

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into Manufacturing in Victoria

Melbourne—7 August 2009

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Ms M. O'Neil, National Secretary and Victorian Secretary, Textile, Clothing and Footwear Union of Australia; and

Mr M. Peters, Researcher, Textile, Clothing and Footwear Union of Australia.

The CHAIR—Welcome to the all party parliamentary committee hearing evidence today on the Inquiry into Manufacturing in Victoria. I welcome Ms Michele O'Neil and Mr Manu Peters. All evidence taken at the hearing is protected by parliamentary privilege. Comments you make outside the hearings obviously are not afforded such privilege. Could you each state your name, your position, organisation and business address please.

Ms O'NEIL—My name is Michele O'Neil. I am the National Secretary and the Victorian Secretary of the Textile, Clothing and Footwear Union of Australia, and our address is 359 Exhibition Street, Melbourne.

Mr PETERS—My name is Manu Peters and I am a researcher for the Textile, Clothing and Footwear Union, and also at that address, 359 Exhibition Street.

The CHAIR—We have about 45 minutes.

Ms O'NEIL—Thank you very much for this opportunity to appear in front of your inquiry and we welcome it. Our Textile, Clothing and Footwear Union is the union that represents workers in the TCF industry here in Victoria and around Australia. The majority of textile, clothing and footwear workers can be characterised by being predominantly women and in many cases workers who are migrant workers who do not have English as a first language. We also have a significant profile for our industry in regional Victoria and we have traditionally been a large employer in the manufacturing sector in this state. It is true to say that Victoria has the largest number of TCF workers of any state in Australia. It has always been the heartland of TCF manufacturing in Australia, and Victoria is a very significant state for our industry.

I want to start by giving you a picture of what has happened to the industry in the last decade so you can understand the particular pressures that the industry is under. We have a situation where there are 43,000 manufacturing jobs as you know that have been lost in Victoria's manufacturing sector in the past year to May 2009, which is overall 57 per cent of the jobs that have been lost in manufacturing in the country. 12.7 per cent of those, Victorian manufacturing, were lost in the past year. The ABS census also shows in 2006 specifically that continuing TCF job losses of 48 per cent for the decade from 96 to 2006 are close to half in Australia. In Victoria you see the situation at its worst of any state in the country. With the majority of TCF workers in this state we suffered the most job losses with 56 per cent of the jobs lost in the industry in those two decades through to 2006.

Both the absolute level of decline and the rate of decline are significantly higher in Victoria than in New South Wales. For the state as a whole the TCF workforce fell from 38,365 in 96 to 17,015 in 2006, which is close to 56 per cent decline. In absolute terms, the majority of that decline has been in the clothing manufacturing subsector where we lost more than 10,000 workers. In percentage terms it is the highest decline in footwear, as we were discussing, with 82.6 per cent of the footwear industry lost over that time, and then with knitting at 73.6 and clothing manufacturing at 61.9.

In contrast, the textile product manufacturing subsector increased over that period of time. In what is a generally bleak story as far as job losses you see pockets of significant growth and sustaining of employment overall within the capacity to increase employment, depending where you are within quite a diverse industry. One of the things that characterised the change in the industry over that time, and perhaps accounts for that difference in the textile subsector—or what we often call technical textiles—is that traditionally the textile sector was seen as pretty much making textiles for the manufacturing of clothing or garments. Over the last few decades we have seen a significant shift in the type of textile production that you see here in Victoria. We have made some great inroads in the area of technical textiles where it is non-traditional textiles. You may be seeing companies involved in making particular products that you would see in the building industry, for example, or you may see people making products that are used underneath bitumen in roads, or in terms of science and research there has recently been a textile artificial muscle developed, where there has been some of that work done in Victoria. There is a range of what would not be usually thought of as textile production innovation has happened in the state.

Mr ATKINSON—Does that include things like car seat covers, theatre seats and things like that.

Ms O'NEIL—That is right, and carpet. We have a very strong carpet manufacturing base in Victoria

that has withstood quite a lot of the pressures that other parts of the industry have not. We have by far 70 something per cent of the carpet manufacturing in Australia is done in this state. It has very high employment levels comparative to other parts of the industry.

