

Monday, 26 May 2003

TCF Inquiry
Productivity Commission
PO Box 80, Belconnen
ACT 2616
E-mail: tcf@pc.gov.au

Dear Members of the Commission,

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

The City of Ballarat has received a copy of the Position Paper from the Productivity Commission in relation to the Post-2005 Textile, Clothing and Footwear Assistance Arrangements Public Inquiry. The City of Ballarat in conjunction with local employers has read through the Position Paper and whilst some concerns have been recognised by the Productivity Commission, there are still some other concerns that need to be addressed in the final recommendations.

As described in the original submission, the City of Ballarat still views the Textile, Clothing and Footwear industries as making up an important part of the local economy which is dominated by the manufacturing sector. The City of Ballarat also sees as significant the number of direct and indirect jobs created by the Textile, Clothing and Footwear industries in the local economy. Recent research undertaken by the Victorian State Government indicates that the current recommendations in the Productivity Commission's Position Paper would create a direct loss of employment in the Textile, Clothing and Footwear industries of 92 direct effective full time positions, and a further 82 indirect positions that are indirectly related to the Textile, Clothing and Footwear industries. The research undertaken by the Victorian State Government also indicates that there would be a net loss to the local economy of approximately 2.9% per annum.

The unemployment rate in Ballarat is at 8.1% or approximately 4,000 people registered as unemployed (December Quarter 2002, SALM). This compares to unemployment rates of 9% (September Quarter 2002), 9.5% (June Quarter 2002), 8.6% (March Quarter 2002), and 8.5% (December Quarter 2001). The number of people unemployed in Ballarat is still relatively high compared to other provincial cities and regions. It is suggested that this high level of unemployment could be structural and resulted from other downsizings that occurred in the Textile, Clothing and Footwear industries, and other manufacturing businesses in previous decades. The City of Ballarat and associated agencies have faced difficult challenges in returning people effected by structural unemployment back into the mainstream employment environment. It is likely those people made unemployed by the recommendations in the Position Paper will be at risk of becoming part of the long term unemployed population in Ballarat. This assumption is supported by the research that has been undertaken by the Victorian State Government, that suggests up to 60% of Textile, Clothing and Footwear industries workers have been unable to secure full time employment after being made redundant from the sector.

The City of Ballarat would like to submit that the Productivity Commission should examine further a number of areas where further support and policy development could assist the Textile, Clothing and Footwear industries that exist in Ballarat and the Central Highlands region. The City of Ballarat wishes to reinforce the issues that is raised in its original submission, namely that;

That tariffs remain at their current levels beyond 2005;

That the criteria for the Strategic Investment Program (SIP) scheme be re-examined and allow for more flexible purchasing of equipment, especially in relation to used equipment, and that the application process for SIP be simplified;

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;***

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;

That the Federal Government work closely with businesses leaving the sector to ensure that redundant workers receive all entitlements and allowances;

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;

That the commencement of the above initiatives occur before 2005 and allow interested businesses to prepare for the new more competitive environment;

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.

In addition to the initial recommendations above the City of Ballarat, after consultation with local employers would like to put forward some further recommendations,

That no labour market adjustment funds be withdrawn from or included in the SIP. The primary intention SIP is to encourage the industries that wish to continue to be globally competitive and seek the implementation of innovative strategies, not a labour market adjustment fund;

That realistic exit strategies be offered to those companies that have indicated that they will not be participating beyond 2005, regardless of the tariff levels. Companies willing to exit the industry should be assisted to allow for existing industries to reach their full potential and absorb the skills and expertise of staff and plant that may become available;

That the Federal Government be encouraged to examine areas where it could reduce taxes and levies to specifically assist the Textile, Clothing and Footwear industries, such as in relation existing duties on footwear parts (currently 5%) and in relation to imported dyes and chemicals (currently 3%) especially prior to and as the industry enters the post 2005 environment;

That the State Government be encouraged to examine areas where it could reduce taxes and levies to specifically assist the Textile, Clothing and Footwear industries, such as in relation payroll tax, especially prior to and as the industry enters the post 2005 environment;

That State and Federal Governments provide more staff to deal with the existing and future Textile, Clothing and Footwear industries;

That funds be made available to those Textile, Clothing and Footwear industries that are seeking to continue in the post 2005 environment in the 2003/2004 financial year to assist in their development and marketing;

That the Productivity Commission and both levels of Government explain in precise terms how those industries that are viewed as “winners” in the post 2005 environment have/will be identified and supported;

The above recommendations have been developed by local employers in Ballarat in conjunction with staff from the City of Ballarat. The City of Ballarat supports manufacturing, and in doing so the important role the Textile, Clothing and Footwear industries play in the local economy. Ballarat has had traditionally high unemployment and would view any type of reduction in employment and investment as detrimental to the local economy, business and community confidence.

