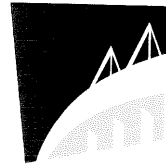


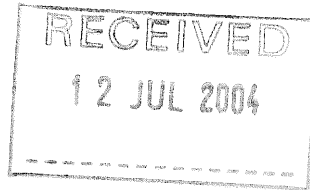
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Gateway to Growth  
W R E D O

7 July 2004



Dr Sarah Bachelard  
The Secretary  
Senate Economics Legislation Committee  
Room SG, 64  
Parliament House  
CANBERRA ACT 2600

Dear Dr Bachelard

**Inquiry into the Textile, Clothing and Footwear Strategic Investment Program  
Amendment (Post-2005 Scheme) Bill 2004 and the Customs Tariff Amendment  
(Textile, Clothing and Footwear Post-2005 Arrangements) Bill 2004**

I am writing on behalf of the six councils in Melbourne's west – Brimbank, Hobsons Bay, Maribyrnong, Melton, Moonee Valley and Wyndham with specific reference to the letter you sent to Cr Sam David, Mayor, Brimbank City Council on 29 June 2004.

In June 2003 the Western Region Councils Forum which comprises the six councils, made a submission to the Productivity Commission Inquiry into assistance for the Textile Clothing and Footwear industries. A verbal presentation was also made when the commission held a public hearing in Geelong in the same month.

Please find attached a copy of this submission which addresses the issues of your inquiry.

This issue is of great concern to us in the western region of Melbourne. In August 2003 a delegation of the six mayors and WREDO went to Canberra to present our case on the possible impacts of proposed Federal Government policies on our manufacturing sector. In addition to textile clothing and footwear, the impact to the defence shipbuilding, petro/chem and automotive industries were addressed. Details of this visit and a copy of the report commissioned for the visit can be viewed at [www.melbwest.com.au/wredo/events/canberra](http://www.melbwest.com.au/wredo/events/canberra).

If I can be of further assistance to your inquiry please do not hesitate to contact me.

Yours sincerely

Barbara McLure  
Executive Director

Western Region Councils Forum  
Submission to the Productivity Commission  
Inquiry  
into assistance for the  
Textile Clothing and Footwear industries

19 June 2003

**Western Region Councils Forum**  
**Submission to the Productivity Commission Inquiry**  
**into assistance for the**  
**Textile Clothing and Footwear industries**  
19 June 2003

Submission made on behalf of the six municipalities in Melbourne's West, namely:  
City of Brimbank  
City of Hobsons Bay  
City of Maribyrnong  
Shire of Melton  
City of Moonee Valley  
City of Wyndham

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Melbourne's western region comprises a network of over 43,000 businesses and six councils encompassing utility and infrastructure organisations, major corporations, educational institutions, small and medium-sized businesses, unions, government, community service providers, cultural organisations and the broader community.

The western region of Melbourne covers an area of 1,333 square kilometres and incorporates the local government areas of Brimbank, Hobsons Bay, Maribyrnong, Melton, Moonee Valley and Wyndham. It covers some 10 state government electorates and 5 federal government electorates and is home to over half a million people.

This submission to Productivity Commission will briefly cover

- the impact of Option 4 on the western region economy
- other factors in the western region that may compound the effect of further tariff reduction in the TCF industry; and
- the region's preferred position with regard to budgetary support following any reduction in tariff protection

## 1. Regional Impact of Option 4

### Impact on the regional economy

- 1.1. In determining the impact on the regional economy, we have undertaken a modelling exercise based on the assumption that Option 4 is implemented as outlined in the Productivity Commission's Position Paper. We have utilised an economic modelling tool, REMplan, developed for the western region of Melbourne by the Centre for Sustainable Regional Communities, Latrobe University. We acknowledge that there are some limitations to this particular model, and understand that the representatives from the Centre for Sustainable Regional Communities were present at the Economic Modelling Workshop held with members of the Productivity Commission in March 2003. However, we contest that this approach gives the most accurate picture and projections for our region currently available to us. In undertaking this analysis we have also taken into consideration the Econtech and MONASH modelling. Both of these models indicate that there will be substantial reductions in employment in the TCF sector in Victoria and in outer metropolitan Melbourne regions over-represented by the TCF sector. Melbourne's Western Region clearly falls into this category. We have also taken into consideration work undertaken by National Economics (NIEIR) on behalf of the Victorian State Government that forecasts employment reductions across the state over time. We openly acknowledge some reservations with the National Economics projections and have therefore more heavily relied on our own modelling.
- 1.2. In essence, our modelling indicates that:
- 1.2.1. 1,925 TCF jobs will be lost in the region with an additional 3,448 jobs lost in other sectors in the region (total job loss in the order of 5,373)
  - 1.2.2. A loss in household income of \$195.936 million or \$3,760,800 each week.
  - 1.2.3. A loss of \$520 million to the regional output and a reduction in the Gross Regional Output (GRP) of \$373.348 million.
- 1.3. In the Western Region of Melbourne the Manufacturing sector generates a total output of \$9,495.990 million annually which makes up 40.86% of total regional output. The sector also employs 35,153 workers or 22.02% of the total regional workforce. Annual wages and salaries amount to \$1,455.541m or just under \$27.9m each week. Regional exports from this sector amount to \$5,488.299m or 74.38 % while regional imports are \$3,334.710m or 57.71 % of total imports. The sector adds \$2,744.399m to the Gross Regional Product (GRP) which accounts for 27.12% of total GRP for Melbourne's West.

