

Moreland City Council

Summary Response for Public Hearings

on the

Productivity Commission Position Paper on Review of TCF Assistance

Moreland City Council

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1 Purpose

The purpose of this paper is to provide the Productivity Commission with a brief summary document outlining Moreland City Council's response to the Commission's Position Paper on its Review of TCF Assistance prior to public hearings. This initial paper provides Council's broad response to the Position Paper along with locally-based research undertaken by Council in relation to the sector in Moreland.

A more detailed submission will be provided by 20 June 2003 which will include updated information on the sector in Moreland and further comment on some of the issues raised in the Position Paper.

2 Background

2.1 Council's Economic Policy

Moreland Council's core policy positions (known as Council's four "pillars") include a commitment to employment.

Creating a sustainable employment base

"Moreland will strive to create a stronger, more vibrant and diverse local economy as a key means of creating a sustainable employment base in Moreland.

Council is committed to working for a fair and prosperous local economy that maximizes employment opportunities, builds on the traditional strengths of local industry and develops new economic opportunities throughout the City.

Council is committed to ensuring that the benefits of economic growth are shared throughout the community."

2.2 Local TCF sector

Moreland is one of the Melbourne regions with a traditionally high concentration of TCF manufacturing.

The attached research report *Industry Review Textile, Clothing, Footwear & Leather (TCFL) Industries 2002* provides an overview of the sector in Moreland.

As the report shows Moreland has experienced significant industry and labour market adjustment in the period following the introduction of the revised tariff regime in 1998.

The report states in summary:

As at March 2002, there were around 160 TCFL manufacturing businesses in Moreland. These businesses employed around 1,900 people. Clothing manufacturing (50% of locations) is the main type of TCFL manufacturing in Moreland. Since 1996, Moreland has experienced a net loss of approximately 50 TCFL business locations (- 24%). This reduction has entailed a net loss of around 1,890 TCFL jobs (-50%). The vast majority of TCFL manufacturing businesses in Moreland employ less than 10 people. Very few large (100+) TCFL manufacturing firms remain.

In response to changing conditions, local firms are adopting a range of strategies, including: manufacturing off-shore; increasing the proportion of products imported versus manufactured; investing in skills and training; reducing staffing levels; increasing domestic sub-contracting; buying better equipment; focusing on niche export markets; investing in product development; changing product mix; focusing on high-end domestic markets; improving responsiveness to customers; developing distribution and logistic systems and sales to get closer to end customers.

The report also explored, in a fairly speculative way, a variety of issues relating to the sector in Moreland.

This overview of the state of play of the TCFL industry has identified a number of propositions that can be relied on with reasonable certainty.

- The tariff reductions scheduled for 2005 are very likely to occur as per the agreement between the TCFL industry and the federal government.
- The main subject for negotiation between industry and the government will be the Strategic Investment Program (SIP) regarding access to funding by small to medium businesses.

- Broad TCFL industry trends include continuing reduction in tariffs, internationalisation, manufacturing increasingly a variable for firms, smaller firms, emphasis on quick response and short production runs, specialisation in niche markets, increasing application of knowledge, emerging importance of non-woven (or 'technical' or 'industrial') textiles as a growth area, and increase in outworker workforce.
- Broad challenges are to improve capacity of TCFL firms to innovate, maintain a critical mass of firms and expertise, expand the international presence of local TCFL goods and services, and ensure the supply of skilled managers and workers in the long term.
- Local trends include the continuing net loss of TCFL businesses and jobs, continuing loss of large TCFL employers, smaller firms, and the increased use of sub-contractors and outworkers.
- Specific local challenges remain to be fully identified. However, there are a number of clear imperatives which many local TCFL businesses are already responding to, such as the need to re-position the business to exploit competitive advantages and developing a greater export orientation.

The implications for Moreland need to be considered in terms of the impact on local TCFL businesses and jobs, as well as the impact on residents employed in the TCFL industry. Three notional and speculative scenarios for the TCFL industry in Moreland are postulated: 'Competitive Advantage' Theory, 'Steady Decline' Theory, and 'Cluster Collapse' Theory. The last two of the scenarios are negative for Moreland; the first depicts a more optimistic future for Moreland.

Two obvious questions arise here:

- which scenario will materialise if "nothing" is done; and,
- what interventions are possible that could produce more desirable outcomes?

Some of the possible implications are: a need for some forms of industry assistance, continuing structural unemployment and associated impacts, possibility of surplus industrial land, need for smaller lots, need for mixed use zones, and the need to develop alternative job-generating industries.

Thus, a number of interventions need to be considered, such as: improved access to SIP funding, advocacy, re-training, social assistance, revised industrial land use strategy, and revised economic development strategy. Some of these interventions are already happening.

However, there are also a number of unknowns to be considered. For example, in deciding among the three scenarios and thus the likely rate of job loss. This needs to be the subject of further research, as this will determine what interventions will be necessary to alleviate negative impacts of tariff reductions on the social and economic fabric of Moreland.

Council is in the process of undertaking further research into the local industry and will provide the findings in its full submission in June.

3 Broad position on TCF & key responses to the PC's Position Paper

3.1 TCF future

Council regards TCF not as a sunset industry sector but one of continuing importance to the industrial and employment base of Moreland, Victoria and Australia.

Council considers that, with appropriate industry policy and appropriate pro-active support from all levels of government, the TCF sector can continue to adjust and make the transition to the innovative, responsive and sustainable industry sector it has the potential to be.

Council's major concern is that inappropriate tariff and industry adjustment measures will unnecessarily create uncertainty and a climate of decline, removing support for adjustment and growth opportunities by the sector.

Council is also concerned by the flow-on effects of a reduction in Australia's TCF manufacturing capacity, including to production of machinery and related service areas.

3.2 Modelling

Council notes that even the Commission's own modelling indicates that further TCF tariff cuts would result in only a very slight contribution of to the Australian economy as a whole, the usual argument favouring tariff reductions in the face of negative impact on a particular industry or region.

Council further notes that other modelling undertaken on behalf of the Victorian State Government shows a lesser positive impact on the economy as a whole, as well as more significant negative impacts on many regions, with Moreland and the north of Melbourne being amongst the hardest hit.

3.3 Council's position

Broadly, Council supports:

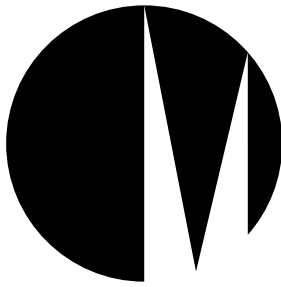
- not proceeding with the reduction in tariff levels legislated for 2005;
- the retention of the existing tariff levels to at least 2010 at which time further review could occur; and
- continuation of SIP funding at existing levels, along with an improved SIP framework which provides better, more flexible access to funds, especially for smaller firms and for broader purposes including workforce improvement;
- greater focus on effective labour market adjustment programs.

In Council's view this approach would enable a more stable transition for the sector.

In particular, reform of the SIP is important. The Commission's position paper has itself identified a substantial number of areas for improvement with the SIP. In general Council would tend to favour the approach described in Option A although with an even less restrictive set of criteria. Table C1 suggests that the SIP is not getting through to firms. Although explicit analysis is not provided it appears that the total amount allocated to the SIP for the period will not actually reach the hands of firms. This explicit analysis would be useful.