The CHAIR—When you give us your written submission could you put in as many examples as you can—

Ms O'NEIL—Sure. Of particular companies?

The CHAIR—Well, companies or the type of products that we are finding are holding their own in manufacturing, if not expanding.

Ms O'NEIL—Yes.

Mr ATKINSON—If it is possible for companies that have been innovative that have diversified into particularly some of these performance textiles, especially if they are smaller companies, we would be interested in knowing about them.

Ms O'NEIL—We would be happy to do that because there are some great stories. Not surprisingly, sometimes the union is criticised from aspects of the industry for highlighting some of the horror stories, unethical practices in our industry or the effect of closures and what that means to people which I do not apologise for because I think it is our job to do. But unfortunately it is a lot harder to have the profile on the good news story. It is to actually get out there the fact that there are some great companies that are making very innovative products and exporting those as well as providing local markets.

The CHAIR—Have any brought the manufacturing back from overseas to Victoria?

Ms O'NEIL—There have been pockets, aspects of manufacturing that had previously moved offshore.

The CHAIR—If you would not mind highlighting those.

Ms O'NEIL—Yes, I am happy to. The other aspect, before we stop talking figures, is to let you know that of course the impact of job losses is not the same across the board. You see particular communities affected more dramatically than others. In Melbourne metro we have seen a massive impact in terms of loss of jobs in the Brimbank SLA, and then in the north and north-east, the Moreland SLA, Brunswick, Coburg, Darebin, Northcote, Preston and Whittlesea. All three had very significant numbers of jobs lost in those areas. Then in the east, Manningham has seen a very significant loss as has Greater Dandenong. That is metro.

Mr ATKINSON—Is that in percentage terms or real terms?

Ms O'NEIL—Real terms.

Mr PETERS—Numbers from 96 to 2006.

Ms O'NEIL—Using the Brunswick, Coburg, Moreland area, there was 1,323 jobs lost in the TCF area; Darebin, 1,710; Greater Dandenong, 1,307; Manningham, 1,710. They are very high.

Mr ATKINSON—I am struggling to see where the Manningham ones were to be lost. Manningham and Whittlesea are not areas that I would have associated with high losses because I cannot think of many companies based in those two areas. The other ones are all very understandable.

Ms O'NEIL—Traditionally, yes. It was more of a textile rather than clothing products that were being made in those areas.

Mr ATKINSON—Somewhere around Bulleen.

Ms O'NEIL—Yes, that is right. Once you look regional—and as you know the TCF industry has had a great regional presence in Victoria for many years—the regions that have been hardest hit have not surprisingly been Geelong. It still is one of the highest concentrations—I think more than 10 per cent of the existing TCF workforce today is still working in Geelong but correspondingly it has also been the highest loss of jobs in that region over the same period that we have been talking about. Also significant in those losses has been Bendigo, including the Central Goldfields, and Wangaratta. They are the other communities where we have really seen a big impact.

The other thing to note about our industry is that we have a really high proportion of small and medium sized businesses. 93 per cent employ less than 20 workers. It is a very important part of the industry. In Victoria the last figures show in 2006 that Victoria had 2919, just under 3,000 businesses in the TCF sector, nearly 40 per cent of the TCF workforce Australia-wide.

The CHAIR—What we have to concentrate on in this inquiry is how we can assist to ensure that those 3,000 businesses remain, if not sustain the current position, and if they are going to move that they expand rather than contract.

Ms O'NEIL—That is right. What we are going to tell you is what you need to know when you think about our industry in this state is all of those figures I gave you are about the regulated sector. The other characteristic of our industry that is very important for this inquiry to understand is the extent of home based outwork. Those figures reflect people that are working in factories and mills. What we know from many inquiries done at a federal and a state level is that a significant amount of work in the clothing sector is done by workers that we call homeworkers or outworkers. That part of the industry is growing. It is doing a large amount of women's fashion; some pockets of other work as well. There are many companies who have made a decision to move offshore, but there are equally as many companies who have made a decision to distance themselves from the employment relationship, and the direct manufacture of their own goods in their own factory and over the last decade have decided to contract work out to other businesses who then contract to another business who then contract to another.