## 2. Impact on regional labour force/workers – TCF and other

- 2.1. Within the Manufacturing sector, TCF in the Western Region currently generates an output of \$124.461m and employs some 4,246 workers (ie. Jobs in the region). However, it is worth noting that the number of residents working directly in the sector, as opposed to jobs located geographically in the region, is in the order of 5,293, or 2.2% of the regional labour force.
- 2.2. Currently in the region these jobs are fall predominantly into two key areas:
  - High-skilled engineering/technical management jobs
  - Lower skilled/semi-skilled machinist, labourer occupations.
- 2.3. There has been a hollowing out of the intermediate level occupations in the TCF sector in the region since 1996. The distribution of occupations in this sector in the region generally follows a “U” curve weighted to the lower end of the scale. At this lower end, jobs are occupied by female workers, many from Non-english Speaking Backgrounds between the ages of 30 and 50, on a casual/part-time basis.
- 2.4. The western region of Melbourne has already sustained substantial decreases in employment for the ‘factory floor’ component of the TCF industry. In 1996, there were some 5,644 shop-floor jobs in the region. In 2001 this had reduced to 3,754 with the largest reduction in full-time female employment (down 37%) and male full-time employment (down by 36%). (refer TCF employment statistics – Western Region 1996, 2001)

## 3. Employment impacts

- 3.1. Given the outcome of our impact modelling and the existing data on employment decreases in the sector the region is particularly concerned about labour market adjustment. We understand from studies undertaken by the TCF Union and the State Government that impacts on previously retrenched TCF workers are not encouraging. We are concerned at the statistics that suggests 30% of TCF workers previously made redundant do not work again. We are particularly keen to see that any budgetary assistance provided also strongly targets appropriate labour market adjustment support, in particular for those workers displaced by the roll-out of tariff reductions.

4. Impact on resident workers
  - 4.1. For the past 12 months, the western region has been involved in the development of the Skills for the New West project: an inventory and audit of current and projected skill needs in the region. One of the factors influencing the development of this project was the clear imbalance in the jobs-to-resident workforce ratio that the region currently experiences.
  - 4.2. The Western Region of Melbourne currently has a population of approximately 550,000 people of which some 260,000 are under the age of 25. It has a regional labour force of 250,000 and 43,000 registered business entities employing around 160,000 people. At best, the region has a deficit of 90,000 people unable to be employed locally. In reality this figure is far greater as 2001 journey to work data indicates that up to 70% of employed people in the region travel outside of their home municipality to work. Within the region, these statistics have generated considerable debate:
    - 4.2.1. why do residents of the west appear to have more difficulty than people in other regions in accessing available jobs?
    - 4.2.2. do residents of the west lack the technical or generic skills and attitudes that employers in the region want?
    - 4.2.3. are residents of the west aware of the skill requirements of employers in the region?
    - 4.2.4. are there inherent barriers preventing local people from obtaining local employment and if so, what are they?
    - 4.2.5. are there particular barriers hindering the employment and further training and development of young people in the region?
  - 4.3. These issues are of particular relevance in considering the broader impact of a reduction in employment in the TCF sector in Melbourne's West. The preliminary data collected as part of the Skills For the New West project indicates that the TCF industry is one of the few sectors that actually employs local residents with relatively few "imports" from non-western region municipalities.
  - 4.4. It is important to note that there is limited current capacity for other businesses in other sectors in the region to 'pick-up' the people made redundant in the TCF industries as the region all ready has a significant over-supply of available labour.