The Commission's attention has been drawn by many submitters to the very problematic issues of labour market adjustment associated with this sector. Council considers that the Commission needs to have a much clearer picture of both past and future effects on workers before committing to further tariff cuts.

Finally, a better way of dealing with issues surrounding outworkers is called for. The Position Paper touches on the issue but a more pro-active position is needed than just awaiting, over some indefinite period, for an assessment of outcomes of the voluntary code.



Moreland City Council

Industry Review

Textile, Clothing, Footwear & Leather (TCFL) Industries

prepared by Economic Development Branch

April 2002

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1 Introduction

This section outlines the purpose of this report, defines its scope and provides an overview of background issues.

1.1 Purpose

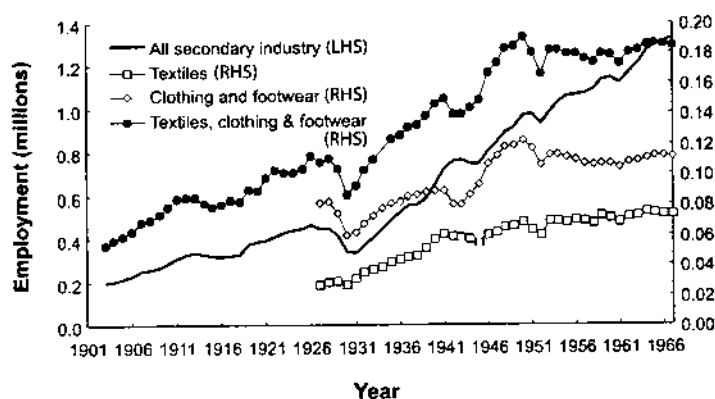
The purpose of this report is to inform Council regarding the current status of one of Moreland's key industry sectors. Since the 1920s,¹ and peaking in the 1950s and 1960s, the textile, clothing, footwear and leathersgoods (TCFL) industry has been a key employer and economic driver in the city. The rise in TCFL employment in Moreland over those decades roughly paralleled that for Australia as a whole (see Figure 1 below). Those halcyon days are long gone. The industry and, consequently, the economy of Moreland and its use of human and physical resources, have been subject to major change since the 1980s.

An enhanced understanding of the textile, clothing, footwear and leathersgoods (TCFL) industry will provide Council with a better platform for its decision-making and strategic actions, both in respect of its role in economic development for the city and as the local authority responsible for land use planning.

Figure 1

Employment in textiles, clothing and footwear, and all secondary industries, Australia, 1903/04 - 1967/68.

Source: Webber & Weller, 2001:45²



1.2 Scope

This report is seen as the first stage of a two-part review process and primarily uses secondary data to provide a strategic appraisal. Its emphasis is on the bigger picture at national and state level for which data and analysis is already available.

In addition to data from secondary sources, a survey has been conducted by Economic Development Branch that provides basic local statistics on industry structure.

Further locally based research work focussing on the intentions, needs and expectations of Moreland TCFL enterprises is planned as the second phase of this project. This second phase will result in recommendations for council action specific to Moreland's industry needs.

For the purposes of this report, the TCFL industry sector includes enterprises involved in spinning, weaving and knitting, design and finishing, the manufacturers of accessories and the manufacturers of technical textiles, carpet, footwear, household and apparel textiles, clothing and fashion goods, leather and leather products.

Key sources of information have included:

- ◆ Department of Industry, Science & Resources, *Textiles, Clothing, Footwear and Leather Industries - Action Agendas: A Discussion Paper*, March 1999.
- ◆ TCFL Action Agenda Advisory Board, *Towards 2010: the Action Agenda for the Textile, Clothing, Footwear, Leather industry - Report to the Minister for Industry, Science and Resources*, Feb 2000.
- ◆ Victorian Government, Department of State and Regional Development, *A Report on Victoria's Textile, Clothing, Footwear and Leather Industries*, September, 2000.
- ◆ Weller, S *Overview of the TCF & L Industries*, Centre for Strategic Economic Studies, Victoria University, Melbourne, 2001. Published @ <http://www.tcfoz.com.au/>.

1.3 Background

In 1997 Moreland City Council strongly opposed the recommendations of the Industry Commission (1997) report on the textile, clothing and footwear (TCF) industry. In partnership with local businesses, Council engaged in a major campaign, including:

- supporting the Textile and Fashion Council of Australia and the TCF Union of Australia;
- hosting a breakfast briefing for a number of local TCF businesses about the Commission Report;
- issuing media releases exposing weaknesses in the Commission report;

- preparing and presenting a detailed submission to the Industry Commission public hearings;
- launch of Council's submission at Jockey Australia factory in Coburg;
- participation in the launch of an Internet Web page to communicate public concern about the IC proposals directly to the Federal Government;
- sponsorship of newspaper advertisements in support of local TCF businesses;
- hosting a major forum at the then Melbourne College of Textiles (subsequently known as Melbourne Institute of Textiles and now known as RMIT Brunswick Campus);
- organising and participating in a deputation of Mayors to Canberra to lobby the Federal Government on this issue; and,
- providing local guided tour to officers from the Department of Industry, Science and Tourism as part of their information gathering for a report to the Minister.

Following this campaign, Council has had other dealings on this issue, such as:

- correspondence to the Federal Minister for Employment, Education, Training and Youth Affairs regarding the unemployment consequences of Federal TCF policy and the need for targeted programs to address labour market adjustments in the TCF sector;
- correspondence to the State Minister for Tertiary Education & Training supporting the then Melbourne Institute of Textiles (MIText) continuing as a stand alone specialist TAFE Institute; and;
- responding to the TCF 2000 assistance package by, for example, devising the 'Moreland TCF 2000 and Beyond Program' and supporting the implementation of this program by MIText by contributing \$10,000 to the program.

Melbourne Institute of Textiles (MIText) has become part of the RMIT University structure at its Brunswick location and continues as a vital part of the industry. Recent years have seen the closure of a number of major TCFL plants, such as Austrim Textiles in North Coburg and the Jockey Australia plant in Coburg, and the demolition of the former Hilton factory buildings. However, the Austrim Nylex business formerly located at Charles St Coburg has recently been acquired by 'MelbaTex P/L' (a consortium of local investors),³ the former CDA site in Sydney Rd is now occupied by 'Top West' (a knitting firm), and the former Hilton site in Moreland Rd is currently being redeveloped for warehousing. These are just some of the most visible signs of change in this industry sector at the local level.

2 Summary

2.1 National Perspective

A new Commonwealth Government TCFL policy and program framework commenced in 2000 and will operate until 30 June 2005. The current framework consists of a pause in the program of tariff reductions and the introduction of a range of other program support measures, such as the Strategic Investment Program. While most firms are supportive of the SIP program, many have raised concerns about it, such as the restricted access available to smaller firms.

Although TCFL products are among the most internationally traded, world trade remains heavily regulated through quotas. Furthermore, preferential tariff arrangements in combination with rules of origin requirements have created regional trade groupings.

Arrangements such as quotas and preferential tariffs are separate from those that operate under the World Trade Organisation (WTO). However, the Agreement on Textiles and Clothing aims to bring these industries under the WTO arrangements by 2005. Most countries are providing assistance to their TCFL industries to position themselves for the possible elimination of quotas.

