

Productivity Commission Review of TCF Assistance

Submission to the Position Paper
by the
City of Greater Bendigo

June 2003

1. The Greater Bendigo Economy

The Textile, Clothing, Footwear and Leather (TCFL) industry has been and continues to be a significant contributor to the Greater Bendigo economy.

Greater Bendigo has borne its share of the restructure of the TCFL industry over the last decade with a significant number of jobs being lost from the industry with the closure of many businesses within the industry. Some of the businesses lost to Bendigo include John Brown/Sportscraft, Hilton Hosiery, Argus Clothing and Perfectfit Clothing. The economy is continuing to see losses in the sector through the recent closures of Rocklea Spinning Mills in June 2001 and Stafford Ellinson in March 2002.

Even with the loss of these businesses and employment there is still a core of a TCFL industry with a number of businesses which could be under threat if the current assistance to the industry does not allow them to make the transition to innovative export focussed manufacturers.

a) Employment in Greater Bendigo

The number of people employed in Greater Bendigo has grown by 4,732 (15.36%) from 30,817 on Census night in 1996 to 35,549 in 2001. This is a significant increase on the previous census periods, being 1991 to 1996 an increase of 1,521 people employed (5.19%), 1986 to 1991 of 2,433 (9.06%), and 1981 to 1986 of 1,547 (6.11%).

During the same period, employment in the Manufacturing Sector increased slightly by 168 persons (3.9%) to 4,503 people. Whilst there has been growth in the Manufacturing Sector it lags the rest of the Bendigo economy. The Manufacturing Sector is an important component of the Greater Bendigo economy as it provides a large component of the semi-skilled full-time employment, with an average wage of approximately \$34,700¹.

b) TCFL Employment in Greater Bendigo

Based on the 2001 Census² data, the number of people employed in the TCFL industry in the Greater Bendigo region is 494 people. This is a reduction of 218 people, or 30.8%, in the TCFL workforce compare to the figures record in the 1996 Census data of 712 people.

Figure 1 shows the changes in TCFL employment from 1996 to 2001.

We believe the number of jobs losses in this sector over the five year period has meant significant hardship for the people affected as well as the lost opportunities to build on our existing industry base and provide opportunities for the sector's retention and expansion. The employment growth in the manufacturing sector is clearly slower than the rate required to replace the jobs lost in this sector as well as providing job opportunities for new job seekers within the manufacturing sector.

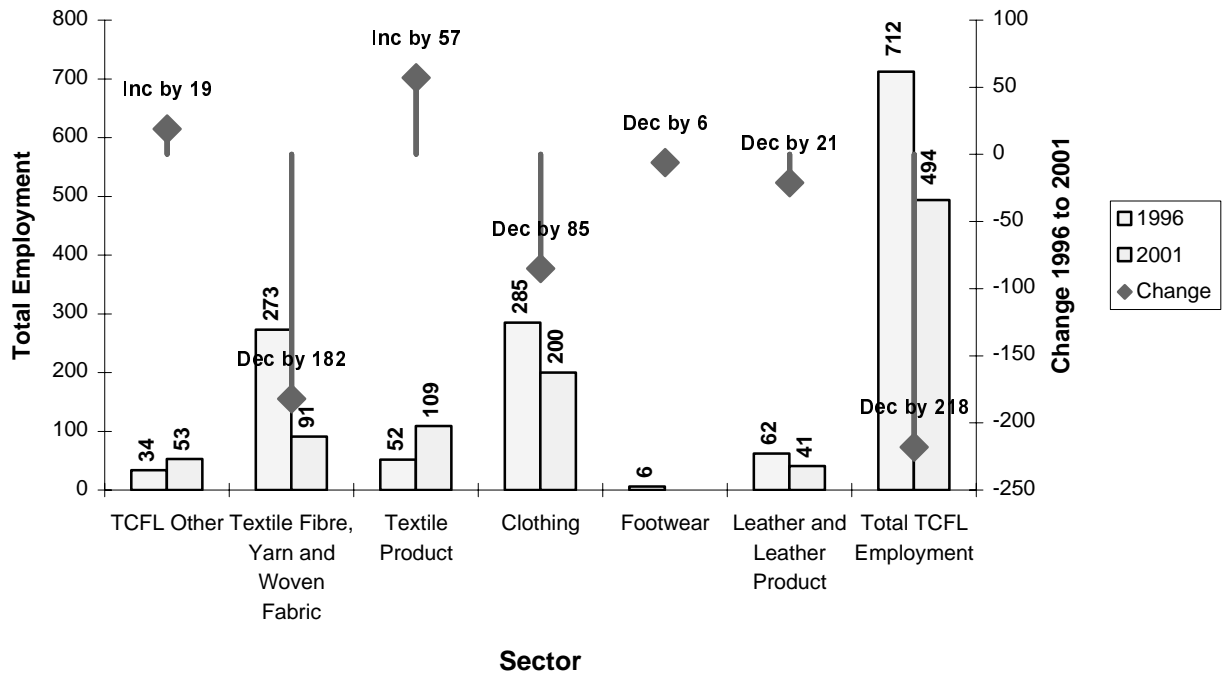
The greatest losses have been in the Clothing Manufacturing area, in particularly products which have faced significant cost competition from imported products, and in the Textile Fibre, Yarn and Woven Fabric Manufacturing.

