



Cultural Change

A modern approach to essential supply channels

Council of Textile and Fashion Industries of Australia
Election 2013 Paper

SUMMARY

A core aspect to Australian cultural identity is our design; the application of design within industry and the release to market of Australian designed products. Design shows the world that Australians are creative and innovative and we have a strong history of global competitiveness.

The restructuring of the Australian Textile, Clothing, Footwear and Leather (TCFL) industries over the past 20 years have left us with a supply chain which has adapted to the modern global market and left us with world class operators, albeit niche. The industry is a mix of domestic and international manufacturers, retail international traders, importers and exporters, internationally recognised design fashion houses, local and large retailers and wholesalers.

We have a strong design industry supported by a strong education platform with good research capability. We have enthusiasm and like our culture, we are young and free.

We are, however, at a cusp of decision making ... we can either continue to apply the policies of guilt brought by governments uncomfortable about the loss of jobs, experience and investment from the reduction of the TCFL industry trade barriers, or we can have a new dialogue about a new industry that is competitive and takes its respected niche within a global market.

There are many reasons why a sustainable TCFL supply channel should be maintained in Australia. It is not just the 40,000+ jobs that diligently produce competitive product; it has more to do with our nation's security. We are an island nation and security is an important cultural aspect of our community. History tells us there is no guaranteed world security, and therefore we dramatically expose ourselves to uncertainty if we do not retain a viable supply chain within the TCFL sector.

The industry does not want welfare; what the industry wants is government recognition for the retention of the supply channel; an understanding of the diverse nature of the supply channel; a willingness to support the now contracted industry; and, a policy will to work with industry to develop a sustainable sector that employs modern jobs, and allows significant input into the Australian economy.

The TCFL Industry would request a newly elected government to:

1. Develop an industry White Paper that designs strategy for the next twenty years and beyond. This comprehensive industry white paper will consider all of government policy, the unique business models within the supply chain, the people and skills required within the sector, research lead innovation and productivity needs for a sustainable high employment industry.
2. Investigate the over regulation of the labour framework and commit to reducing the regulatory and compliance reporting burden the current regime promotes. Government should also stop funding bodies that restrict competition and employment.
3. Immediately review government procurement policies to allow access for Australian TCFL industry, individually and collectively, to win apparel and textile product contracts. It is not about ignoring price competition; it is about allowing Australian companies having the opportunity to match the value proposition, thus supporting Australian jobs.



POLICY

Since the recognition within Australian manufacturing policy that tariffs required removing for Australia to compete in international markets, the TCFL industry has done its fair share of contraction. This contraction has allowed the industry to retain 40,000 jobs and provide globally attractive career pathways for many who enter the market.

It is fair to say the TCFL industry has been wrongly branded as 'old world' manufacture allowing the policy narrative to adopt this phraseology in much of its policy and funding decisions. There seems to be little government recognition that the current TCFL industry in Australia continues to evolve and offer employment to over 40,000.

Whilst the TCFL industry has an important cultural place within the Australian community its contribution to GDP is significant and the entry of small and micro businesses into the sector ensures there is a continued need for effective policy; but, it is fair to say attitudinally governments have collectively ignored the need for policy leadership within the industry.

There have been significant Inquiries and Industry Reports over the years with substantial recommendations, yet little has been done to act upon these recommendations, other than to toss taxpayer funds at various brands and ideas hoping to be seen as supportive. This means that government funds are being expended in hope rather than strategically, and we therefore recommend a cultural change to government policy. We need to support the contracted industry by providing policy leadership that strategically takes us beyond current market survival and promote the essential supply channel as an important aspect to our nation's evolving manufacturing/supply chain paradigm.

It is very reasonable to suggest the industry does not need commercial welfare, although recipients would no doubt argue otherwise. What the industry needs is a long term strategic plan where industry and government commit to a visionary industry model that is sustainable, and provides global opportunity to an industry that can compete.