I have an exhibit which shows this picture in a very graphic form. My question before I hand it over is that I have one version that names the company and all of the companies in the supply chain, and another that talks about the same company but does not name it, which is really a question about confidentiality in terms of an exhibit. If it is not confidential or it would be a public document, I will hand you the one that does not name the company.

Mr DAVIS—Hansard is about as public as you can get.

The CHAIR—You are protected with parliamentary privilege if you do not want to—it is entirely up to you whichever you choose.

Mr DAVIS—We can accept the document as a document that will be held as a committee document. We cannot have transcript on it, that is all.

Mr ATKINSON—We can keep the blank one. You can run us through the real one with the tape off.

Ms O'NEIL—I can speak to it without naming the company, if you like. If you have it in front of you, you can see what I am talking about and I do not have to name the company.

Mr KOOPS—If I can suggest you can hand us both and we will hand the one with the company names back.

Ms O'NEIL—Good idea. Is that okay?

Mr DAVIS—Yes.

Ms O'NEIL—This was prepared for a Senate inquiry but it gives a very graphic—that is the one with names and that is the one without. The importance of this, if you turn to the second page along, page 5, it

shows you in a very graphic form a diagrammatic example of a particular company and what we discovered when we started to try and investigate its supply chain and where the work was being done, in many cases it is only that top layer—you can see in this case there are seven other factories that were being contracted by the first company to have their work done by, but because of a combination of requirements under our award and also some voluntary requirements that some companies enter into through the Homeworkers Code of Practice which is an industry, union, ethical accreditation process, we then got access to where the rest of the work was being done. As you can see it is quite startling, when we were trying to identify where work is, the number of both companies and individual in a supply chain. It is not necessarily the case that you can tell from looking at these companies or the first bit of information as to whether they are a factory or a sweat shop or somebody working from home.

If you turn further into the document you can see what we mean, where you have some pretty clear pictures of the outside of what looks like a normal suburban home. Looking at page 7, for example, if you look at the bottom left photo and the bottom right photo, you would be surprised to see what would look like a normal suburban home in fact inside was quite a substantial factory. There are other examples again of shopfronts that you would expect to be a retail outlet but they are operating a sweat shop, or again gutted houses, garages et cetera there is a significant amount of clothing work being done.

Mr ATKINSON—Are all of these origination of products; in other words, it is made totally in Australia by this supply chain, or were any of these adding? You are not only doing collars and cuffs to something.

Ms O'NEIL—No, this is the whole product being made. These examples are supply chains where the whole of the product is being manufactured here. The point in providing you with this documentation is to give you a graphic example of what is often a hidden part of the workforce. What we find in all of the studies that have been done independent from the union but also by the union into this work is that it is characterised by extremely low rates of pay and exploitative conditions. The most recent information still has these workers receiving on average \$5 an hour for the work that they do, and working 12, 14-hour days, seven days a week, frequently with their children involved in the manufacturing process.

I suppose the point of raising this with you and providing you some examples is to say that statistics do not tell the whole story in our industry because this is a hidden workforce and a hidden problem but one that both shows the size of the industry is larger than the number I started quoting you, but also there is a significant problem in the industry about reputable factories, reputable companies, who are trying to compete and you might think doing a great job competing against imports where there might be undercut but cheaper labour et cetera in other countries, in fact are also competing against disreputable operators operating here in Victoria—most of those photos were taken in inner suburban Melbourne—who are also undercutting the good guys in the industry by exploiting severely the workers lower down in the supply chain.

The CHAIR—Michele, I am going to bring you back to our terms of reference.

Ms O'NEIL—It is connected.

The CHAIR—I understand exactly where you are coming from. What I am grappling with is how we make sure—for example, point 1 in our terms of reference, 'Explore the necessary criteria used by business to transfer offshore manufacturing back to Victoria.'

Mr ATKINSON—That is relevant.

