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## Municipal Association of Victoria

18 June 2003

Mr David Robertson  
Presiding Commissioner  
TCF Inquiry  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

Dear Mr Robertson

### **Productivity Commission review of TCF assistance**

I am writing to you to support the position of Victorian councils who have made submissions to the Productivity Commission's inquiry into post-2005 assistance arrangements for the textile, clothing, footwear and leather industries (TCF). As such, this submission should be read in conjunction with those prepared by the City of Darebin, the City of Whittlesea, the City of Greater Geelong, the City of Ballarat and the Rural City of Wangaratta.

#### TCF in Victoria

As you would be aware, the manufacturing sector, and TCF in particular, is an important source of economic growth and employment in Victoria. This is the result of Victoria's historical strength as Australia's major manufacturing state. ABS data from 2001 shows that the manufacturing sector accounts for 15.3% of Victoria's total employment. The TCF element of the sector is responsible for half of Australia's TCF industries and Victoria has approximately 2,500 TCF businesses. These businesses make a significant contribution to local, state and national economies.

ABS data provides a snapshot of the Victorian TCF industry in 2001. It shows that the sector was responsible for:

- Contributing \$1 billion in wages and salaries annually;
  - Adding \$4.5 billion per annum in industry turnover;
  - Contributing \$1.6 billion per annum in value-adding activities;
  - Employing around 33,000 Victorians; and
- D Achieving approximately \$1 billion of exports a year.

However, the economic aspects are only one element of the TCF sector. The sector has other important characteristics, two of which should be acknowledged.

The first of these is the spatial concentration of TCF activities. In Victoria, these concentrations have been predominantly in northern metropolitan Melbourne and in regional centres such as Geelong, Wangaratta and Ballarat. In these regional areas, the clustering of TCF industries has created both economic opportunities and liabilities as local communities can benefit from horizontal and vertical integration opportunities and expertise. At the same time this clustering exposes local communities to structural change in the economy due to increasing globalisation of production, changes in consumer spending patterns and technological change.

The second important characteristic is the socio-economic profile of TCF workers in Victoria. Speaking in general terms, the employment profile of TCF workers tends to attract people from non English speaking backgrounds, often recent female migrants with a low skill base. These workers often have low employment mobility, finding it difficult to move to new jobs outside the TCF sector.

Taken together, issues of spatial concentration and workforce profile in the TCF sector manifest in a very real way for local government. Local government is faced with many challenges in addressing the economic and social impacts of structural reform to the economy at the local level, an issue that is often undervalued by decision makers at federal and state level. Unemployment and ongoing social disadvantage within some communities places local government services under particular strain.

#### Structural change to local economies

Clearly, major structural change has been occurring in Australia's TCF industry over recent decades. This structural change is being driven by more intense competition from suppliers in developing countries, changes in consumer spending patterns and technological change. This change has seen a rationalisation of production, changes to production and supply chains and the growth of both imports and exports.

A major impact has been an overall decline in the number of jobs in TCF industries, although there are a number of TCF producers who are internationally competitive. Victorian councils who have made submissions to the current review all report significant declines in TCF employment. Over recent years these declines include:

- D      From 1996 to 2001 a 46% decline in the City of Darebin to 1635 jobs;
- D      From 1996 to 2001 a 35% decline in the City of Greater Geelong to 2150 jobs; and
- From 1998 to 2001 a 21% decline in the City of Whittlesea to 1193 jobs.

It should be noted that these jobs losses are in direct TCF positions and do not include the loss of ancillary employment in areas such as transport.

### Future assistance for TCF

Submissions from Victorian councils reveal that many parts of Victoria's TCF sector are performing well through the development of niche markets, vertical and horizontal integration, export opportunities and using innovative work practices to improve domestic and international competitiveness. This includes fostering high-value jobs in areas such as design and product development while at the same time moving manufacturing roles overseas through the use of the extended overseas assembly provisions (EOAP).

Councils are rightly concerned that any premature lowering of current tariff levels would have a negative impact on the elements of the TCF sector that are performing well. Federal policy makers have an obligation to ensure the employment and economic performance of local economies with a significant TCF sector is not jeopardised by hasty tariff reductions and discontinuance of structural adjustment measures. The regional impacts of these decisions to Victoria cannot be underestimated.

As a result, the MAV supports the position of affected Victorian councils on the need to maintain the tariff freeze and simplify and broaden the Structural Investment Program (SIP) and the EOAP. Specifically, we would echo the calls of affected councils and urge the Commission to recommend:

- D Tariff levels in the TCF industry to remain at the current levels until at least 2010 and any further reduction beyond this time be subject to a review in 2008;
- D SIP and EOAP scheme be continued at least at current levels; and
- D SIP be streamlined to allow greater access to it across the TCF industry and the procedure for applying for funding simplified.

I look forward to seeing the outcomes of the Commission's work on this report given its importance to a number of local economies in Victoria.

Yours sincerely



**ROB SPENCE**  
Chief Executive Officer