There are many challenges competing within a global market, but the historically innovative TCFL industry wants to survive, and can do so if government partners in a strategic policy approach to funding and support, as opposed to business welfare and 'picking winners' through the various grant funds that are available.

What the industry strongly recommends to government is a new approach; a collective industry approach; an all of government approach to the sustainability of an industry that is vital to the community, which provides highly skilled jobs and also the lesser skilled work opportunities needed within various communities.



POLICY

Recommendations

1. **White Paper** – The most critical decision a government can do for the industry is to establish a white paper setting out an industry strategy for the next twenty years and beyond. It is time, the industry needs it, and if government is truly serious about sustainable employment in the industry, it must commission it.
2. There are vital areas of policy consideration that a government must urgently address with significant policy development:

Government procurement – There must be a sensible and productive debate about government procurement within a global supply chain for Australian TCFL enterprises. Australian taxpayers are sympathetic to governments investing their funds in Australian manufactured product and at the very least Australian companies should be invited to provide a value proposition with competitive global pricing before allocations are made to international operations.

Government should realise the cost of doing modern business is not just about labour; it also includes a **variety of taxes including** payroll, various levies such as fire service, freight costs including fuel, and the never ending increases to other operational costs. It's not about subsidy; it's about recognition of these costs that importers and offshore manufacturers are not exposed.

Labelling – In particular, Country of Origin and Safety labelling needs urgent addressing. There is a growing trend for TCFL products to be entering the country having gone through a construction process that exposes the product to potentially dangerous chemicals and processes. Australia has rigid labelling laws within food production, mostly based around safety needs; the very same arguments can be established for many dangerous products that enter Australia. The TCFL sector is very concerned about carcinogenic contamination, in particular, apparel that may cause health issues, and we strongly recommend a policy review in this vital area of industry.

Standards – The TCFL industry remains concerned about the standard of imported product as compared to the rigid standards required for domestic manufacture. We do not seek a reduction in standards but our expectation is that internationally manufactured products are required to meet the same standards as those made in Australia. This issue requires policy attention.

3. **Trade barriers** – There is an urgent need for government to review the trade barriers placed upon the TCFL industry and the discrimination faced within the various trade agreements Australia has negotiated. We accept the notion that for the common good, industry must allow competition, but our expectation is that we compete fairly. The TCFL industry has contracted under government free trade policy initiatives, it is now incumbent upon government to protect the hardy few firms that remain who provide jobs to 40,000 Australians and indirectly contribute to the cultural fabric of our nation.
4. **Statistics** – We strongly recommend to government the return of statistical information to be collated by the ABS. The sector is significant with over 40,000 employed, yet the ABS has a benign attitude towards the recording and reporting of industry trading and other important figures. We recommend government reinstitute ABS recording and reporting of the industry.

PEOPLE

The TCFL industry is difficult to categorise, but could be recognised in these areas:

- Manufacturing
- Design
- Retail
- Wholesale

Another possible manner in which to categorise the industry is through supply channel identification;

- Early stage processing.
- Apparel – clothing, footwear and accessories.
- Textiles, Leather and Furnishings for domestic and commercial use.
- Technical and non-woven textiles.
- Logistics and retail

No matter the definition, the TCFL industry employment has stabilised after stabilised post the GFC crisis and the final stages of removal of protective barriers to a steady trend of 40,000 which is 5% of all manufacturing. The industry believes the government should nurture what we have to ensure sustainability of artisan skills, the growth of niche manufacture and the expansion of global export.

It is the TCFL Industry's view the sector provides highly skilled employment opportunities alongside various levels of trade and artisan skills and unskilled employment. The sector has a need for labour intensive TCFL sewing construction skills and whilst these skill sets are exposed to the low cost vagaries of other countries there is still a need within the Australian sector for retention of this capability through various business models; but it must have government policy support to protect its people employed from well-meaning but damaging outworker regulations.