The CHAIR—Yes. If we do that based upon the evidence you have presented to us, MPs who may be thinking, 'It's great to bring business back to Victoria rather than offshore clothing manufacturing,' you are saying to us it is not only a matter of having the manufacturing onshore but it is the conditions around which the workers are engaged. I presume you want to make some comment in relation to a manufacturing industry here that is ethical and abides by state laws, such as occupational health and safety and WorkCover and superannuation et cetera.

Ms O'NEIL—I want to go further than that. I will join the dots for you.

The CHAIR—Please.

Mr ATKINSON—You may have to do this in terms of discretion—

Ms O'NEIL—Sure.

Mr ATKINSON—This might be where you are going. It is very relevant because the structure of this industry, which is quite important to Victoria and historically has been very important, is quite different to most other manufacturing industries. Perhaps the closest to this one is the furniture industry. But I wonder about the structure of the industry in terms of why does it operate like this. It is a given that it does and you have all these little home factory situations, a cottage industry effectively. Why does it operate like that? Why haven't they been able to get scale or have the vision to get scale or to build a more conventional manufacturing model, if you like? Why do not they not approach that. That may be part of where you are going anyway.

Ms O'NEIL—I will try to answer both your points. The first is the reason why it is important in terms of your terms of reference is that if you are going to try and encourage the growth of manufacturing in this state then what we contend is that it is not only about the numbers of people within the industry. It is about the standards that an industry adopts. We want to draw on the amazing amount of support that the Victorian Government has put into things like promoting the fashion and design aspects of the TCF industry, so you significantly support things like the Fashion Festival and design in the area. What we think is missing in that support is any conditionality in relation to the ethical production of clothing. There are two issues I am trying to state here: one is we can do more than design and we can be more than famous globally for our design. It makes sense in terms of an innovation capacity and commitment of the government to say if we want to try and promote Australia and Victoria as a design capital in terms of saying we have this particular niche as far as our capacity to design very beautiful fashion that has a reputation, then we could build on that. That is an opportunity to say, 'Well, think of how much more we could add value to the industry if we weren't just promoting the design aspect but the whole ethical manufacturing chain.'

The CHAIR—Can you give us examples of how to do that because the document we have handed back with the name of the company, having been shopping recently for a very significant purchase, that particular company could not be accused of being low price, medium price. I would put them, for my category, a very high price. It is really important that you explain what you would want as part of any industry promotion of high fashion, and if you were the minister what would be the criteria you would put in.

Ms O'NEIL—Sure. I think there is a number of things that can be done. The government can affect this in terms of conditionality of any support. There is quite a large amount of support that goes to different businesses to assist them in terms of skills, innovation, export opportunities, access to advice, assistance sometimes with capital investment, sometimes with restructuring, given the recent programs that you have announced since the global financial crisis. We think that it should be absolutely conditional on any government assistance to any business in this industry that they are ethical in their supply chain. That can be a contractual obligation which means that companies have to be transparent in terms of disclosing completely where all of their manufacturing is done, rather than saying in Victoria or done by somebody we contract to, the requirements to be transparent in their supply chain and to ensure that the minimum legal, labour standards are met throughout that supply chain and that any government assistance requires that those conditions remain kept throughout the life of the assistance.

You don't say, 'We'll do a check at day 1,' but there is some monitoring and government have a role, if you are going to fund or support a company, to say, 'We want you to contractually agree that, firstly, from our perspective there's a certain commitment in terms of maintaining jobs in this state.' You do not use taxpayers money to assist companies that six months after you give it to them decide to close and move off shore, so conditionality in relation to job and employment levels but, secondly, a condition that jobs that are here in this state are also ethical and that they disclose completely their supply chain and that minimum standards, as far as pay and conditions, health and safety, WorkCover and superannuation are met and that they are legally obliged to ensure that is the case. There is award obligations and I am pleased to say that there are now obligations operating in a number of states and soon to be federally where governments can go further.

Obviously where you can go further yourselves is in your own purchasing. The Victorian Government is a very significant purchaser of TCF product. The Federal Government announced in their new procurement policy that came out last week, a requirement that they will only purchase Federal Government TCF products from companies that are accredited with the Homeworkers Code of Practice.