5. Other factors at play in Melbourne's West
  - 5.1. In preparing this submission we have been careful to take into consideration other factors in the western region that may compound the effect of further tariff reduction in the TCF industry. These factors include recent large industry downsizing/closures including TCF industries such as Bradmill Undare, Kinnears Ropes, as well as non-TCF industries (eg. National Forge, proposed relocation of Tenix operations.) We are also mindful of the decrease/closure of support services for migrant workers/low skilled workers such as the recent cessation of Federal Government funding for the Inner Western Migrant Resource Centre.
  - 5.2. In addition, over recent years there has been limited support for Research and Development (TCF related and non-TCF related), or export assistance, in the region. As at June 2003 the region is not serviced by an Austrade TradeStart program; the Federal Government offers only limited export development assistance (ie. A single Austrade commissioner to cover the northern and western regions).
  - 5.3. The region is also concerned at the potential impact of the Productivity Commission's consideration on enterprise bargaining and the negotiation of Enterprise Bargaining Agreements in TCF firms in the region. It has been suggested to us that this may be a reason behind hesitancy from some local TCF businesses in putting forward their views to the Commission at this time.
  - 5.4. The western region is therefore concerned at the potential impact of the government's consideration of tariff reductions on EBA negotiations in TCF firms in the region and would not like to see scare campaigns directed either at firms or workers in the region that would jeopardise these discussions.
6. The Western Region's Preferred Position
  - 6.1. At this stage, pending the final recommendation of the Productivity Commission, the region prefers a pulling back on the rollout of tariff reduction, in particular taking into consideration the impact that a dramatic reduction in tariffs on Apparel and Finished Textiles will have on up-stream TCF businesses (eg. textile yarns, sewing threads etc which form the basis of the 'new' TCF industries in the Western Region of Melbourne – eg Australian Merino Spinners and ABMT in Melton).
  - 6.2. We also strongly support the maintenance of SIP-like funding levels at 2003 levels until 2015 and would not like to see a reduction in this funding support as outlined in the position paper.
  - 6.3. We would like to recommend a close re-examination of SIP-like assistance to provide a far more flexible support package with greater emphasis on local communities with support not only for TCF industries but also for supply chain businesses and workers made redundant as a result of tariff reduction. We would suggest an application process to be more in line with a Regional Assistance Program (RAP) process or model currently administered via the Area Consultative Committees out of Federal Department of Transport and Regional Services. In our view, assistance needs to be far more flexible and in tune with specific regional needs. It also needs to be targeted to Victoria where all indicators suggest the greatest negative economic impacts will occur, particularly in the Western Region of Melbourne.

7. Issues specific to the six local municipal areas
  - 7.1. **Brimbank** : The City of Brimbank has a very high number of resident workers directly employed in the TCF sector (2,500) and also a large number of jobs located in the municipality (1,300). Brimbank has already experienced significant impact from earlier tariff reductions in the sector with parts of the municipality experiencing unemployment rates significantly higher than the national average.
  - 7.2. **Hobsons Bay**: The City of Hobsons Bay has a large number of residents engaged in manufacturing occupations. A key contributory issue affecting Hobsons Bay is the impact that the mooted closure of the Tenix shipbuilding operations in Williamstown will have on the local economy. The threat of this closure alone places additional pressure on the area to maintain manufacturing firms that are engaged in new technology manufacturing (eg. Port Phillip Wool Processing. Canvas makers, etc.)
  - 7.3. **Maribyrnong**: The City of Maribyrnong has recently experienced direct threat to resident employment in the TCF sector from the reduction in staffing at Bradmill Undare and the closure of Kinnears Ropes. While Maribyrnong remains a key generator of employment for western region workers because it has a diversity of industry sectors, there have been significant losses incurred by resident workers. In recent years Maribyrnong has made concerted efforts to encourage new economy businesses to establish in the area however, global downturns and events have to some extent hampered these efforts (eg. Lonely Planet Publications – facing job losses because of downturn in tourism)
  - 7.4. **Melton**: The Shire of Melton is home to some prime examples of ‘new economy’ TCF businesses. These businesses are on the whole high tech, targeted, specialist, operating in niche markets but still vulnerable to dramatic reductions in tariffs within the sector as they are predominantly up-stream businesses, value-adding to primary product for use by apparel industry. (eg Australian Merino Spinners, ABMT textiles).
  - 7.5. **Moonee Valley**: The City of Moonee Valley provides substantial services sector support to TCF and transport/logistics related operations. Moonee Valley also has a significant proportion of residents employed in the TCF sector, mainly at the higher skilled positions (eg. engineering, management positions).
  - 7.6. **Wyndham**: The City of Wyndham has a high number of workers employed in supply chain businesses both upstream and downstream from TCF firms. Residents are also employed directly in the industry, in particular in wholesaling/distribution/warehousing operations associated with the TCF industry. Wyndham is one of the few municipalities in the region with sufficient industrial growth to ‘soak up’ a shift in employment from TCF businesses to other industries. However, this is reliant on no other adverse labour market adjustments in the region.