The overall impact of a complex chain of policy and structural changes, particularly over the last 15 or so years, has been a gradual decline in domestic TCFL manufacturing capacity and a comprehensive reorganisation of the remaining firms. The pattern and timing of decline in the different sub-sectors has broadly followed the imperatives of labour cost, reflecting Australia's disadvantage in labour intensive production.

There are now three major trends in relation to sub-sectors - namely, location offshore; fewer but more efficient firms manufacturing locally; and, the competitiveness of the industrial textiles sub-sector.

Nevertheless, and despite their recent decline, the TCFL industries remain an important component of Australia's manufacturing landscape. Not all sub-sectors have declined with trade liberalisation. The local industry remains competitive in some high value added markets, especially in technology-rich products. Higher fashion segments of the clothing industry also remain competitive, especially those where the fashion cycle demands a quick turnaround time from design through manufacture to consumer.

Recent media reports suggest that the tariff reductions scheduled for 2005 are unlikely to be reconsidered. The next federal TCFL industry review will consider post-2005 assistance arrangements.

2.2 State Perspective

The Victorian State Government Strategic Audit of the TCFL Industries identifies issues, challenges and opportunities that companies, unions, governments and other stakeholders must address.

The Victorian Government provides a range of business development programs for industry, including TCFL industries. Funding is made available to companies on a case-by-case basis and is intended to assist, for example, with export and import replacement, business planning, training, change management, supply chain development and regional assistance.

The audit found that these programs are valued by much of the TCFL industry. Concern was expressed at the withdrawal of Commonwealth funding, as of June 2000, for a number of the TCFL specific programs.

Key recommendations of the report relate to information access and sharing, industry planning, marketing & promotion, government assistance, advocacy, education and training, and networking.

TCFL establishments in Victoria account for around half of all TCFL establishments in Australia. TCFL industries and firms in Victoria are broadly representative of the national industry. Consistent with the proportion of firms in operation, Victorian-based TCFL firms account for a large proportion of the economic activity that occurs within these industries.

The restructuring of Australia's TCFL industries since 1974 has had an accordingly large impact in Victoria in terms of plant closures, relocations and job losses. The national pattern of change essentially applies to Victoria.

Many firms contacted in the course of the State audit commented on the loss of local customers and suppliers, and the negative impact that recent closures have had on industry confidence.

Key features of change in the industry identified by the audit report include: TCFL industries are now highly internationalised; manufacturing has become a variable for firms; firms are smaller and developing quick response systems and niche markets are becoming the norm; TCFL industries are not integrated locally as processors of Australia's raw materials; knowledge intensive activities are becoming more important; and, employment of factory based workers has fallen but the outworker workforce has increased.

These strategies are similar to those being pursued by TCFL businesses in other developed countries.

2.3 Moreland Perspective

As at March 2002, there were around 160 TCFL manufacturing businesses in Moreland. These businesses employed around 1,900 people. Clothing manufacturing (50% of locations) is the main type of TCFL manufacturing in Moreland. Since 1996, Moreland has experienced a net loss of approximately 50 TCFL business locations (- 24%). This reduction has entailed a net loss of around 1,890 TCFL jobs (-50%). The vast majority of TCFL manufacturing businesses in Moreland employ less than 10 people. Very few large (100+) TCFL manufacturing firms remain.

In response to changing conditions, local firms are adopting a range of strategies, including: manufacturing off-shore; increasing the proportion of products imported versus manufactured; investing in skills and training; reducing staffing levels; increasing domestic sub-contracting; buying better equipment; focusing on niche export markets; investing in product development; changing product mix; focusing on high-end domestic markets; improving responsiveness to customers; developing distribution and logistic systems and sales to get closer to end customers.

2.4 Conclusions

This overview of the state of play of the TCFL industry has identified a number of propositions that can be relied on with reasonable certainty.

- The tariff reductions scheduled for 2005 are very likely to occur as per the agreement between the TCFL industry and the federal government.
- The main subject for negotiation between industry and the government will be the Strategic Investment Program (SIP) regarding access to funding by small to medium businesses.
- Broad TCFL industry trends include continuing reduction in tariffs, internationalisation, manufacturing increasingly a variable for firms, smaller firms, emphasis on quick response and short production runs, specialisation in niche markets, increasing application of knowledge, emerging importance of non-woven (or 'technical' or 'industrial') textiles as a growth area, and increase in outworker workforce.
- Broad challenges are to improve capacity of TCFL firms to innovate, maintain a critical mass of firms and expertise, expand the international presence of local TCFL goods and services, and ensure the supply of skilled managers and workers in the long term.

- Local trends include the continuing net loss of TCFL businesses and jobs, continuing loss of large TCFL employers, smaller firms, and the increased use of sub-contractors and outworkers.
- Specific local challenges remain to be fully identified. However, there are a number of clear imperatives which many local TCFL businesses are already responding to, such as the need to re-position the business to exploit competitive advantages and developing a greater export orientation.

The implications for Moreland need to be considered in terms of the impact on local TCFL businesses and jobs, as well as the impact on residents employed in the TCFL industry. Three notional and speculative scenarios for the TCFL industry in Moreland are postulated: 'Competitive Advantage' Theory, 'Steady Decline' Theory, and 'Cluster Collapse' Theory. The last two of the scenarios are negative for Moreland; the first depicts a more optimistic future for Moreland.

Two obvious questions arise here:

- which scenario will materialise if "nothing" is done; and,
- what interventions are possible that could produce more desirable outcomes?

Some of the possible implications are: a need for some forms of industry assistance, continuing structural unemployment and associated impacts, possibility of surplus industrial land, need for smaller lots, need for mixed use zones, and the need to develop alternative job-generating industries.

Thus, a number of interventions need to be considered, such as: improved access to SIP funding, advocacy, re-training, social assistance, revised industrial land use strategy, and revised economic development strategy. Some of these interventions are already happening.

However, there are also a number of unknowns to be considered. For example, in deciding among the three scenarios and thus the likely rate of job loss. This needs to be the subject of further research, as this will determine what interventions will be necessary to alleviate negative impacts of tariff reductions on the social and economic fabric of Moreland.

3 National Perspective

This section looks at the national policy and industry structure for TCF in Australia, with reference to international issues and trends.

3.1 National Policy Framework

A new Commonwealth Government TCFL policy and program framework commenced in 2000 and will operate until 30 June 2005. The current framework consists of a pause in the program of tariff reductions and introduction of a range of other program support measures.

The following **tariff regime** began on 1 July 2000 and will operate until January 2005:

- ◆ Apparel and certain household textiles - 25% until 1 Jan 2005 then 17.5%;
- ◆ Footwear - 15% until Jan 2005 then 10%;
- ◆ Cotton sheeting and woven fabrics - 15% until 1 Jan 2005 then 10%;
- ◆ Other fabrics - 15% until 1 Jan 2005 then 10%;
- ◆ Textile yarns - 5% and remaining 5% at 1 Jan 2005.