That is an industry union accreditation process that does what I mentioned before. It assures transparency of the supply chain, ensures that ethical standards are met and that they are monitored. It is a very direct and powerful lever that the state government has is to say, 'We will use our own purchasing power to provide best practice in this area and ensure that we only purchase from ethical suppliers ourselves, and if we are supporting companies that are not supplying to us in different ways, such as in export programs, skills, development programs, we will make it conditional that both jobs are retained in the state and that the supply chain is ethical.'

The CHAIR—With the fashion industry and the government grants that go into Fashion Industry Week, or whatever it is called—is that what it is called?

Ms O'NEIL—Myer Fashion Festival.

The CHAIR—What would your assessment be of the companies that get benefit from that?

Ms O'NEIL—Money for nothing.

The CHAIR—Being given a tick by the union on the supply chain map you have shown us.

Ms O'NEIL—I think a significant number of companies that are promoted and receive support from the Government via its sponsorship of events like that are not ethical in their supply chain and they are being promoted and supported by taxpayers assistance without their being any requirement that they are transparent or making commitments to ensure that their products are made ethically.

The CHAIR—Has the union documented to the ministers the ones they think are questionable, if not downright wrong?

Ms O'NEIL—We have a long history of documenting and exposing companies. The minister or the Government does not disclose to us which particular companies are going to receive assistance.

The CHAIR—If you are concerned with the company, the name of which we have been shown, would you be writing to the minister about the inappropriate decision the department or the Government or the minister had made?

Ms O'NEIL—We have concentrated our effort on exposing things like on what a paper tiger the so-called ethical procurement policy that the Victorian Government has had in place for a number of years is, where it is completely ineffectual. Theoretically, there is an ethical policy that is meant to provide some sort of standard in practice. It has no effect because it only really creates a list of companies that are not able to be supported if they are companies that have been prosecuted for a particular breach and then ended up on what is like a black list. Our focus has been, in terms of government, about trying to say, 'You need tougher and more effective mechanisms that drive cultural change in the industry.' We would be more than happy though picking up your point to provide examples of where companies have benefited from things like the Fashion Festival when those companies have later been found to not be meeting those standards—more than happy to provide that.

Just to finish the point about the procurement aspect of it, you would be aware that recently the New South Wales Government has announced a new local jobs first policy which is putting a commitment from the New South Wales Government into purchasing products that are made in New South Wales and in Australia, but going further than that and saying that they will give a price preference in their purchasing decisions of a 20 per cent buffer in terms of the cost of a locally produced item. If it is regional New South Wales, an additional five per cent so that 20 goes from 20 to 25 per cent price preference in their purchasing decisions. We think this is a great example of a government using its own purchasing power to effect change and support

local jobs and is something that is critically needed in Victoria. We would go further in saying Victoria and the State Government has a role to play, not only in its own purchasing but also in local government purchasing. There is another layer to government procurement that the state can influence.

A number of local councils have taken this off their own bat in an attempt to try and look at where they are purchasing but again we think that if the state was to make that commitment itself then it could also flow that on in terms of requirement for local government purchasing also. We think that is the single most effective thing that would support local jobs in our industry, the procurement issue, but it also would be something, from talking to industry, would directly their decision about whether they are moving offshore or not. When I am talking to businesses in the industry, what they are saying to me constantly is that they are not afraid of the competition in terms of competing against other local suppliers, but if they knew that that local supply of government TCF products was guaranteed to be made here, then it would keep jobs in the state. It is a direct relationship that I could provide numerous examples of businesses that will tell you that will be the basis of their decision as to whether they stay or not.

The CHAIR—I am thinking of places like the tramways and Vic Rail used to have their—it was a government direct purchase, but now it is Yarra Trams and Connex. If you have examples of government or government instrumentalities or places like Connex or Yarra Trams purchasing TCF from Victoria that would be handy.

Ms O'NEIL—Making some of our Victorian Police uniforms in Fiji as we speak, as an example, but we are happy to give you more.

The CHAIR—Do the good and the bad.

Ms O'NEIL—I am not quite sure if I answered your question.

Mr ATKINSON—The one I am more interested in is the structure of the industry, why the industry is as it is.

Ms O'NEIL—Yes.

