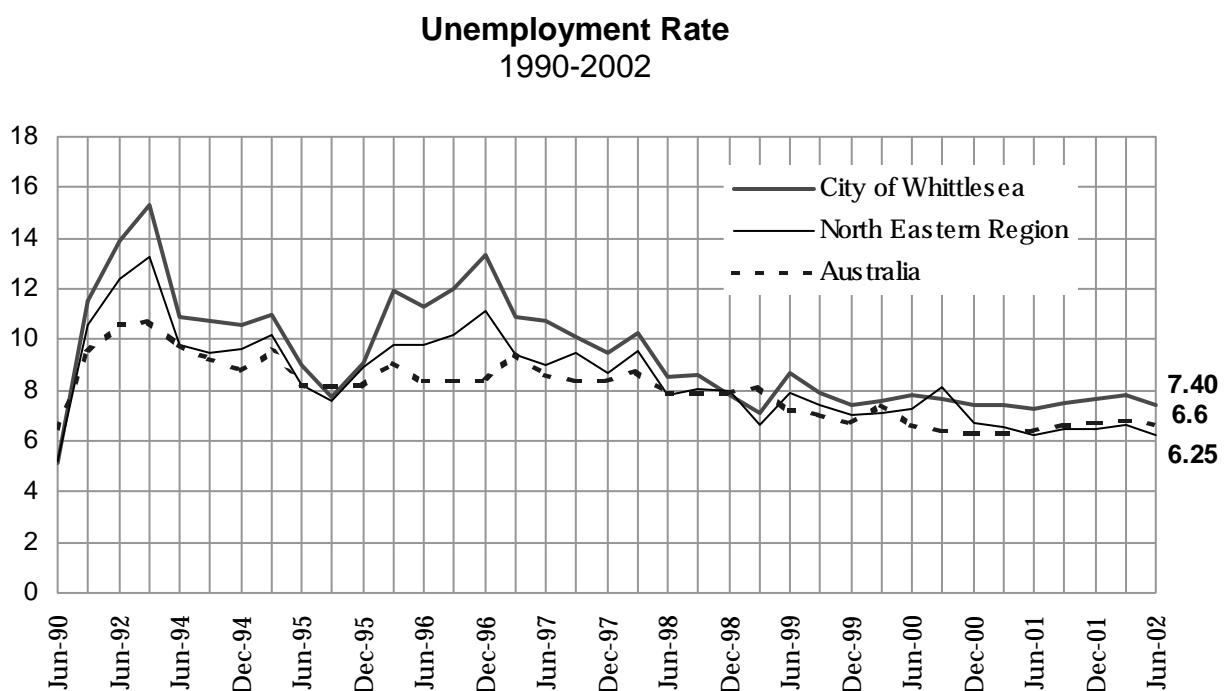
	1998	2001	Change in Employment	% Change in Employment
Banyule	389	386	-3	-0.7
Darebin	2,549	1,892	-657	-25.8
Hume	1,259	1,191	-68	-5.4
Moreland	3,892	2,318	-1,574	-40.4
Nillumbik	76	63	-13	-17.4
Whittlesea	1,511	1,193	-318	-21.0
Yarra	4,488	2,653	-1,835	-40.9
Northern Melbourne Total	14,163	9,696	-4,467	-31.5

(Source: NIEIR Employment Estimates)

5. Local Employment Issues

The City of Whittlesea unemployment rate for the June 2002 Quarter, is estimated at 7.40%. This result is much higher than the North Eastern region rate of 6.25% and a national rate of 6.6%.

Even though there has been a significant reduction in the unemployment rates over the past ten years, the table demonstrates that the City of Whittlesea consistently has an unemployment rate higher than either the North Eastern Region, or the Australian rate. The consequences of further employment losses in the TCF sector makes the task of keeping the local unemployment level at a comparable rate to the Northern Eastern Region and Australian, a more difficult task.



