



**COUNCIL OF TEXTILE & FASHION INDUSTRIES OF AUSTRALIA LTD**

**(ABN: 98 005 502 492)**

**SUBMISSION TO  
COMPETITION POLICY REVIEW**

**NOVEMBER 2014**

The Council of Textile, Clothing and Footwear Industries of Australia (TFIA) welcomes this opportunity to provide feedback to the Federal Government's Competition Policy Review.

The TFIA appreciates the Government's acknowledgement of Australia's need to reinvigorate its competition policy; ensuring it remains adaptable, responsive and productive. It is important that Australia is ready and able to address the business and market changes currently taking place; ensuring Australia plays a vital role within the global economy.

The TFIA believes that it is vital, to have a suitable working environment and supporting infrastructure that allows for this adaptability and competitiveness. There is a role for government to play in this success which involves providing an environment that shows an understanding of what industry requires today to operate, including what it needs to develop and grow.

As the peak industry association for the textile, clothing and footwear (TCF) sector, the TFIA works hard to assist and promote TCF businesses; building industry capability, facilitating linkages and networks, delivering training and skills assistance and providing information and advice on issues that matter to the industry.

The restructuring of the Australian TCF industries over the past 20 years has resulted in a supply chain which has adapted to the modern global market and is made up of 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.

Our aim is for the Australian TCF industry to be recognised globally as a vibrant, design focussed industry sector with world class management and a skilled workforce that produces high value add, high quality, innovative and customised textile and apparel solutions.

The industry does not want welfare. What it needs is government recognition of how this value chain operates, an understanding of the diverse nature of the sector; a willingness to support its local industry; and policy that will work with industry to develop a sustainable sector that employs modern jobs, and allows significant input into the Australian economy.

Since the recognition within Australian manufacturing policy, that tariffs needed to be reduced to allow Australia to compete in international markets, the TCF industry has done its fair share of contraction. However, the sector has remained resilient, retaining nearly 40,000 manufacturing jobs and providing globally attractive career pathways for many who enter the market.

The TCF industry has often been unfairly branded as 'old world' manufacturing. This has in instances, been allowed to feature in policy and funding decisions and there is an urgent need to recognise that the current TCF industry in Australia continues to evolve and diversify, offering tens of thousands of jobs across design, manufacturing, distribution, related services and retail.

Whilst the TCF industry has an important cultural place within the Australian community, its contribution to GDP is also significant and the entry of small and micro businesses into the sector ensures there is a continued need for effective policy that allows these SMEs the opportunities to grow and be sustained.

## **COMPETITION CHALLENGES**

There are many challenges competing within a global market, but the historically innovative TCF industry wants to survive, and can do so if government partners in a strategic approach to support.

### **Government Procurement**

There must be a sensible and productive debate about government procurement within a global supply chain for Australian TCF 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.

One obstacle in selling to government is the belief that free trade agreements disallow them from showing preference to Australian businesses. This is unfounded. Though trade agreements do stop some procurement-linked development policies, there is still possibility to actively support local firms through government purchasing.

This support also includes ensuring measures that allow local suppliers to have full and fair access to international investment projects within Australian and that they are not pushed out by preference to international suppliers.

### **Business & Compliance Costs**

Governments need to appreciate that 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 to.

The clear majority of Australian TCF 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 businesses who may have employed resources to manage their compliance regime.

As an example; under the current Fair Work Act, the TCF and Associated Industries Award and the Home Workers Code there is a requirement for businesses 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 chain which is a unique requirement within the independent contractor sector, as well as 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 and almost impossible for small firms focused on daily revenue needs.

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 legislation those within the TCF sector cannot work at home unless they are classified as employees within the supply chain.

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

## Labelling & Product Safety

In particular, Country of Origin and Product Safety labelling needs addressing. There is a growing trend around the traceability of products especially those entering the country that ensures all components and the processes involved are transparent, such as the use of potentially dangerous chemicals or manufacturing methods. Australia has rigid labelling laws within food production, mostly based around safety needs. The very same arguments can be established for many other products that enter Australia. The challenge is how these products are checked and the safety requirements enforced. An example of this is the issue earlier this year when potentially carcinogenic benzene dyes were found in a random test of many imported items of apparel and which resulted in over 220,000 items being voluntarily recalled. The issue is these dyes – though banned in Europe and the US, are not in Australia. This means we could become the dumping ground for products with banned substances. It also means those within our sector may not realise their products are unable to be exported to other countries due to the chemicals used in them thus affecting their global opportunities. The TCF sector is concerned about this contamination, in particular chemicals and carcinogenics in apparel that may cause health issues, and we strongly recommend a policy review in this area of industry.

## Standards & Non –Conformance

Following on from above, the TCF 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 includes ensuring that any incorrect or untrue claims (such as adherence to Australian Standards) are suitably dealt with.

## Trade Barriers

There is a need to review the trade barriers placed upon the TCF industry and the discrimination faced within the various trade agreements Australia has negotiated or is in the process of negotiating. We accept the notion that for the common good, industry must allow competition, but our expectation is that we compete fairly. The TCF 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.

Sales in TCF product continue to grow; however, most is from imported product with estimates of 92% of consumption being imported. The contracted market however is now stabilising around smaller firms who do not rely on economies of scale from larger manufacturing runs; it is therefore apparent small run niche manufacturing is the future for the Australian TCF 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, which is:
  - 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 led 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.

Therefore a review of the current structure of the market is welcomed and the Government can provide leadership in this via:

- 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
- Ensuring Australia's rights on anti-dumping and countervailing are kept strong

## **Retail**

TCF retailers report that occupancy costs are ever increasing and they feel manipulated by landlords using the State based leasing laws to their advantage. These State laws are adequate legally, however, there would be benefits in forming an industry Code of Conduct that allowed retailers to negotiate fairly and with confidence. This could perhaps be regulated by the ACCC.

Such a code could cover:

- 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

The Australian TCF consumer market has 24/7 expectations, yet the current labour laws are fixed 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. If the labour market had the flexibility to allow prescribed hours then the market would 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 and therefore we need to allow retailers to meet the demand of the consumer market.

## **Services**

We identify that the increase in essential services costs has had a negative impact on TCF businesses. We strongly recommend to government to consider the impact upon the TCF market trying to compete globally, of additional costs such as energy.

Once again the TFIA thanks the Federal Government for this opportunity to provide feedback as part of this review. Should further information or discussion be required please do not hesitate to contact TFIA CEO, Kiri Delly on [kdelly@fia.com.au](mailto:kdelly@fia.com.au) or T: 03 8680 9400.