Mr ATKINSON—I think the evidence you have led is interesting. A lot of it is about tidying up the industry and practices in the industry and I can understand that. That probably would not of itself grow the industry or sustain the industry. It might help some ethical players to do better and weed out some bad eggs but it is not necessarily going to expand the industry as such. The procurement one goes more to that, as you have rightly highlighted. I am interested in the structure as to how we build. One of the things that interests me is when I go overseas and I go into department stores around the world and I see these labels from all around the world and I never see a single Australian product—not quite true, you see Kangol and Billabong, a couple. Essentially we have not been able to develop brands. We have not been able to develop a lot of export markets for a lot of our fashion and so forth, despite some design skills. It seems to me that that ability to develop the export sales, as well as to compete locally and get a share of the market for what is Australian made, is crucial to coming back and getting the industry perhaps on a more conventional manufacturing basis than this outwork string. Is that an objective we ought to have in the sector? Has the sector been undermined by its very structure, by the lack of combining the talents and skills and bringing them together, an agglomeration—is that the right word—of skills?

Ms O'NEIL—I think you have hit on a number of key points. One is I do not accept this issue of cleaning up or the ethical nature of it is not related to the question of your capacity to export and develop a global brand. In fact what I am suggesting is that we have a great opportunity here in Victoria to build a global fashion brand that is already starting from the point of a design but saying here in Victoria we can have an ethically manufactured product, as well as a great, beautiful, innovative design that can be attractive in a world market. That should be something we are aspiring to. In fact you obviously do not buy Collette Dinnigan but Collette Dinnigan is a great example of a company that does have a global reputation in terms of her designs, but is also committed and is accredited with the Homeworkers Code of Practice as far as having an ethical aspect to her manufacturing here.

Mr ATKINSON—I see her as an overseas manufacturer now, to tell you the truth. I see her as an overseas based operation substantially.

Ms O'NEIL—No, the majority of it is still made here.

Mr ATKINSON—Okay. That is good.

Ms O'NEIL—It can be done. It is partly about the branding. I think there is an opportunity for Victoria to help in the branding of our industry. If you look at the future predictions about consumer habits globally and you see this in the Fair Trade motions, but more and more people are making different choices in terms of the consumer dollar based not just on price but based on a range of other considerations. You see coffee as a classic example, having seen a dramatic shift in people's purchasing decisions because of that change in the last decade. We think there is an opportunity again for Victoria to lead the way in this where we can not only say, 'Here is something beautiful that people want to wear, but also something that has that other dimension to it about a locally produced, high-skilled workforce,' and I think this is the reality for us. We are not talking about the mass production factories of the past at the lower end, because if you are only trying to compete on labour costs we are never going to compete, and we are never going to support the notion that Australian labour costs would want to compete with third world countries.

You have to build something into your advantage, what is your advantage, and it is not going to be price based on labour costs, it is going to be both the innovation in the design, the attractiveness of the design, the capacity for that to be marketed in a particular way and we think the capacity to have highly technically proficient, innovative, leading edge manufacturing that is ethical in the state. You build that into a brand. You build that into say, 'We're going to link a great looking garment with a great production facility or facilities,' and that is not to say there cannot be contractual supply chains which mean that different businesses do different aspects of it, but you could have them as a lot shorter. Looking at that diagram you could truncate the length of them and still end up with a very interesting manufacturing model that is quite new. We think there is real scope in that and that is something that Victoria could play a leading role in, in terms of looking at what is our difference, because we do not want to be the same. It is not going to be work to be the same, so investing in what will be our difference.

I have focused on labour standards but we think the environmental standards are critical in this as well. Many TCF products—there are issues to do with dyeing in terms of the chemicals used and the water used in the dyeing processes; there are other concerns obviously to do with the distance of importing products and the cost and effect of that on the environment. We think adding the environmental aspect to the ethical points that I am raising is again part of what could be a great brand for Victoria.

Mr ATKINSON—Going back to the slide, employment in Australia. To what extent does that parallel direct sourcing by the major retailers and to what extent has domination of the major retailers, particularly Woolworths, Coles, Myer, had on our manufacturing in fashion, footwear, textiles?

