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NIETL
"ENTERPRISE NETWORKING"

NORTH Link
Networking for Economic Development

"The Pause that refreshes"

NIETL/NORTH LINK SUBMISSION TO PRODUCTIVITY COMMISSION, POST 2005 TCF INQUIRY

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INTRODUCTION

NIETL/NORTH Link, is a regional economic development network incorporated as a community association comprising industry, education and local government representatives.

NIETL/NORTH Link is focussed on stimulating economic development in Melbourne’s northern region, a region encompassing the cities of the Cities of Banyule, Darebin, Hume, Moreland Nillumbik , Whittlesea and Yarra.

The region represents a diverse mix of rural, semi-rural and metropolitan areas and a total population of over 800,000 people and 60,000 businesses.

NIETL/NORTH Link provides the framework within which key stakeholders in the northern region can work together towards the economic development of the region.

NIETL/NORTH Link was established in August 1995 with a Board of Management comprising local government, industry and education and the Northern Area Consultative Committee (NACC).

The current Productivity Commission Inquiry and proposed changes to TCF industries have united the region in their concern as to the fundamental effect these recommendations will have on the region as a whole and to the appropriateness of their timing and degree.

NIETL/NORTH Link has been actively supporting individual regional initiatives and the activities of its member municipalities, as well as other municipalities with a strong TCF presence. Many of these organisations will be making individual submissions to the Productivity Commission and this submission supports those through provision of an overall regional perspective for the northern region of Melbourne.

EMPLOYMENT/UNEMPLOYMENT IN THE NORTHERN REGION OF MELBOURNE

Unemployment rate comparisons for the northern region as at January 2003 showed an unemployment rate of 8% - well above the Victorian average of 5.8% and the Australian average of 6.5%.
(Source NIEIR estimates)

The northern region of Melbourne provides employment for 9696 persons in the TCF Industry so changes to industry assistance to that industry will cause the unemployment rate to deteriorate further compared to the rest of Victoria and Australia, due to the concentrated employment in TCF in the region.

The changes in employment since 1998, the time of the previous Industry Commission Tariff reductions are illustrated in the table below

Changes in TCF Employment by Region & Northern Melbourne LGA

Total Persons Employed

(a) Victorian Country & Metropolitan Detailed Region	**1998**	**2001**	**Change in Employment**	**% Changes in Employment**
Country	7,252	5,856	-1396	-19.3
Northern Metropolitan	14,163	9,696	-4467	-31.5
Southern Metropolitan	5,770	4,298	-1472	-25.5
Central Metropolitan	2,363	1,937	-426	-18.0
Eastern Metropolitan	3,517	3,529	12	0.4
Western Metropolitan	5,986	4,746	-1240	-20.7
Victoria Total	39,050	30,062	-8989	-23.0
(b) Northern Region of Melbourne LGA's				
Banyule	389	386	-3	-0.7
Darebin	2,549	1,892	-657	-25.8
Hume	1,259	1,191	-68	-5.4
Moreland	3,892	2,318	-1574	-40.4
Nillumbik	76	63	-13	-17.4
Whittlesea	1,511	1,193	-318	-21.0
Yarra	4,488	2,653	-1835	-40.9
Northern Melbourne Total	14,163	9,696	-4467	-31.5

SOURCE: NIEIR Employment Estimates

The concentration of employment within regions is an important consideration for TCF Industry because unemployment effects are concentrated in local communities rather than spread evenly throughout the general population. Thirty-two per cent or 9696 out of 30062 Victorian jobs in TCF are concentrated in Melbourne’s North so the potential adverse social consequences at a regional level are significant.

Very large contractions in TCF employment have taken place throughout the northern region since 1998, in addition to the large reductions prior to 1998. Employment in TCF Industry from the northern region has decreased by 31.5% by 4,467 persons, from 14,167 to 9,696 over the period 1998 to 2001, a very serious situation indeed for the northern region of Melbourne.

The decreases in TCF employment since 1998 especially in Darebin (25.8%), Moreland (40.4%), Whittlesea (21.0%) and Yarra (40.9%) are so severe as to threaten the viability, critical mass and the ability of TCF to restructure into niche markets and to fund the innovation, research and development necessary to operate in the higher value added TCF market areas.

