



**SUBMISSION TO THE PRODUCTIVITY COMMISSION
IN RESPONSE TO THE POSITION PAPER**

**REVIEW OF TEXTILE, CLOTHING AND FOOTWEAR
ASSISTANCE**

***ECONOMIC DEVELOPMENT UNIT
JUNE 2003***

1. Background

The City of Darebin has 129,000 residents, 61% of whom are first or second generation migrants, and 51% are migrants coming from non English speaking backgrounds.

Darebin has the highest Aboriginal and Torres Straight Islander population in metropolitan Melbourne. Approximately 7,000 residents are currently on disability support pensions.

Darebin residents have a high level of economic disadvantage. Of all households, 27% are on incomes under \$300 per week (the average for Melbourne is 19%) and 40% of Darebin families have incomes below the poverty line. \$90m is lost to gambling each year.

Darebin's TCF Manufacturing Industry has long been a significant employer within the local industry structure, and the impact of the tariff reductions has been *substantial*.

Darebin Council remains firmly opposed to further tariff reductions. Between 1996 and 2001, 46% of all TCF employees across Darebin were made redundant. The following evidence suggests that the impact of TCF tariff reductions on business closures, and loss of employment has been dramatic:

	<i>TCF manufacturers in Darebin</i>	<i>TCF Employees in Darebin</i>
<i>1996</i>	142	3,063
<i>2001</i>	91	1,635

Sources:

- *Darebin Poverty Inquiry May 2001*
- *Submission to the Industry Commission by the City of Darebin, July 1997*
- *ABS Working Population Profile 2001 Census*
- *Darebin Business Directory*

2. Responding to the Position Paper

2.1 The Human Dimension

While the Position Paper provides an excellent overview and solid rationale over econometric issues surrounding the tariff reductions, it fails to take on board the direct impact on the lives of the citizens of Darebin who have lost or will lose their job. This is a fundamental concern of the City of Darebin.

“Not enough money for food, socialising, transport, medical expenses, cost of phone calls for job applications” (Alex)

“I did a lot of training and took a lot of courses and I still find it very hard to find a job. So many times I have sent out a lot of job applications, nearly every week. All I get is rejection, rejection, rejection” (Anita)

Darebin Poverty Inquiry – May 2001

The Position Paper clearly fails to address or measure the effect on human and social capital as a result of the tariff reductions.

2.2 Practical Solutions

Labour Market Adjustments

“The most effective means of improving a person’s employment prospects is to provide them with tangible, practical, material, hands on support”

Darebin Jobs community forum presentation –Poverty Inquiry May 2001

Darebin Council requires that the Position Paper concentrate directly on providing more practical solutions through programs to re/up skill employees who are forced into redundancy through business closures resulting from tariff reductions.

Careers in TCF

Promote careers available in the TCF Industry for young people, while also promoting the revitalisation of the industry, particularly in areas where growth has occurred – for example TCF industries that have successfully added value or targeted niche markets.

Council is an active partner in the development of a major New Manufacturing Technology Centre in Darebin - *Ntec* - in conjunction with educators, and with the strong support of industry in Melbourne’s north. Resource support to build a TCF stream at the Centre could be an advantageous way of building a long term TCF industry skills base for Melbourne.

Ensuring TCF Commercial Sustainability

There are a number of practical programs or offerings that the Federal Government could implement to both stabilize and grow the TCF sector in Australia:

- Encourage active consideration by TCF companies of incentives or programs to enable or foster innovation, rigorous analysis of new and emerging markets, product diversification, export market development, research and development
- Continue funding for industry assistance programs such as the TCF SIP (Strategic Investment Program) Commonwealth funded scheme designed to foster the development of sustainable, competitive TCF industries in Australia, 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

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- Market Intelligence - 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.

2.3 TCF - a viable industry

TCF in Darebin is not regarded as a sunset industry sector but one of continuing importance to the industrial and employment base of Darebin, Victoria and Australia.

A number of local TCF business have flourished due to their foresight in developing products for niche markets.

However, many businesses don't necessarily have the same capacity or foresight to adapt, develop or grow their businesses in a climate of increasing international competition and decreasing sales. This is the time that Government should approach them directly, to offer the array of options as outlined in *2.2 Practical Solutions*.

3. Fundamental reasons for tariff retention

3.1 Employment retention

- Victoria directly employs 34,500 people in TCF, equating to 44% of the industry's national employment
- Approximately 1635 people live in Darebin and work within TCF businesses within Darebin.
- There are approximately 3,300 people that live in Darebin who are dependant on the TCF industry for employment

3.2 A level playing field...probably not!

Tariff reductions have often been promoted as a necessary precursor for Australian companies to operate in a realistic global market economy.

However, international benchmarking figures suggest that in 2002, Australia retains a 5% tariff protection for imports on single cotton yarn, versus 10% in the USA, Canada, China and numerous Asian countries.

Tariffs on protective metal toe-cap footwear in Australia is 15%, versus 30% in the USA and 60% in Japan.

For Australian TCF companies to compete efficiently on a level playing field, a level playing field needs to first exist.

3.3 Benefits to the local and national economy?

The Productivity Commission's modelling indicates that further TCF tariff cuts would have only a marginal contribution to the Australian economy as a whole.

Furthermore, 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 the north of Melbourne being amongst the hardest hit.

Sources:

- *ABS Working Population Profile 2001 Census*
- *Darebin Business Directory*
- *Victorian Government –Department of Industry Innovation and Regional Development*

For further details or information, please contact

*Frank Spranger,
Business Development Officer
03 9230 4416
fsprange@darebin.vic.gov.au*

*Susan La Greca
Manager Economic Development
03 9230 4686
slagreca@darebin.vic.gov.au*