The package of **support measures** includes the following program activities:

- ◆ A \$700m Strategic Investment Program (SIP) which is aimed at encouraging investment, innovation and research and development in the TCFL industries;
- ◆ An expansion of the Overseas Assembly Provisions (EOAP) Scheme to include the offshore conversion of cut and uncut fabrics and leather into finished products and some post-assembly operations;
- ◆ A \$10m TCFL Technology Development Fund to support the development of new product and process technologies;
- ◆ A \$10m National Framework for Excellence in TCFL Training with the objective of creating a world class education and training infrastructure;
- ◆ A \$12.5m TCFL Market Development Fund to develop and implement sector-based strategies designed to increase Australian TCFL export capacity.

A recent Victorian State Government strategic audit report⁴ observes that, while most firms are supportive of the SIP program, many have raised concerns about it. These concerns include: whether the focus of the support on acquisition of physical assets is appropriate; the lack of direct support for internationalisation activities; the restricted access available to smaller firms; and the delay and uncertainty about the amount and timing of payments. The report identifies a lack of support for developing the intellectual capital of the TCFL industries as a major shortcoming of the national programs.

3.2 International Trends

TCFL industries are the second largest source of industrial employment in the world. In 2000, textiles and clothing industries accounted for nearly 8% of the world exports of manufactured goods.⁵

Although TCFL products are among the most internationally traded, world trade remains heavily regulated through quotas. Furthermore, preferential tariff arrangements in combination with rules of origin requirements have created regional trade groupings.⁶

Despite the continued existence of tariff and non-tariff barriers world wide, the global market place has been steadily expanding.⁷

A notable general trend in developed countries has been the emergence of strategies to avoid restrictions imposed by global trading blocs and also to take advantage of overseas (low wage) assembly possibilities. This avoidance of trading bloc restrictions can take the form of 'delocalising' production by moving operations to developing countries and supplying local markets or exporting to other markets from those locations.⁸

Within the developed world there has also been a continuing process of structural adjustment coinciding with the removal, or at least the appearance of removal, of impediments to free trade. However, progress in this direction has been uneven within both developed and developing countries.⁹

Arrangements such as quotas and preferential tariffs are separate from those that operate under the World Trade Organisation (WTO). However, the Agreement on Textiles and Clothing aims to bring these industries under the WTO arrangements by 2005. Most countries are providing assistance to their TCFL industries to position themselves for the possible elimination of quotas.¹⁰

Other direct incentives are often provided to these industries. For example, whereas Australia exports most of its cotton crop unprocessed, cotton producers in other countries add value through further processing to a much greater extent. This difference may well be because cotton spinning is heavily subsidised in both developing and developed nations that have cotton crops, but not in Australia.¹¹

Research¹² suggests that despite national and supranational assistance programs and international agreements on restriction or encouragement of trade, the long-term trend of the development of a country's textile and clothing is primarily determined by its overall level of economic development. Results of this research show that there has been a long-term shift of production in textiles and clothing from the developed to the developing countries. Since the

1970s, textiles, clothing and footwear production has shifted to low wage countries. China has emerged as the major world producer.¹³

Researchers in this field identify Australia as being among a group of highly developed countries characterised by high level commercial primary energy consumption, a high level of adoption of new technologies in spinning and weaving, high labour costs, high productivity, short production runs, 'high fashion' and 'own collection' product mix, a 'product/process' and 'specialist' industry structure, and rapid delivery times.¹⁴

3.3 National Profile and Trends

With the exception of its role as a supplier of wool for apparel markets, Australia is a very small player in the global TCFL industries and represents less than 2% of world production.¹⁵ Although its proportion of manufacturing Value Added (5.5%) is similar to comparable OECD countries, it has a smaller proportion of manufacturing employment (8.8%).¹⁶

Figure 2

TCF Value Added and Employment Shares in Manufacturing, 1993

Country	Value Added	Employment
	(%)	(%)
Italy	16.4	23.5
France	5.8	9.1
Australia	5.5	8.8
United Kingdom	5.0	10.1
United States	4.8	9.7
Japan	4.3	10.2

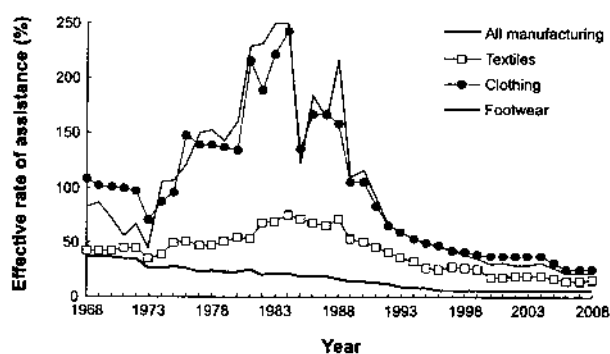
Source: Industry and Technology, Scoreboard of Indicators, OECD, Paris, 1995.¹⁷

Over the last fifteen years, the TCFL pattern of production has diverged from the general trend for Australian manufacturing. For example, gross product declined by 13% between 1984-85 and 1994-95, while for manufacturing overall it increased by 13%. In the six years 1990-91 to 1996-97, TCFL turnover fell by 4.5% and its proportion of manufacturing turnover fell by 2%. In the same period, value added fell by 7.9%. Value added as a proportion of turnover has fallen from 41.6% to 32.9%, falling at almost twice the rate of manufacturing as a whole.¹⁸

Figure 3

Rates of Assistance to the TCF sector, Australia 1968/69 - 2008/09

Source: Webber & Weller, 2001:63¹⁹



The overall impact of a complex chain of policy and structural changes, particularly over the last 15 or so years, has been a gradual decline in domestic TCFL manufacturing capacity and a comprehensive reorganisation of the remaining firms. The pattern and timing of decline in the different sub-sectors has broadly followed the imperatives of labour cost, reflecting Australia's disadvantage in labour intensive production.²⁰

There are now three major trends in relation to sub-sectors - namely, location offshore; fewer but more efficient firms manufacturing locally; and, the competitiveness of the industrial textiles sub-sector.

1. The more labour intensive industries have located offshore. Footwear manufacturing relocated early on, in the 1970s and 1980s. Then higher volume clothing, then the production of less fashion-orientated, medium-volume clothing. Overseas assembly locations preferred by Australian firms are China and Fiji, primarily due to the reliability of the contractors and the trusting business relationships which have developed over time.
2. Restructuring and rationalisation of the textiles industry in the early 1990s resulted in a much smaller number of firms in a more efficient sector. Local textiles firms are closely linked to the domestic clothing and made-up textiles industry.
3. In the case of industrial textiles, which mainly serve the textile-related needs of other industries, the situation is rather different. Tariff protection was never applied to this sector. Consequently, this sector developed businesses more able to compete with overseas producers.²¹

Nevertheless, and despite their recent decline, the TCFL industries remain an important component of Australia's manufacturing landscape.²² Not all sub-sectors have declined with trade liberalisation. The local industry remains competitive in some high value added markets, especially in technology-rich products. Higher fashion segments of the clothing industry also remain competitive, especially those where the fashion cycle demands a quick turnaround time from design through manufacture to consumer.²³

According to a recent survey of Australian manufacturing,²⁴ manufacturing employment fell by 3% in 2001 and is expected to fall by another 2% in the course of 2002. The biggest declines are expected in the TCFL manufacturing sectors, where employment is expected to contract by 5-10% of present levels. While auto industry investment is strong, the general investment outlook remains bleak. The largest declines are anticipated in clothing and footwear, as well as basic metal sectors. The Australian Industry Group takes the view that these trends underscore the critical importance of programs to support export growth, and investment in R & D, innovation and skills.²⁵