If there is to be major labour market adjustment in the Textile, Clothing and Footwear industries, the City of Ballarat would like to have input into the development of new models and policies to address the resulting unemployment and re-skilling. There has in the past been a generic approach to this issue that has not been successful and the City of Ballarat believes that it should be addressed in a region by region manner.

At this stage the City of Ballarat cannot support many of the draft recommendations made by the Productivity Commission. The City of Ballarat again emphasizes the original points made in its initial submission and draws to the Commission's attention the additional points that have been outlined. Representatives from the City of Ballarat look forward to outlining the above concerns to the Productivity Commission on 5th June at Geelong.

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 over dyeing 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.

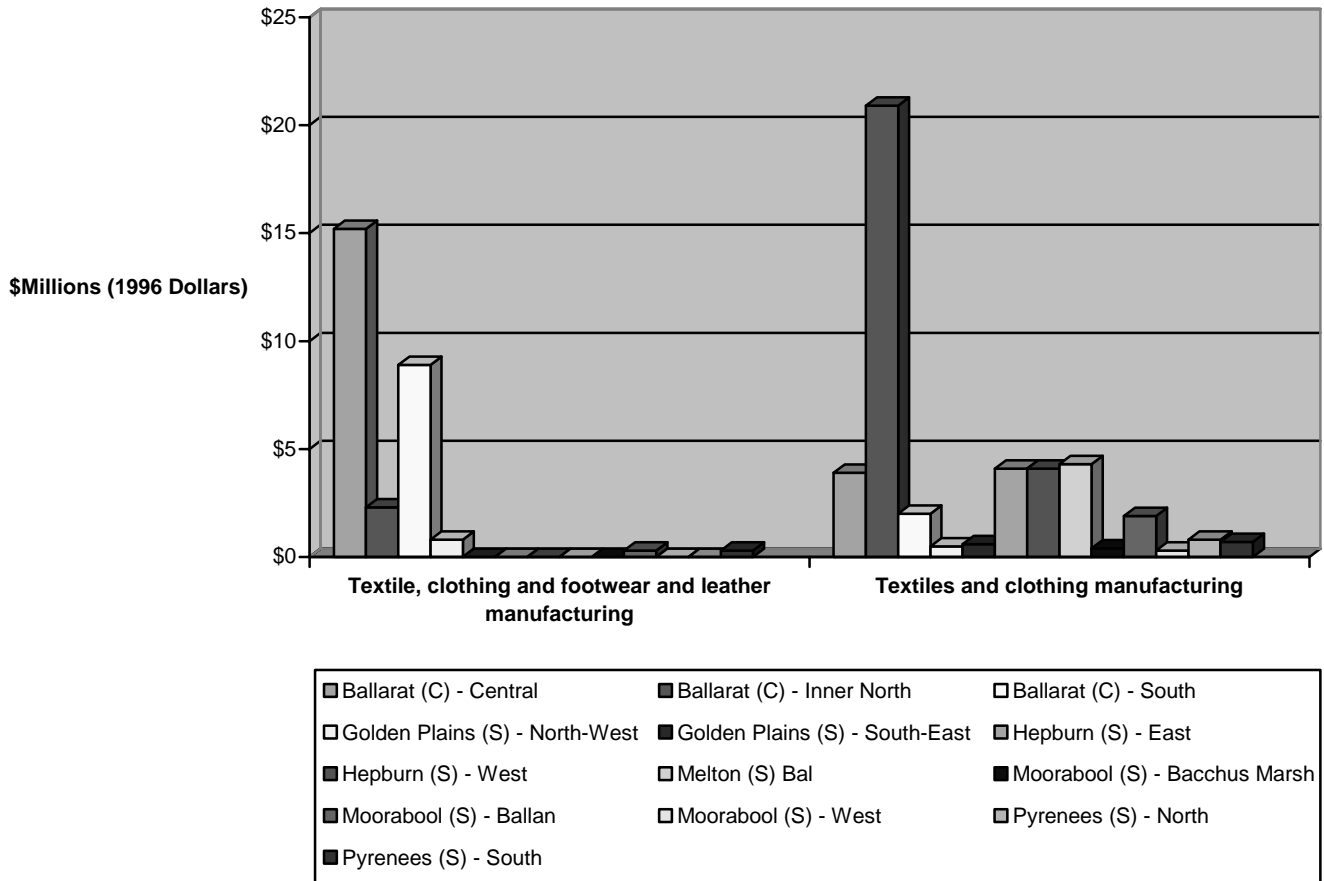
In applying mean taxable income of Ballarat residents, \$30,693 to each of these positions equates to a wage injection of \$15.3 million into the local economy each year. This investment in the local economy obviously supports the building and construction, transport and retail sectors as well as a diversity 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.