TCF Industry is a significant employer in the northern region of Melbourne and represents an area of concentrated TCF employment. It provides a case study of the likely impacts on a number of regions across Australia of reduced TCF assistance.

This has been previously well documented in **"A Review of the Regional Impacts of Reduced Assistance to the Textile, Clothing & Footwear Industries"** *(NIEIR 1992)* which identified the adverse affects of reduced TCF Industry assistance on regions including Northern Melbourne, Geelong, Illawarra, Northern Adelaide, Wangaratta and Warrnambool.

The TCF Industry employs many people who live locally and contribute to the local economy. They are likely to remain unemployed if displaced because they have low skill levels; come from a comparatively older workforce and comprise a high proportion of non-English speaking backgrounds.

A PAUSE FOR AND REFRESHMENT OF TCF

TCF Industry is still characterised by:
- concentration of employment in regions and
- still relatively low job mobility

Timing of TCF assistance reduction is of as critical importance as the quantity of the reduction.

A pause in tariff reductions at this point in time will:
- minimise unemployment affects in the northern region
- provide equity for low skilled, low job mobility workers
- allow more for continued restructure of a previously protected sector into a more efficient and competitive industry, whilst it still has the critical mass necessary for survival – a process that is taking place at a rapid pace

The low mobility and comparatively older workforce in TCF Industry will result in high socio-economic costs due to low labour mobility as the additional unemployed are unable to find jobs.

The important study by Sally Weller of the University of Melbourne showed that of 600 workers retrenched from TCF Industries between 1991 and 1993, 53% were without jobs two years later and that of 66 retrenched women from non-English speaking backgrounds, only ten had worked at all since losing their jobs. In the long run 1/3 found comparable jobs, 1/3 never worked again and 1/3 went part time.

The aged workforce is being replaced by a more literate, better educated, younger and more mobile labour force as the former reach retirement age and as innovative TCF firms move into niche markets.

The new and younger labour force and resultant infusion of new ideas has hastened the emergence of world class northern region TCF companies that are identifying market niches in TCF products.

Some interesting examples of Northern region TCF companies that have achieved success through innovation and niche markets include:

- *Textor, industrial non woven fabrics*
- *Highmark Shoes, military and emergency services footwear*
- *Bellview Hosiery, sports & medical socks*
- *Defab, innovative fabrics for niche uses*
- *Genevieve, specialist dyeing services*
- *Australian Knitting Mills, thermal and protective undergarments*
- *Norman Ritchie Textile Group, worsted wool blend fabrics*

These companies are now employing high technology and higher skilled workers and have developed or are about to develop their export capability.

There is little argument that the high rates of protection up to the 1980’s had to be lower because the cost to the consumer and the economy was unjustifiable.

For the future well being of the northern region of Melbourne, other regions of concentrated TCF employment and the Australian economy as a whole, at this point in time there are compelling arguments for a pause to maintain the current rates of assistance to TCF Industry.

Therefore let us take a pause in the reduction of industry assistance to allow the very major changes already made, to yield their benefits and at the same time allow a better process of adjustment to the changes to take place.

NIETL/NORTH LINK RECOMMENDATIONS

1. A pause in the tariff reduction program for TCF Industry at their current levels to not unnecessarily jeopardise the refreshment and innovation currently taking place in TCF Industry. This will allow the continued rapid development of specialist TCF products and higher skilled jobs.

   The 80% drop in the tariff rate since 1986 has caused TCF employment levels to halve from 116,000 to as low as 58,500 in 2001 and further reductions will jeopardise the critical mass required for a viable TCF Industry in Australia.

2. A review of the current Commonwealth Government TCF Assistance programs to industry to ensure that they are providing the appropriate market and product analysis, product innovation, commercial and development and the identification of niche markets for specialised products.

This will accelerate further the exciting new TCF products emanating from the industry as illustrated through the examples of innovative TCF companies listed previously.

3. Continued funding for industry assistance programs such as the Strategic Investment Program (SIPS) but with re-structuring to:
   - Ensure that companies qualifying for assistance provide increased on-going employment for Australian employees
   - That smaller companies be provided with easier access to SIPS through the streamlining of the administrative requirements for participation

4. Business excellence and improvement programs for groups of TCF companies provided on a regional basis to allow value adding networks and business clusters to evolve. Integrate these into export development programs, to foster increased exports from TCF companies

5. Labour adjustment programs to enable industry to respond to restructuring pressures and to provide assistance for displaced workers.