Figure 4

Something old: knitting machines going to scrap in a local knitting firm

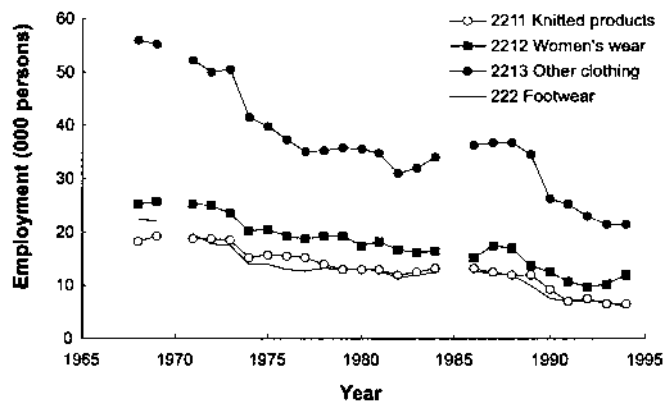
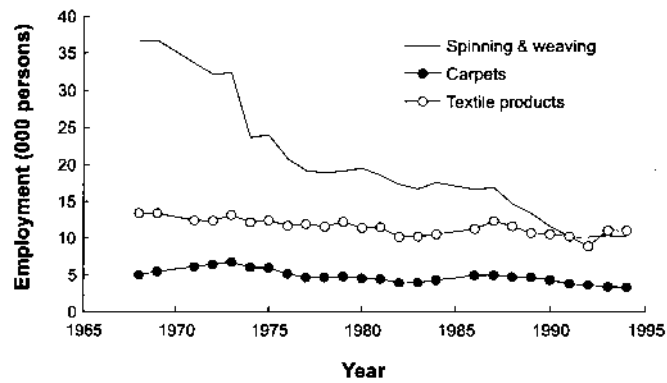


Recent media reports²⁶ suggest that the tariff reductions scheduled for 2005 are unlikely to be reconsidered. After meeting with the Minister for Science, Tourism and Resources in March this year, Paul Cohen, Council of Textile & Fashion Industries of Australia president, said tariffs would definitely be reduced in 2005. When the industry agreed to the Strategic Investment Program (SIP), they signed an agreement that tariffs would be reduced on January 2005. The next federal TCFL industry review will consider post-2005 assistance arrangements, and will not be initiated until after the car industry review currently underway.²⁷

Figure 5

Employment in TCF Industries, Australia 1968-95.

Source: Webber & Weller, 2001:185²⁸



4 State Perspective

The State Government recently conducted a TCF industry audit as part of a series of reviews of Victorian industry sectors. This section draws on that report to outline a picture of the industry closer to home.

4.1 Policy Framework

The Victorian State Government Strategic Audit of the TCFL Industries commenced in March 2000 and the Audit report was released on 9 November 2000 by the Minister for Manufacturing Industry. The report, the first to be released as part of the Bracks Government's Strategic Audit of Victorian Industry, identifies issues, challenges and opportunities that companies, unions, governments and other stakeholders must address. Completion of the strategic audit of Victoria's TCFL industries marks the beginning of the next stage: development and implementation of a Strategic Industry Plan.

The Victorian Government provides a range of business development programs for industry, including TCFL industries. Funding is made available to companies on a case-by-case basis and is intended to assist, for example, with export and import replacement, business planning, training, change management, supply chain development and regional assistance.²⁹

The audit found that these programs are valued by much of the TCFL industry. Concern was expressed at the withdrawal of Commonwealth funding, as of June 2000, for a number of the TCFL specific programs.

The audit report³⁰ identifies two major limitations of the State level programs.

- 1 The absence of a clear vision, strategic direction or framework and over-differentiated program options. An overall vision would enable a more holistic approach to assisting firms to be developed.
- 2 An emphasis on accountability in program monitoring rather than on learning and increasing firm, industry and government knowledge of what are the outcomes and what strategies are working.

Key recommendations of the report are presented below.

Information Access & Sharing

- Use of electronic portals to support information access and sharing.
- Conducting annual futures conferences on the industry.

Industry Planning

- The development of a strategic plan that is robust under conditions of great uncertainty.

Marketing & Promotion

- A strategic marketing campaign to address negative community perceptions of the TCFL industries and their future.
- Promoting internationalisation, innovation, critical mass and skill formation as the basis of strategy.

Government Assistance

- Reviewing national assistance programs for the sector to identify shortcomings.
- Seeking to maximise the benefits available to Victorian based TCFL firms from the SIP and other post 2000 TCFL programs.
- State Government program assistance to firms for enterprise development.
- Initiatives to support internationalisation.

Advocacy

- Advocacy on specific issues, such as dumping.

Education & Training

- Marshalling current industry technical, R & D and education and training infrastructure in the service of the TCFL industries.
- Developing approaches to meet education and training needs, including those of outworkers.

Networking

- Development of cluster-based or networking arrangements around access to special skills, R & D, IT, exporting, textile technology, design and means of diffusing knowledge from incubators.

4.2 State Profile and Trends

TCFL establishments in Victoria account for 49% of all TCFL establishments in Australia. TCFL industries and firms in Victoria are broadly representative of the national industry. However, in some sub-sectors nearly all of the industry production activities are located in Victoria, such as carpet production and hosiery and wool textiles.³¹

Consistent with the proportion of firms in operation, Victorian-based TCFL firms account for a large proportion of the economic activity that occurs within these industries, such as:

- 50% of total industry investment;
- 50% of Australian TCFL patents issued;
- 50% of the total business expenditure on R & D (the amount of R & D performed in Victoria has grown steadily over the past decade).³²

Approximately 20% of the State's TCFL industry employment and turnover are located outside of metropolitan Melbourne, spread over some 236 locations in regional Victoria.³³

The restructuring of Australia's TCFL industries since 1974 has had an accordingly large impact in Victoria in terms of plant closures, relocations and job losses. The national pattern of change outlined in the previous section also essentially applies to Victoria.

Many firms contacted in the course of the State audit commented on the loss of local customers and suppliers, and the negative impact that recent closures have had on industry confidence.³⁴

Key features of change in the industry identified by the audit report³⁵ are noted below.

1. **TCFL industries are now highly internationalised.** For example, both imports and exports of textiles have been growing.
2. **Manufacturing has become a variable for firms.** In particular, more and more firms are developing a complex mix of import, export, on shore and off shore supply. There is also convergence between manufacturing activities and business services, such as manufacturers focussing increasingly on production-related services, and retailers increasingly becoming involved in manufacturing related distribution and goods-related business services.
3. **Firms are smaller and developing quick response systems and niche markets are becoming the norm.** For most sectors, estimates of total output have fallen, whilst the number of firms has increased and the average size of firms has fallen.
4. **TCFL industries are not integrated locally as processors of Australia's raw materials.** Wool and cotton are largely processed and made into fabric offshore. Australia's textile industry now uses more man made or synthetic fibres than wool or cotton.