¹ REMPLAN Greater Bendigo 2002: Centre for Sustainable Regional Communities, La Trobe University Bendigo.

² Census of Household and Population 2001: Employment by Industry Greater Bendigo LGA (Enumerated)

**Productivity Commission Review of TCF Assistance
Submission to the Position Paper by the City of Greater Bendigo**

Figure 1 - TCFL Employment Greater Bendigo



The two largest employers remaining in the sector in Greater Bendigo are Australia Defence Apparel (ADA) and Victoria Carpets. Victoria Carpets also have a facility in Castlemaine within the Shire of Mount Alexander. The Greater Bendigo region also benefits from the approximate 100 employees at the Castlemaine facility as a number of the employees live and shop in Bendigo.

Greater Bendigo's strong reliance on employment in the TCFL sector is highlight by the fact that 11% of manufacturing jobs are in the TCF sector, compared to 9% for Victoria.

c) TCFL Contribution to the Greater Bendigo Economy

Using economic modelling developed by the Centre for Sustainable Regional Communities at La Trobe University, we have been able to model the impact of the TCFL industry on the Greater Bendigo economy. Based on the current level of activity, the TCFL contributes to the local economy:

- 494 direct jobs (1.4% of total employment and 11.0% of manufacturing sector employment);
- \$18.8 million in wages and salaries;
- \$98.7 million in turnover or 1.24% of Greater Bendigo's Gross Regional Product; and
- \$27.9 million in value added.

The economic impact should the existing businesses be lost to the Greater Bendigo Economy is set out in Table 1(a). Modelling was based on the output of the TCFL identified by REMPLAN of \$98.668 million per annum. Modelling indicates that the regional economic impact is \$196.16 million in terms of total output. The purchase of inputs from other sectors in Bendigo and their

**Productivity Commission Review of TCF Assistance
Submission to the Position Paper by the City of Greater Bendigo**

consequent purchase of inputs provide an Industrial Effect of \$56.27 million distributed over a wide range of industry sectors. Workers employed directly and indirectly are responsible for an estimated annual expenditure of \$40.39 million (the Consumption Effect).

Greater Bendigo		ECONOMIC IMPACT		
Output		\$m		
	Final	Industrial	Consum-	Total
SECTOR	Demand	Effect	ption	
		Effect	Effect	
Agriculture,Forest,Fish	-	9.24	-	10.07
Mining	-	1.01	0.08	1.09
Manufacturing	98.67	20.58	6.32	125.57
Electricity,Gas&Water	-	2.29	1.51	3.80
Construction	-	0.11	0.04	0.16
Wholesale Trade	-	4.91	2.39	7.30
Retail Trade	-	1.59	7.87	9.46
Accomm.,Cafes&Rest.	-	1.28	2.56	3.84
Transport & Storage	-	5.24	1.28	6.52
Communication Serv	-	1.46	1.38	2.84
Finance & Insurance	-	1.42	2.71	4.13
Property&BusinessServ	-	5.94	8.64	14.58
Govt Admin & Defence	-	0.40	0.19	0.59
Education	-	0.17	0.94	1.11
Hlth&Community Serv	-	0.12	1.86	1.99
Cultural&Rec Serv	-	0.18	1.40	1.59
Personal & Other Serv	-	0.32	1.21	1.53
Households	-			
TOTAL	98.67	56.27	40.39	196.16
Type 1		Type 2		
Output Multiplier		1.57		1.99

Table 1(a). Scenario 1 – Output impact of a good season

Greater Bendigo		ECONOMIC IMPACT		
Employment		Jobs		
	Final	Industrial	Consum-	Total
SECTOR	Demand	Effect	ption	
		Effect	Effect	
Agriculture,Forest,Fish	-	76	7	83
Mining	-	2	0	3
Manufacturing	494	103	32	629
Electricity,Gas&Water	-	7	4	11
Construction	-	1	0	1
Wholesale Trade	-	34	17	51
Retail Trade	-	31	154	185
Accomm.,Cafes&Rest.	-	18	36	54
Transport & Storage	-	37	9	45
Communication Serv	-	9	9	18
Finance & Insurance	-	10	19	29
Property&BusinessServ	-	27	40	67
Govt Admin & Defence	-	4	2	6
Education	-	4	22	26
Hlth&Community Serv	-	3	40	43
Cultural&Rec Serv	-	2	16	18
Personal & Other Serv	-	6	23	29
Households	-			
TOTAL	494	374	430	1,298
Type 1		Type 2		
Output Multiplier		1.76		2.63

Table 1(b). Scenario 1–Empl. impact of a good season

The employment impact should the existing businesses be lost to the Greater Bendigo Economy is set out in Table 1(b). The number directly employed is 454 people. This leads to a total of 1,298 jobs once the flow on effects (Industrial Effect and Consumption Effect) are taken into account.