Ms O'NEIL—I can only report what the companies tell me which is that they say that has had a dramatic effect. In terms of the concentration on it for a smaller number of retailers controlling the vast amount of the retail sales of a product means that they are able to call the shots in terms of the price and if a local supplier—it is basically a bidding war. Whoever comes in at the lowest price is going to get the order. With a concentration of very few numbers of large retailers that has forced companies to move their production offshore and/or they say undercut each other with these other practices that we have been talking about.

Mr ATKINSON—Is it also constrained innovation?

Ms O'NEIL—Talking women's fashion again for a moment, there is this shift to shorter runs. If you go into any of those retailers you are talking about now, the sales are able to be monitored by the second in terms of, 'Is that orange shirt selling or is that green shirt selling?' The decision about what you order and how much you produce is very quickly fed into the system. Instead of ordering a 1,000 of them, they will order 100 and they will see what sell and then put in another order and expect a really quick response, which lends itself to local supply. That is a good, positive thing in terms of a local supply base having that responsiveness

to women's fashion designers. It also lends itself to possibly a shorter-term notion of not really investing in the more innovative product because you are really at the mercy of the large retailers not committing to a larger order and, consequently, the economy of scale in terms of knowing how much work you are going to get and affecting your commitments that you will then make to invest in technology or in research is limited because you do not have the confidence that you are necessarily going to get the volume that you need to make that pay-off, which again does link back to the government role.

One of the great spin-offs for government policy of its own procurement locally is that it allows innovation and investment because you have a degree of certainty. You are able to think, 'Okay, I know I have this contract for a three-year period,' and that, for a business, allows them to say, 'I'm going to make the commitment in terms of skill development training and innovation and research and design,' that you would not otherwise be able to make in the industry.

Mr ATKINSON—Melbourne, Victoria, is regarded as the events capital. Obviously the Spring Racing Carnival has a strong fashion focus, although probably more domestic than international. My key point that I would like to explore with you is that things like the Grand Prix and maybe the cricket at times, rugby at times, but certainly the tennis, attracts world attention for a period and gives us an opportunity to showcase what we do and do well. To what extent do you think the fashion industry has picked up on the opportunities there? Do you see opportunities in terms of perhaps a greater participation of your industry in particular lining up better with the events strategy overall.

Ms O'NEIL—We were discussing this recently. I think there is great opportunity. It is not only the opportunity to showcase—and as I said earlier not only the design aspects but the whole package, Victoria can provide the package—but it is also, of course, in the merchandising. I go along with those sort of events which is massive. If you think of the merchandising that is associated with the Grand Prix or in fact with football, thinking more locally, and the racing carnival et cetera some of them obviously have a bit more of the fashion edge, such as the racing carnival, but the other events you can see the synergy and the opportunities that are there. I think you are right, there is a real opportunity to build on something that Victoria is already promoting and doing. How do we add value to that in terms of other industries that are supplying and supporting that. The TCF industry is critical to those.

Mr ATKINSON—A totally different track but in terms of the manufacturers that you talk to, do they express opinions in terms of hurdles that they have in developing their businesses and sustaining their businesses, particularly in regard to the attitude of financiers and so forth? The anecdotal evidence of the industry is, as you portrayed in figures, one that might lead people to perceptions of 'This is dying a slow death.' That obviously affects the preparedness of people to get behind and support those remaining players in an industry. Is it coming across that in fact the financiers and so forth are a hindrance to the sustaining and development and growth of the industry?

Ms O'NEIL—Yes. There has been quite a lot of concern expressed to the union from companies in the industry who have felt that a number of the financiers and banks who finance the industry have a particular attitude to the textile, clothing and footwear industry that means that what may be a problem with one business is then read as a problem with the whole industry. So the tightening of finance and the degree of intervention in terms of the credit they are prepared to extend. Anecdotally I am told is they are on a much tighter rein in the TCF industry than other comparative industries. Of course every time there is a high profile collapse—recently we have had the collapse of Nylex which has a significant textile part to it, and Melba Industries is another one—where businesses have gone into liquidation, from our perspective, disgracefully owing workers many millions of dollars—in Melba's case \$9 million owed to 150 workers; in Nylex's case, depending on what happens with the final sale of those businesses, the combined workforce would be owed \$35 million in entitlements. Massive amounts of losses to the workers who have been part of building those businesses. The banks have a role to play in both supporting businesses through hard times but also what we hear is their nervousness around the TCF industry is high. There is a different conditionality that goes on the assistance and their capacity or their willingness to extend credit to our industry, compared to others.