5. **Knowledge intensive activities are becoming more important.** Continued viability in the industry depends on a firm's knowledge capabilities such as product and market development, design, branding, service levels, supply chain management and distinctive technical capabilities. In addition, knowledge of the local market and integration of a firm's knowledge capabilities with IT is critical.
6. **Employment of factory based workers has fallen but the outworker workforce has increased.** The home-based labour force comprises family enterprises, predominantly of Asian-born migrants.

These strategies are similar to those being pursued by TCFL businesses in other developed countries.

Figure 6

Something new: modern knitting machinery in a local knitting firm



The TCFL Strategic Audit³⁶ identified a number of interrelated challenges for industry and government. These include the need to:

1. improve their capacity to **innovate**, both in how they do business and in development and in new products and services;
2. maintain a **critical mass** of firms and expertise;
3. expand the **international presence** of local TCFL goods and services; and,
4. ensure the supply of **skilled managers and workers** in the long term.

5 Moreland Perspective

This section profiles recent TCFL trends in Moreland. Most of the information presented in this section was obtained by means of a basic telephone survey administered over several months and concluding in March to update Council's database of TCFL businesses.

5.1 Statistical Review of Profile and Trends

- As at March 2002, there were around 160 TCFL manufacturing businesses in Moreland.
- These businesses employed around 1,900 people.
- Clothing manufacturing (50% of locations) is the main type of TCFL manufacturing in Moreland.

Figure 7

TCFL Business Locations & Jobs in Moreland, March 2002

ANZIC	DESCRIPTION	Number of Locations	%	No. Jobs	%
221	Textile Fibre, Yarn and Woven Fabric Mfg	12	8	248	13
222	Textile Product Mfg	24	15	319	17
223	Knitting Mills	26	16	452	24
224	Clothing Mfg	81	50	676	36
225	Footwear Mfg	12	8	180	9
226	Leather & Leather Product Mfg	4	3	25	1
TOTAL		159	100	1,900	100

Source: Economic Development Branch, Moreland City Council - TCFL Industry Review Survey (Stage 1), March 2002

- Since 1996, Moreland has experienced a net loss of approximately 50 TCFL business locations (- 24%). This reduction has entailed a net loss of around 1,890 TCFL jobs (- 50%).

Figure 8

Change in TCFL Business Locations & Jobs 1996-2002

Year	TCFL Locations	% Change	TCF Jobs	% Change
1996*	210		3,781	
2002†	159	- 24	1,900	- 50

* Source: ABS Business Register

† Source: Economic Development Branch, Moreland City Council - TCFL Industry Review Survey (Stage 1), March 2002

Most of the large TCFL employers of former years have gone. The vast majority of TCFL manufacturing businesses in Moreland employ less than 10 people.³⁷ Only a handful of large firms remain (see Figure 9 below). However, more than 90% of clothing firms (which is the majority TCFL sector in Moreland) have less than 20 employees, averaging 8 employees (see Figure 10 below).

Figure 9

Major TCFL Manufacturing Businesses In Moreland, 2002

Company Name	Description	Number of employees
Burlon Hosiery P/L	HOSIERY DESIGNERS M/FACTRS &/OR W/SALERS	200
Domestic Textiles Corporation P/L	MOSTLY WHOLESALE, SOME MFG	140
Tontine	TEXTILES MFG	120-130
J Boag Clothing P/L	SHIRTS M/FACTRS	80
Wisco Manufacturing Co P/L	MEN CLOTHING M/FACTRS	80
Top End Shoes	SHOES-M/FACTRS &/OR W/SALERS	75-80
Andorra Australia P/L	LINGERIE & SLEEPWEAR M/FACTRS &/OR W/SALERS	70
Australian Defence Apparel P/L	UNIFORMS-M/FACTRS &/OR W/SALERS	50
MelbaTex	TEXTILE MILLS	40
Anna Fiori	SHOES-M/FACTRS &/OR W/SALERS	30-40

Source: Economic Development Branch, Moreland City Council - TCFL Industry Review Survey (Stage 1), March 2002

Figure 10

Business Size by Type, Moreland 2002

ANZIC	DESCRIPTION	AVERAGE NO. EMPLOYEES PER TCFL BUSINESS	RANGE OF NO. EMPLOYEES
221	Textile Fibre, Yarn and Woven Fabric Mfg	21	2 - 140
222	Textile Product Mfg	13	1 - 125
223	Knitting Mills	17	1 - 200
224	Clothing Mfg	8	1 - 80
225	Footwear Mfg	15	1 - 77
226	Leather & Leather Product Mfg	6	3 - 12

Source: Economic Development Branch, Moreland City Council - TCFL Industry Review Survey (Stage 1), March 2002

In the course of the recent in-house survey, respondents volunteered a number of comments. In particular, many commented on the strategies they have adopted in response to tariff reductions. These strategies appear to include:

- Quit the industry
- Manufacture off-shore
- Increase proportion of products imported versus manufactured
- Invest in skills and training
- Reduce staffing levels
- Increase domestic sub-contracting
- Buy better equipment
- Focus on niche export markets
- Invest in product development
- Change product mix
- Focus on high-end domestic markets
- Improve responsiveness to customers
- Develop distribution and logistic systems and sales to get closer to end customers

Increased domestic out-sourcing is a key aspect in any assessment of job loss and employment issues in the TCFL industry. An unknown proportion of job losses are actually jobs that have been transferred out of the factory into the domestic environment. Many of these jobs are not recorded in official statistics. Nor are they concentrated in geographic areas to the same extent as factory-based activity. Therefore, Moreland would probably capture only a small proportion of such transfers into the domestic realm.

5.2 Quotes From Local TCFL Business Managers

This section paints an initial picture of the TCFL scene as it currently exists in Moreland. Drawn from the recent survey of Moreland TCFL businesses, the following quotes give a flavour of local industry. They reveal a range of perspectives and issues.

Case Study # 1 - Knitting Mill

The business has been here for 26 years. Current outputs are outerwear (2% of what it used to be), trimmings and promotional clothing. Since 1991, the outerwear side of the business has decreased because of imports - and there is a direct link with tariff policy. We used to make 3,000 knitted garments per week. The machines we used for knitted wear are now going to scrap. The five machines to be scrapped are each worth \$330,000. The women who previously worked in this factory now work in service industries - like hospitals, cleaning, etc.

Case Study #2 - Textile Product Manufacturer

Local aluminium manufacturers won't supply us with half-ton amounts because it is too small. So we have to import it from overseas - which is more expensive. It is difficult to produce a product to American standards at Chinese prices, which is what the market demands. Many TCFL businesses in Brunswick have been shrinking in recent years. The tariff reduction policy is naive - it has not delivered lower prices to consumers. A key problem is Australia's weak bargaining position in trade agreement negotiations. Other countries still have big barriers in place that make it hard for Australian producers to penetrate overseas markets in many industries. It is not merely a matter of Australian manufacturers 'becoming more competitive' - that sort of talk is mere rhetoric.

Case Study #3 - Knitting Mill

Equivalent products to those we produce can land in Australia for, say, \$10-15 and sold for \$100-140 in Myers, whereas we can't even buy the yarn for that amount. The main labels are getting their orders here and going offshore to fill them. They operate on high margins of 700-800% compared with 30-40% if they bought locally. Tariff reductions simply mean more imports, not reduced prices for consumers. We are now doing a lot of trimmings - this tends to be small volume work - for special sports events and corporate wear. We have previously sub-let our factory space as the business has shrunk. We would like to sell the property and re-locate to smaller premises.