We would like the Productivity Commission to recognise and acknowledge the TCFL still has a significant role to play in the Greater Bendigo region.

2. Productivity Commission Position Paper

a) Regional Development

In undertaking the inquiry, the “Scope of Inquiry” stipulates that “*particular attention should be given to the impact of policy options on those regions where TCF accounts for a high level of regional industry concentration*”³.

The City of Greater Bendigo does not believe the report provides sufficient detail on the impact the past and current industry assistance package has had on regional communities such as Bendigo and Castlemaine, nor specifically addresses transitional and long term strategies for the retention and expansion of the existing TCFL industry base in regional and rural centres.

A significant loss of employment in the municipality, over the past decade, has come from nationally based firms with their management located in metropolitan areas. When decisions have been made to consolidate operations, Greater Bendigo has missed out. This is often the direct result of a lack of support from government to offer companies a reason to remain located in a regional centre.

Once a TCFL business is lost to a regional centre, it is lost forever. In Bendigo the previous facilities used have not lead to the establishment of another manufacturing business. They have been converted to other uses which do not have the same economic impact as businesses in the manufacturing sector.

We do not accept there is benefit to the national interest when regional centres loose business and employment to metropolitan areas. The national interest is also served through the support of vibrant and growing regional and rural centers.

We accept, as does the industry, that assistance cannot continue indefinitely, however there is still a significant period of transition that needs to be supported, particularly for TCFL businesses in regional and rural areas.

We recommend that TCFL assistance recognise the importance of the industry in regional and rural areas and provide targeted assistance for the retention and expansion of TCFL business in these areas.

b) Strategic Investment Program

The two major employers in Greater Bendigo, Australia Defence Apparel and Victoria Carpets, have indicated that the access to the Strategic Investment Program (SIP) has brought benefits to the Greater Bendigo region with increased investment and long term sustainability through product innovation as well as research and development.

i) Maintaining SIP Assistance

It is clear that regional communities such as Greater Bendigo have benefited from the current SIP assistance.

Greater Bendigo is dependent on two major employers to maintain the critical mass of TCFL activity and employment that is still going through a period of transition. The reduction of SIP Assistance, for the period until 2015, will impede investment by these companies. It will prevent them becoming a sustainable contributor to the economic and social fabric of the community.

³ Terms of Reference Review of TCF Assistance, 19th November 2002

**Productivity Commission Review of TCF Assistance
Submission to the Position Paper by the City of Greater Bendigo**

We don't believe any reduction in the level of expenditure for firms to access SIP Assistance would benefit us. We would like to see additional assistance being available to our major businesses.

We believe the currently level of assistance through SIP should be maintained for the ten year period following the current assistance commitment, i.e. 2005 to 2015.

ii) Extension of Type 1 SIP Assistance for Regional Development

The City of Greater Bendigo supports the companies view that there should be an increase in the percentage of eligible expenditure that can be claimed for Type 1 grants for new plant and equipment or buildings from 20% to 40%.

Alternatively, if the Productivity Commission does not believe in an "across the board" increase in the amount that can be claimed under Type 1 eligible expenditure, we believe that additional assistance would provide the Federal Government with an opportunity to have a positive policy towards the retention and expansion of the TCFL sector in regional and rural Australia.

We recommend a company should be able to make an additional claim of 20% of eligible expenditure (i.e. total claim 40%) under Type 1 SIP Assistance where the investment in new plant and equipment or building will be located in a regional or rural areas.

iii) Type 5 SIP Assistance Access for Local Government

The City of Greater Bendigo, through its Economic Development Unit, facilitates initiatives for the development and growth of the local economy. The strategic focus is not only on the attraction of new industry and businesses to the region, but more importantly, the retention and expansion of our existing industry base.

As an example of business retention and expansion in the manufacturing sector, we are currently working with three existing businesses within the Food Manufacturing Sector for the development of an international standard food manufacturing precinct. The investment of \$25 million will consolidate the businesses within modern and efficient manufacturing facilities as well as shared warehousing and logistics management. Important to the establishing of goodwill amongst the participating companies is the ability to access government funding to undertake opportunity and/or feasibility studies and support the establishment of the necessary infrastructure.