(Source: Department of Employment Workplace Relations and Small Business, "Small Area Labour Market" quarterly figures)

6. The Broader Consequences of Further TCF Job Losses

The City of Whittlesea has a higher proportion of persons who speak a language at home other than English (45.8%) than Melbourne SD (25.8%) or Victoria (20.0%) as well as a higher proportion of persons born overseas who arrived in Australia prior to 1986. Of those persons who were born overseas, the City of Whittlesea has a higher proportion who speak another language and who speak English 'not well', or 'not at all' compared with 14.7% for Melbourne SD and 13.6% for Victoria overall. (*Source: 2002 City of Whittlesea Statistical Bulletin Social Indicators*).

Furthermore, the City of Whittlesea has a higher proportion of persons aged 15 years and over who left school at Year 9, or Year 8 and below, than Melbourne SD or Victoria. The City also has a lower proportion of persons who stayed at school until Year 12 or equivalent (33.6%) compared with Melbourne SD (43.2%) and Victoria (38.9%). (*Source: 2002 City of Whittlesea Statistical Bulletin Social Indicators*).

In the TCF industry, the proportion of workers from non-English speaking backgrounds is 41%, compared to 23% for 'all manufacturing' and 14% for 'all industries' sectors. (*Source: ABS Labour Force Survey – Unpublished*).

Since many of the TCF workers who come from non-English speaking backgrounds are women and on average, have low skill and qualification levels, it is very difficult for these people to find permanent employment or to be retrained sufficiently to work at a similar level in another industry sector.

In fact, Webber and Weller in their study into the employment effects of tariff reductions in the TCF sector found that in their sample of retrenched workers, over one third were never employed again (*Source: 'Refashioning the Ragtrade' M Webber and S Weller, UNSW Press 2001, pg 262*). This study also highlighted that retrenchment of many in the sector lead to casual, irregular positions and contribute significantly to the national casual employment rate.

Considering the City of Whittlesea's current high unemployment rate and the higher proportion of non-skilled and semi-skilled residents, further reductions in employment opportunities in this sector, would provide significant hardship to a number of our residents, as well as potentially place further pressure on the already 'stretched' social security system.

As the Municipality is to grow in population by approximately 110,000 new residents in the next fifteen years, it is imperative that the employment opportunities be increased to meet the local needs. Losses of businesses such as Goodyear Tyres and Austrim in Thomastown, Dream Haven Furniture in Epping and the downsizing of South Pacific Tyres in Campbellfield have resulted in hundreds of jobs being lost from the region. Council is concerned that further reduction to the current TCF assistance package will result in the deterioration of more employment opportunities within the municipality.

7. A Regional Perspective

From a regional perspective, Melbourne's north represents a diverse mix of rural, semi-rural and metropolitan areas, a total population of over 800,000 people, 60,000 businesses and encompasses the municipalities of Banyule, Darebin, Hume, Moreland, Nillumbik, Whittlesea and Yarra (NACC Region).

The north of Melbourne represents almost 10% of the nation's manufacturing output. The Gross National Product during the period 1993-2002 has grown by 3.1% (*Source: NIEIR Estimate 2003*). However, in the Textile, Clothing and Footwear Industry it fell by 7,665, by far the largest fall in the category.

NACC Manufacturing Sector Employment

ANZIC Code	Industry	1991	2001	Change
21	Food	6,622	5,924	-698
22	Textiles, Clothing & Footwear	17,831	10,165	-7,665
23	Wood	3,320	3,689	369
24	Printing & Publishing	4,695	4,970	276
25	Petroleum & Chemicals	4,733	5,978	1,245
26	Non ferrous	2,364	1,818	-546
27	Ferrous	7,045	5,938	-1,107
28	Machinery	19,166	17,896	-1,180
29	Building	3,856	5,218	1,273

(Source: NIEIR Employment Estimates 2003).

Between 1991 and 2001, the number of jobs in manufacturing in the NACC region fell from 69,639 to 61,597. Within this decrease, 7,665 jobs have been lost in the TCF industry. Of the 30,062 Victorian jobs in the TCF industry, 32% or 9,696 out are concentrated in Melbourne's north. (*Source: NIEIR Employment Estimates 2003*).