6. Promotion of the exciting careers available in TCF Industry for young people to promote the revitalisation of the industry and to continue the progress of TCF Industry into a period of growth and development into high value adding market niches.

7. Provision of *TCF Global Intelligence Services* to assist the restructuring and the monitoring of world progress towards free trade in TCF and opportunities for local TCF overseas. This may be achieved in a low cost manner through the utilisation of Austrade and its Trade Commissioners throughout the world.

HOW DO WE JUSTIFY THESE RECOMMENDATIONS?

1. TCF Industry is very much about Australian owned businesses and the maintenance of Australian design and creativity. Firms are often small, family owned businesses and represent over 58,000 Australian TCF jobs –a very significant number but greatly reduced from 116,000 jobs in 1986 – the industry has earned a pause in tariff and assistance reduction in order to re-group.

   Given a sufficient period of adjustment as proposed, the exporting of assets and jobs can be stopped. If not the TCF "critical mass" and the benefits this brings will be lost. Design and technology skills will disappear forever.

2. TCF has experienced a period of painful adjustment with quotas & tariffs dramatically reduced over the past 15 years and with a further 33% reduction scheduled by 2005. The industry has changed and is moving into higher value added niche markets if given the opportunity can compete on equal terms.

3. Why pioneer free trade and reduce Australian assets, job opportunities and talent unnecessarily? Regions with concentrated TCF employment and currently employing many people with low labour mobility can adjust given an appropriate time frame and can provide high skilled jobs for youth as the industry finds new niche markets.

4. Competition from low wage countries such as China and other developing countries that provide a greater degree of protection for their TCF Industries will be made worse if Australia moves to the forefront of free trade. We will be handing over markets to imports unnecessarily and jeopardise the ability of TCF industry for innovation and new product development.

5. Other OECD countries have acknowledged the difficulty of managing trade with developing countries. Europe and the USA have imposed quotas and anti-dumping taxes on Chinese and other TCF imports. The combined effects of reduced tariffs and elimination of quotas means that the Australian TCF Industry is the least protected and most open market in the world. It is now necessary to pause these arrangements at the current level to allow refreshment and re-growth after a prolonged period of contraction

6. The TCF Industry today is vastly different from when the current program of reduced protection commenced. Many companies have successfully globalised with a mixture of local production, imports and exports, however, the movement to offshore production will increase if we move out of step with the rest of the world.

7. We need to be sure that the APEC Free Trade agenda with developed countries by 2010 and with developing economies by 2020 is adhered to by everyone. To continue to make trade concessions without reciprocity will unnecessarily reduce the economic viability of regions such as those represented by NIETL/NORTH Link and in other areas of Australia.

8. Post-war migrant intakes and their first generation children have enriched Australia through provision of a multi-faceted and diverse culture. A question of equity exists as these people are those still most prominent in the TCF workforce and with the least mobility of labour.

   <u>A pause in reducing the rate of protection, to bring us in line with the rest of the world will reduce further unnecessary loss of jobs in this workforce sector, which is one of the most vulnerable in the current employment climate.</u>

CONCLUSION

The NIETL/NORTH Link region of Victoria asks that the Productivity Commission pause the program of reduced industry assistance to TCF Industry at the current 2003 levels.

A pause at this time of still relatively high unemployment in the northern region of Melbourne will be the best and safest path to pursue as this will:

1. allow as large a proportion of a low mobility, aged labour force to continue their exit from TCF Industry naturally and be replaced by a higher educated, more mobile and younger labour force, in a revitalised and refreshed TCF industry

2. this will lead to the maximum number of TCF firms willing and able to make adjustments to a freer trading market to do so through the infusion of new ideas and products into niche markets

3. the program of reduced protection for the TCF Industry would then have been implemented over a longer period and provide a more reasonable period for capital to be amortised and labour to have made the necessary adjustments

4. allow government assistance for TCF companies with export prospects and new products to achieve its maximum benefits