Case Study # 4 - Dye Works

We are unlikely to still be in business after Christmas. I am looking for another job. I started in the industry as a junior 38 years ago. I am now 55 years old. My prospects of re-employment are not good. I have a young family to support. When I was studying at night at RMIT as a young man there were a vast number of TCFL businesses in this area. The demise of the 'Buy Australian' campaign has been an important factor in the decline of the local industry. Also, reduced profits mean that local industry can't invest in new machinery to remain competitive. In historical terms, Australia had only a small TCFL industry before WW2. Out of necessity, Australia had to expand the industry in order to produce needed textiles for things like parachutes and the like, with the sea-lanes being blocked. Defence is a major reason to maintain a local industry. Not only that, when local industry is wiped out, prices of imported product will rise. There are also the linkages to related industries and the knock-on effects if local industry goes that need to be considered.

Case Study # 5 - Clothing Manufacturer

We used to employ around 35 people in the 1980s. Now we directly employ 10. However, we also outsource to registered home-based contractors (about 20). The business is doing well. We have adapted by trying tailoring and small volume fashion manufacturing, which has worked out for us. A lot of people have exited from the industry, but those that remain now have a solid amount of work. Some things still have to be made here, especially in terms of filling orders that can't be met by imports (such as emergency orders or particular colours not available from overseas).

Case Study # 5 (Cont.)

I am finding it hard to both recruit young employees and retain them. Many people we employ only approach the job as a stopgap between jobs. Graduates from RMIT only want to be fashion designers, not machinists. I can't get locally born machinists. These invariably come from places like Vietnam or China, for example, and have picked up their skills since being in Australia. To recruit machinists, I advertise in Vietnamese newspapers, for example. Most TCFL workers are over 50 years old. Young people do not see the TCFL industry as a career path, as they accept the popular view that it is a 'sunset industry'. We no longer train people, as they are not committed to working in TCFL.

Case Study # 6 - Fabric Cutter

The clothing industry has moved to China, along with a lot of other labour intensive industries. The remaining businesses - in particular, those that deal with the major retailers - are sometimes able to continue due to the need for quick response and short runs. But, with overheads and rent, it is hard to make money out of it. It is hard to plan the business. And, if people want quick response, it is better for them to do it in-house, since they are actually trading with their own commodity, not just selling their labour (hours).

The situation could improve if the government introduced quotas to ensure a certain level of local content. Another option would be to devalue the Australian dollar to deter imports and boost exports.

Retailers try to get garments as cheap as possible. And tariff reductions *do* result in cheaper goods. But, the resulting loss of full-time, labour-intensive manufacturing jobs leads to reduced disposable income for many people. Part-time and casual employment, if they can find it, does not provide the same level of income and security. So these people buy their clothes at the markets, for example. Consequently, the major retailers like Myers are in trouble and are losing money in the clothing part of their business. Introducing quotas would be inflationary in the short term. But the only good thing about low inflation is low interest rates. The government is merely concerned to be seen to be doing the right thing, so they avoid policies that might be seen to be inflationary. The collapse of the major retailers in the near future could be an unintended consequence of current government policy. This would open up opportunities for smaller clothing makers-up, and thus create more jobs. There would be a loss of jobs initially, but the market creates its own balance over time.

6 Conclusions

This section canvasses the issues that have emerged in the course of this review, contemplates their potential implications for Moreland and Council and outlines some proposed next steps for the project.

6.1 Principal Issues

This overview of the state of play of the TCFL industry has identified a number of propositions that can be relied on with reasonable certainty.

- ♦ The tariff reductions scheduled for 2005 are very likely to occur as per the agreement between the TCFL industry and the federal government. The schedule of tariff reductions is given in Figure 11 (below).

Figure 11

Schedule of Tariff Reductions by TCFL Sector

Sector	Tariff until Jan 2005	Tariff post-Jan 2005
Apparel and certain household textiles	25%	17.5%
Footwear	15%	10%
Cotton sheeting and woven fabrics	15%	10%
Other fabrics	15%	10%
Textile yarns	5%	5%

- The main subject for negotiation between industry and the government will be the Strategic Investment Program (SIP) regarding access to funding by small to medium businesses.
- Broad TCFL industry trends include continuing reduction in tariffs, internationalisation, manufacturing increasingly a variable for firms, smaller firms, emphasis on quick response and short production runs, specialisation in niche markets, increasing application of knowledge, emerging importance of non-woven materials as a growth area, and increase in outworker workforce.
- Broad challenges are to improve capacity of TCFL firms to innovate, maintain a critical mass of firms and expertise, expand the international presence of local TCFL goods and services, and ensure the supply of skilled managers and workers in the long term.
- Local trends include the continuing net loss of TCFL businesses and jobs, continuing loss of large TCFL employers, smaller firms, and the increased use of sub-contractors and outworkers.

- Specific local challenges remain to be fully identified. However, there are a number of clear imperatives which many local TCFL businesses are already responding to, as indicated by the list of strategies given above (Section 5), such as the need to re-position the business to exploit competitive advantages and developing a greater export orientation.

6.2 Potential Implications for Moreland

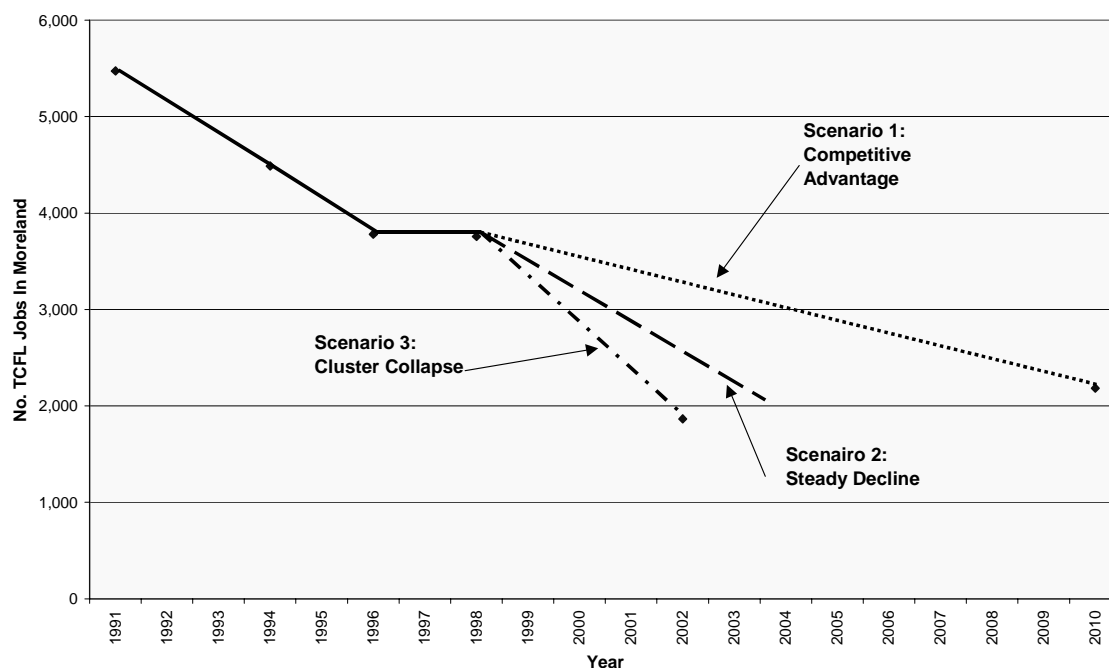
The implications for Moreland need to be considered in terms of the impact on local TCFL businesses and jobs, as well as the impact on residents employed in the TCFL industry. The following chart postulates three notional and speculative scenarios for the TCFL industry in Moreland. Two of the scenarios are negative for Moreland; the other depicts a more optimistic future for Moreland. Two obvious questions arise here:

- which scenario will materialise if “nothing” is done; and,
- what interventions are possible that could produce more desirable outcomes?