The consequences of further job losses as a result of the reduction of TCF tariffs in businesses in these neighbouring municipalities, will have a direct impact on the local economy and employment opportunities for residents, since many of our residents commute to work in these neighbouring municipalities.

In comparing the changes in TCF Employment by Victorian Regions between 1998 and 2001, in the table below, the Northern Melbourne region has seen the second highest percentage reduction in employment in this sector.

Total Persons Employed

Victorian Country and Metropolitan Detailed Region	1998	2001	Change in Employment	% Changes in employment
Country	7,252	5,856	-1396	-19.3
Northern Metropolitan	14,163	9,696	-4467	-31.5
Southern Metropolitan	5,770	4,298	-4000	-69.3
Central Metropolitan	2,363	1,937	-426	-18.0
Eastern Metropolitan	3,517	3,529	12	0.4
Western Metropolitan	5,986	4,746	-1240	-20.7-
Victoria Total	39,050	30,062	-8988	-23.0

(Source: NIEIR Employment Estimates 2003).

It is also worth noting that the Federal Government in the Terms of Reference to the Productivity Commission into the Inquiry into Post – 2005 Textile, Clothing and Footwear Assistance Arrangements, specifically stated that ‘...*particular attention should be given to the impact of policy options on those regions where TCF accounts for a high level of regional industry concentration*’. Clearly, the northern metropolitan area of Melbourne with a decrease in employment of 4,467 since 1998 must be considered as a significant impact in the context of this evaluation criterion.

8. Industry Assistance Measures

The \$678M available under the Strategic Investment Program (SIP) is intended to encourage the TCF sector to improve competitiveness by increasing their levels of investment and innovation. The program is open to any entity undertaking eligible TCF manufacturing and/or design activities in Australia. There are five types of grants available under the SIP Scheme and eligibility criteria for each of these grant categories.

Feedback from local TCF businesses has highlighted concerns with the accessibility of these grants and the restrictive eligibility criteria. Many smaller businesses (which represent a larger proportion of TCF businesses in this region) feel that the scheme is only readily available to large companies. One reason for this view is the minimum of \$200,000 a firm must have of ‘eligible’ expenditure as well as the view that the process for applying for funding under the program was extremely complex. Often small business owners do not have the time, or expertise to complete detailed application forms or submissions.

Further concerns were that the eligibility provisions for plant and equipment under Type 1 Grants which restricts assistance to the purchase of only new equipment, not second hand equipment.

Council is also of the view that there needs to be funding available to the industry to assist with business and new market planning, sourcing export opportunities, skill development and training of the sector workforce, and exit strategies for those businesses leaving the sector and their displaced workers.

9. Conclusion

It is evident from this submission that the TCF industry is extremely critical to the local and regional economy of the City of Whittlesea and Melbourne's north. This submission has also highlighted that if tariff levels were to be reduced any further, and assistance not provided to the industry, the consequences to the viability of the strong manufacturing base and industrial sustainability of this growing area, will be significantly jeopardised.

This Council has a strong desire to ensure that as the population grows substantially in the near future, there are proportionally adequate employment opportunities for these new, as well as our existing residents. Manufacturing industries have been a strong base for supporting the local and regional communities of Melbourne's north, and placing sectors such as the TCF under further pressure and hardship, outside the day to day issues of running their businesses, is of great concern to this Council.

All forms of Government have a responsibility to support our industrial sector, and therefore, the Council of the City of Whittlesea reaffirms its position that;

- Tariff levels in the TCF Industry must remain at the current levels until at least 2010 and any further reduction after this time be subject to a review process in 2008.
- The Strategic Investment Program (SIP) and Extended Overseas Assembly Program (EOAP) Schemes remain at least at the current levels.
- The SIP Scheme be amended to allow easier access by those businesses which need assistance, as well as removing or reducing the \$200,000 threshold of eligible expenditure.
- The Government provide assistance in the form of initiatives to help the sector develop niche markets, export partners and innovative work practices to ensure competitiveness on a domestic and global scale.