The clear majority of TCFL enterprises fall within the small to micro businesses with 88% within 1 to 20 employees. This means there is significant regulatory and compliance costs placed upon smaller firms as compared with larger manufacturers who may have employed resources to manage their heavy compliance regime.

As an example, under the current Fair Work Act, the Industry Award and the Home Workers Code there is a requirement for industry firms to report to four different regulators. This is far too much burden for SMEs needing flexibility.

There is also a requirement to monitor and manage firms within the supply channel which is a unique requirement within the independent contractor sector and there is an ongoing requirement for complicated paperwork to be registered on a regular basis.

The regimen is complex enough for large enterprises with the resources to provide such compliance; almost impossible for small firms focused on daily revenue needs.



PEOPLE

There are over 500 designers entering the market each year, which represents a significant investment in education, who can create the growth and entrepreneurial drive for a new supply chain industry through their own businesses and use of digital supply chains. The tragedy is that under the current Home Worker regime designers cannot work at home unless they are classified as employees within the supply chain which is a ludicrous suggestion, but is the current reality under the regulatory regime.

Under current law a designer is required to seek permission of the labour organisation to employ and must seek permission to prescribe hours to an employee – we question which other industry has the union intervene in management decisions of a small business.

Government needs to act to reduce compliance costs and allow regulations to offer greater outcomes to protect TCFL employees whilst allowing growth in entrepreneur entry into the market.

Recommendations

1. **White Paper** – The most critical decision a government can do for the industry is to establish a white paper setting out an industry strategy for the next twenty years and beyond. In terms of people, we need to identify government policy that will retain employment and grow the industry into a modern supply channel. We also need to identify government policy that stifles employment growth through a white paper.
2. **Skills mapping** – Government initiate a skills mapping of the TCFL industry and provide comparisons to available skills development. In other words, what is the skills need of the industry? Is it being met by current training and development? Would government intervention support the development of skills, such as group apprenticeship programs?
3. **Longitudinal studies** – Government to initiate a longitudinal study of the career pathways of graduates educated and trained from tertiary institutions.
4. **Apprenticeship and Artisan skills development** – There is a reduction in labour intensive skills within the industry and government should be concerned about this loss of IP as it promotes greater movement of the TCFL industry to offshore markets. Countries such as Italy and Germany can provide security of skills to their populace within their competitive markets, so there is little reason why Australia cannot provide substantial career pathways for trade, artisan and craft skills to our young Australians.

PRODUCTIVITY

All Australian manufacturing is in decline and the TCFL has played its part in meeting government policy by contracting to a level that is now sustainable; but it needs protecting. Whilst vocational skills remain highly valued there is an increasing entry of higher skilled workers and business owners keen for positive revenue outcomes and economic growth.

The sales in TCFL product continue to grow; most is from imported product with estimates of 92% of consumption being imported. The majority of employment within the sector remains in labour intensive sectors; employment has fallen significantly, but is stabilising around 40,000. It is significant to report the female demographic is the largest demographic loss to the sector.

It is clear the contracted market is now stabilising around smaller firms who do not, nor cannot, rely on economies of scale from larger manufacturing runs; it is therefore apparent small run niche manufacturing is the future within the Australian TCFL industry.

This niche manufacture will have the following attributes;

- Quick to market and fast track commercialisation.
- Short run/small batch/ sample type quantities.
- Flexible high vocational skills capability.
- Innovative with superior use of technology.
- IP development and commercialisation skills.
- Niche market:
 - High fashion content.
 - Technological superior.
 - Targeted consumer market.
 - Unique approach to market

It is also important to recognise, due to cost pressures, retailers have become international traders and the desire for local fashion houses to compete has lead them to also be required to be exposed to the vagaries of international trade and associated regulations. Already we see pressure from social groups impacting international supply chain decisions and thus the requirement for local firms to compete globally within a fair market becomes an imperative.

Government should therefore review the current structure of the market and provide leadership in:

- Research linking academia to industry.
- The development of product and process innovation.
- Capital investment to replace labour intensive practices.
- Reducing unnecessary, or duplicated, regulation and red tape.