Mr ATKINSON—Is there anything government can do about that?

Ms O'NEIL—I do not know about the demarcations between federal and state here. The obvious

recent commitment from the Federal Government as part of the global financial crisis to provide certain underwritings to banks and willingness to give them some security through that period, we do not think was correspondingly made to industry. For example, we have had businesses collapse that with a small amount of investment from the federal and state would have been able to stay afloat but that was not able to be delivered. Ironically you then see the business collapse, all the jobs go, and the cost to both the federal and state of what is then the impact of that when you have large numbers of unemployed people in regional areas, unable to find other work, claiming unemployment benefits, ending up in your hospital system, ending up with all sorts of other social and community impacts that cost the government significantly is so short-sighted. Our view is that there does need to be more done to assist companies through this particularly tough period.

An example I wanted to give you was companies working short time. We have had a number of businesses that have said, 'We need to be able to avoid sacking people. We need to have a period of time of working a full day week.' The workers in those companies consider that very seriously about whether they are going to agree to something like that. You can imagine a lot of low-paid people losing 20 per cent of your income for a period of months is a big thing, but we think there is real scope for that fifth day to be used for training, skill development, the capacity to lift the ongoing capacity of that business to make it through to the good times and use the difficult times to put themselves in a better position, a more competitive position. We think the state does have a role to play in terms of investing in the training and skill development aspect of that and looking at what sort of finances could go to help those businesses maintain their employment levels, use the downtime to upskill and be in a better position at the end of it.

The CHAIR—If you have examples of where that has worked overseas in the industry that would be handy.

Ms O'NEIL—Yes.

Mr ATKINSON—One of the concepts that has been brought to us in the course of these hearings in the last couple of days, and it is an interesting one in respect that historically we probably had this with Collingwood—well, take Collingwood for the sake of example, and Richmond perhaps—the concept of clustering and the value of clustering in terms of industry support and advancement. I wonder if you have any observations about clustering with the industry today?

Ms O'NEIL—I think it is a really positive area that we should be able to look at providing some more support for. An example I will give you, there are often young designers that are trying to break into the industry that say to us, 'We want to manufacture here. We want to start our business here. We want to find a way of having the whole product done here ethically,' but their volumes are so tiny because they are starting out. They are new, they have nothing underneath them. Grouping them together in a way where they are able to combine volume, cluster their businesses where they can access support in terms of business development, assistance with upskilling people to be able to do the jobs, but also accessing and combining groups of designers so that there is sufficient volume to then get manufacturing done for them. We think there is a lot of scope in investigating that type of clustering arrangement. Then talking about in textile areas, again being able to have businesses where you might have the dye house or the dyeing facilities in an area feeding a number of businesses that are close by, linking businesses in a particular hub where they can draw on support in all manner of way. It is endless what you can do if you get the economies of scale together. In short we think there is real scope for the state to assist in looking at how the creation of textile hubs, clothing hubs and clusters in a way that gives the industry some—you have to be careful, people are always precious about their competitor's edge, but it has been done. There are some great models around the world and we would support it.

Mr DAVIS—That was a good question.

The CHAIR—It was. I was thinking about the Brunswick business—

Ms O'NEIL—Yes, that is right.

The CHAIR—The RMIT College of Textiles which used to be smack bang in the middle of my electorate. I am all for that clustering. I am also all for clustering of Australian made products. People who

want to purchase Collette Dinnigan or others do not have to traipse right around Melbourne. There is one area where if you want to buy Australian made and it has an endorsement you can go there quickly for people who are time poor. Thank you, Michele and Manu. You will be given a copy of transcript in about a fortnight. Typing errors may be corrected but not matters of substance. Good afternoon.

Witnesses withdrew.

Committee adjourned.