We would like to see the SIP Assistance scheme expanded so that regional areas, such as Bendigo, could access funding. This would provide an opportunity to undertake a development that would have benefits to regional and rural areas. This type of assistance would be provided where the type of expenditure would not necessarily meet the criteria of the current SIP Assistance arrangements.

We recommend that the access to Type 5 SIP Assistance be extended to local government authorities on a case-by-case basis, at the discretion of the Minister, where it can be demonstrated there will be a benefit to the local TCFL industry in its retention and expansion through local government facilitating industry based initiatives.

**Productivity Commission Review of TCF Assistance
Submission to the Position Paper by the City of Greater Bendigo**

iv) Labour Market Adjustment Programs

The access to SIP Assistance by companies is to provide an incentive for those companies to develop innovative products and be internationally competitive.

The assistance of governments is important at times when companies decide to close their facilities where the displaced workers and the local community looks to the government for this type of support.

Workers impacted upon through government policy in the TCFL industry should have access to such funding, and that funding should be in addition to funds made available under the SIP Assistance scheme. The Commission in its public hearing in Geelong on 5th June 2003 expressed the dilemma that widening the access to SIP Assistance beyond the current arrangements would limit the funds being made available to individual businesses.

We recommend that assistance be provided, separate and in addition to the current level of SIP Assistance, for labour market adjustment.

c) Tariff Reduction

There is no benefit to the Greater Bendigo region from further reductions in tariffs. In fact, the reduction in tariffs in the early nineties has lead to the significant re-structuring in the TCFL industry and the loss of a large number of businesses and employment in Greater Bendigo.

The industry now needs a pause in the reduction in the levels of tariffs so it can consolidate its position in regional and rural centres.

The Position Paper stipulates that the Productivity Commission believes *that “the gains likely to arise from tariff reductions in this sector [post 2005] are much smaller than when protection levels were much higher”*. We also note that the Productivity Commission has not made any comment or identified the impact tariff reduction has had on regional areas.

We recommend that the tariffs remain at 2005 levels until at least 2015 and that there be no further reduction in tariffs until it can be demonstrated that such a reduction will not have a negative impact on regional and rural centres.

**Productivity Commission Review of TCF Assistance
Submission to the Position Paper by the City of Greater Bendigo**

3. Conclusion

The City of Greater Bendigo has been significantly impacted upon by the restructure of the TCFL industry in Australia. However, Bendigo is also positioned to maintain and possibly expanded on the remaining industry participants into the future. This needs the right industry policy that positively encourages investment in regional and rural centres.

We would like the Productivity Commission to recommend policy options which provide for a positive approach to the development of the TCFL industry during the transition period in regional and rural areas.

The City of Greater Bendigo recommends:

- that TCFL assistance recognise the importance of the industry in regional and rural areas and provide targeted assistance for the retention and expansion of TCFL business in these areas;
- the currently level of assistance through the SIP should be maintained for the ten year period following the current assistance commitment, i.e. Year 2005 to 2015;
- a company should be able to make an additional claim of 20% of eligible expenditure (i.e. total claim 40%) under Type 1 SIP Assistance where the investment in new plant and equipment or building will be located in a regional or rural areas;
- that the access to Type 5 SIP Assistance be extended to local government authorities on a case-by-case basis, at the discretion of the Minister, where it can be demonstrated there will be a benefit to the local TCFL industry in its retention and expansion through local government facilitating industry based initiatives;
- that assist be provided, in addition to current level of SIP Assistance, for labour market adjustment; and
- that there be no further reduction in tariffs until it can be demonstrated that such a reduction will not have a negative impact on regional and rural centres.

Appendix A – REMPLAN Greater Bendigo

The economic impact was modelled using REMPLAN software, an economic model developed by the Centre for Sustainable Regional Communities, covering the City of Greater Bendigo. This model was developed using 2001 Census data. The model is a hybrid 17-sector input-output model with the ability to “drill-down” to 106 industry sectors and was developed using both national data (a top-down approach) and local surveys (a bottom up approach).

Key Terms used in Economic Modelling:

INITIAL EFFECT	The initial change in output resulting from some external change such as the reduction of sawlog allocations.
INDUSTRIAL SUPPORT EFFECT	The change in demand for inputs resulting from an initial change.
CONSUMPTION EFFECT	The change in demand for goods and services following an initial and industrial support change.
FLOW-ON EFFECT	The combined flow-on effects (=Industrial support + Consumption Effect) following an initial change as the effects ripple through the regional community.
TOTAL EFFECT	The overall effect covering the initial change and the consequent flow-on effects (=Initial + Flow-On effects)

The authors of the model Ian Pinge and Matthew Nichol participated in the Productivity Commission’s Economic Modelling Workshop held in Canberra on 20th March 2003.