PRODUCTIVITY

Recommendations

1. **White Paper** – The most critical decision a government can do for the industry is to establish a white paper setting out an industry strategy for the next twenty years and beyond. This white paper must include a review of the TCFL business model and its relationship to the current rigid workplace relations regime. The industry is of the view the notion employees are exploited is based on poor research and little supporting statistics. A white paper will help with leadership in meeting the labour needs of the now contracted industry.
2. **Home Worker Code** – The TCFL industry is over regulated with regard to industrial relations and includes the Home Worker Code. The industry supports a fair and equitable employment opportunity but we can report the Union uses intimidatory and abuse of process, amounting to a misuse of power provided to them by the over regulation of the labour market. We seek government intervention to provide a more equitable and less confrontational labour market. We recommend the recognition of the TCFL business model within the SME market that needs a seasonal casual labour access model; the use of independent contractors; and, a behavioural change education to end the alleged exploitation of Australians employed in the industry.
3. **Award Classifications** – Classification of work within the Award restricts employment growth and the TCFL industry seeks government directional support for the Fair Work Commission to make appropriate changes to the Award to clarify employment categories, and allow home based independent contractors to work independently, as they do in every other Australian industry.
4. **Directed Funding** – The TCFL industry seeks a review of government funding and requests that focus is made towards all of industry outcomes, as opposed to the support of individual brands. The sustainability of the TCFL industry requires a government and business strategy that's identifies funding requirements with industry wide outcomes not a competitive grant regimen.
5. **Centres of Entrepreneurialism and Innovation** – Facilitate the development of manufacturing hubs that allow local niche production, via access to government support and development, to promote the development of manufacturing hubs.
6. **Leadership** – Government to provide opportunity and leadership on trade growth both import and export. The TCFL industry is traditionally innovative but it requires direct help to access markets beyond the standard Austrade protocols. We welcome policy specific outcomes that allow the innovative TCFL industry to compete globally.

Retail Occupancy Costs

TCFL retailers report that occupancy costs are ever increasing and they feel manipulated by landlords using the state based leasing laws to their advantage. We can report lease negotiations are strained and intimidatory with a take it or leave it attitude. We recognise the state retail leasing laws are adequate legally, however, we firmly believe there is a need for an industry code of conduct to allow retailers to negotiate fairly and with confidence.

We recommend the establishment of a national [Retail Leasing Code of Conduct](#), regulated by the ACCC.

Such a code should cover, but not be limited to:

- Fair dealing.
- Full disclosure of rental rebates and other deals impacting the market.
- Sitting tenant rights, and month to month hold over periods.
- Disclosure of alternate offers.
- Non-disclosure of retailer turnover figures.
- Full disclosure of landlord management expenditure and proper auditing of marketing funds.

Retail Labour Flexibility

The Australian TCFL consumer market has 24/7 expectations, yet the current labour laws are stuck in a Monday to Friday structure with limitations placed upon small retailers trying to compete with larger brands.

It is our contention that retail employees should be paid fairly and adequately; we also believe that overtime and penalty rates should apply, but only after prescribed hours have been completed.

There is no logical argument within a modern consumer market, which is quickly switching to online buying, that a person selling shoes on a Monday should be paid less than someone selling the same shoes on a Sunday. We strongly agree the overtime provisions and penalty rates should apply, but only after prescribed hours have been completed.

If the labour market has the flexibility to allow prescribed hours then the market will allow proper remuneration to prevail. At the moment the regimen is focused on prescribed days as opposed to time, and this is not fair outcome for those who work other days at a different rate. It is a 24/7 market, therefore allow retailers meet the demand of the consumer market.

Energy and Operational Costs

We strongly identify the increase in essential services costs has had a negative impact on TCFL businesses. We strongly recommend to government to [consider the impact](#) upon the TCFL market trying to compete globally of additional costs such as energy, and we seek [redress methods](#) that will allow relief.

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