Figure 12

Trends in TCFL Jobs in Moreland, 1991 -

Source: ABS Business Register Data (1991-1998), Moreland In-House Survey Data (2002) and National Economics projection data (2010).



Scenario 1 (.....) - 'Competitive Advantage' Theory

On this theory, the TCFL businesses that still exist have already survived the worst of it and are sufficiently competitive to maintain their market position and levels of employment as tariff reductions continue. However, replacement of labour by machinery, re-location and re-organisation of some of the strong survivors will still result in some job losses. Hence, job losses will continue, but at a reducing rate. Government policy in recent decades has tended to rest on this theory.

Scenario 2 (- - - - -) - 'Steady Decline' Theory

On this theory, tariff reductions will continue to bite in much the same way as previously, resulting in the previous rate of job loss persisting into the future. In other words, most businesses will continue to operate in essentially the same way, and simply either downsize, re-locate or quit the industry altogether.

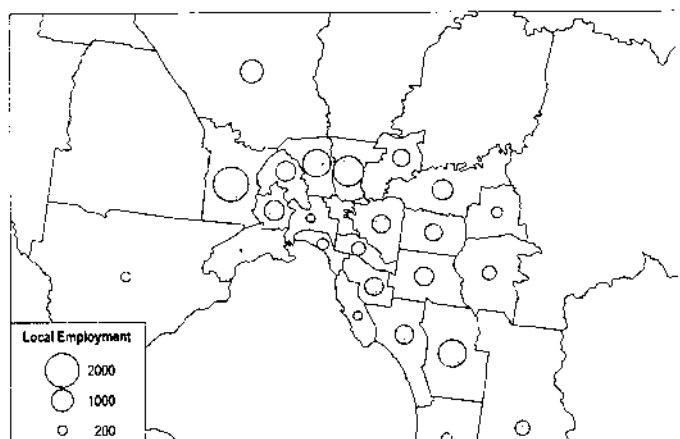
Scenario 3 (— - —) - 'Cluster Collapse' Theory

On this theory, the interdependencies among local TCFL businesses entail critical mass multiplier effects that will result in accelerated business failure or re-location and consequent job loss as tariff reductions continue. This theory is only relevant to areas with a high concentration of TCFL businesses, such as Moreland (see figure 13 below).

Figure 13

Clothing and Footwear Employment by Local Government Area - Melbourne Metropolitan Area, 1996.

Source: Webber & Weller, 2001:176³⁸



The draft Hansen Partnership & National Economics consultant report³⁹ on an industrial land use strategy for Moreland supports 'competitive advantage theory'. Recent in-house survey data points to 'cluster collapse theory'. Either way, we are likely to see a net loss of TCFL businesses and jobs due to business failures, re-organisation, re-positioning and re-location, among other strategies. However, new business and employment opportunities are also likely.

Some of the possible implications are: a need for some forms of industry assistance, continuing structural unemployment and associated impacts, possibility of surplus industrial land, need for smaller lots, need for mixed use zones, and the need to develop alternative job-generating industries.

Thus, a number of interventions need to be considered, such as: improved access to SIP funding, advocacy, re-training, social assistance, revised industrial land use strategy, and revised economic development strategy. Some of these interventions are already happening.

However, there are also a number of unknowns to be considered. For example, in deciding among the three scenarios and thus the likely rate of job loss. This needs to be the subject of further research, as this will determine what interventions will be necessary to alleviate negative impacts of tariff reductions on the social and economic fabric of Moreland.

6.3 Next Steps

It is planned to now undertake a local survey of TCF enterprises in Moreland to obtain a better understanding of how the wider policy issues and industry trends will be affecting the industry at the local level. Specifically, the research will investigate local TCFL business relationships, intentions and strategies in the context of government policy, trade agreements and market forces, with a view to identifying actions that will be effective in changing the course of development of this important local industry.

7 End Notes

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Also: Broome, R *Coburg: Between Two Creeks*, Lothian, Melbourne, 1987, p. 216-217.

² Webber, M & Weller, S *Refashioning the Rag Trade - Internationalising Australia's Textiles, Clothing and Footwear Industries*, UNSW Press, 2001.

³ It should be noted that the remaining 40 (casual) jobs located at this site have been made redundant and will terminate in August/September. The site itself is still owned by Austrim. Property divestment will be initiated after the sale and divestment of the business is completed. Part of the site is custom built for the purpose of being a dye-works. An expression of interest has been received from a dyer firm that is currently located in an inner city area. The remainder of the site (previously used for finishing and laminating) has no particular infrastructure on it.

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⁵ World Trade Organisation, *International Trade Statistics 2001*, October 2001, Switzerland, Table IV.1.

⁶ Victorian Government, Department of State and Regional Development, 2000, *op cit*, p. 5.

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- ¹⁹ Webber, M & Weller, 2001, *op cit*.
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- ²⁶ Australian Textiles & Fashion Magazine, *TFIA meets with the New Minister*, March 14, 2002. Published at www.textile2bcentral.com.
- ²⁷ The Productivity Commission called for submissions in relation to Post 2005 assistance arrangements for the automotive manufacturing sector in March 2002. The closing date for initial submissions is Friday 10 May 2002.
- ²⁸ Webber, M & Weller, S, 2001, *op ct*.
- ²⁹ Victorian Government, Department of State and Regional Development, 2000, *op cit*, p. 18.
- ³⁰ Victorian Government, Department of State and Regional Development, 2000, *op cit*, p. 18.
- ³¹ Victorian Government, Department of State and Regional Development, 2000, *op cit*, p. 7.
- ³² Victorian Government, Department of State and Regional Development, 2000, *op cit*, p. 7.
- ³³ Victorian Government, Department of State and Regional Development, 2000, *op cit*, p. 7.
- ³⁴ Victorian Government, Department of State and Regional Development, 2000, *op cit*, p. 12.

³⁵ Victorian Government, Department of State and Regional Development, 2000, *op cit*, p. 13-15.

³⁶ Victorian Government, Department of State and Regional Development, 2000, *op cit*, p. 24.

³⁷ Moreland City Council, *Moreland Industrial Land Use Strategy- Draft Final Report*, Feb 2002, pp. 21.

³⁸ Webber, M & Weller, S, 2001, *op cit*.

³⁹ Moreland City Council, Feb 2002, *op cit*, pp. 33.