

# Fashion Evolution: From Farm to Industry

*Accelerating the economic impact  
of a sector powered by women*

Australian Fashion Council  
9 May 2022

EY

Building a better  
working world

# Foreword

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Australia's fashion and textile industry is facing many challenges: changes in the retail and trading environments at a local and global level, inflationary pressures, and major shortages of skilled workers and materials.

Last year, in collaboration with Afterpay, the Australian Fashion Council (AFC) published From high fashion to high vis: the economic contribution of Australia's fashion and textile industry, a study highlighting the significant scale, depth and diversity of our sector. The report confirmed that our industry is about much more than runways and champagne, contributing over \$27.2 billion to Australia's economy, generating more exports than wine and beer and employing more than 489,000 Australians. Supporting over 376,000 women, who represent 77% of the workforce, and consequently contributing to their economic security, this is an industry with women at its core.

This reinforced our resolve to work with industry, government and other key stakeholders towards transforming outdated business models, driving innovation and technology adoption, and posturing the industry towards the future.

Four policy pillars, which involve business and government working together, have the potential to place the industry on an accelerated growth trajectory:

- ▶ Promote the Australian Fashion™ campaign locally and globally to turbocharge local and export earnings;
- ▶ Make fibre and its derivatives (textiles, uniforms, clothing) a priority in the development of Australia's sovereign capabilities;

- ▶ Boost women's economic security by developing career pathways for women throughout their working life, addressing current and future industry skills gaps and opportunities;
- ▶ Build a workable and sustainable circular economy across Australia's clothing, uniforms and textiles supply chain.

With full implementation of the policies, our sector has the potential to grow by \$10.8 billion over the next decade, forging the way towards a circular industry that contributes over \$38 billion to Australia's economy and delivers more than 575,000 jobs.

We hope this report inspires a national conversation between industry and government, resulting in the implementation of a concrete policy agenda that will propel our industry toward its full potential.

Special thanks go to the Afterpay team, particularly Anthony Eisen and Nick Molnar, for continuously supporting our industry and making the production of this report possible.



**Leila Naja Hibri**  
**CEO Australian Fashion Council**



# Contents

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## Executive summary

1. The context: Australia's economic priorities
2. The pathways: what could be possible
3. The potential: the impact to the economy
4. The approach: what's in the pathways and how they've been modelled
5. The appendix: results, sources and release notice



A photograph of two women on a beach. The woman on the left is seen from the side, wearing a white tank top and light blue jeans, with her hand on the hip of the woman on the right. The woman on the right is seen from the back, looking out at the ocean. The background is a clear blue sky and the ocean horizon.

# Executive summary

# A reinvigorated policy platform could drive an ambitious growth agenda for Australia's fashion and textile industry

Australia's fashion and textile industry is diverse and globally connected. The industry currently contributes \$27.2 billion, more than 1.5% of Australian GDP and employs more than 489,000 people.

It spans a complex ecosystem of raw material producers, design, manufacturing, retailing and educational activities and has a presence in every high street and major retail centre in the country.

It is also one of Australia's true female-led industries, from shop floors, design studios and C-Suites, with women representing 77% of the industry workforce.

Over the past few years, global forces and the COVID-19 pandemic have shone a light on some major pressures facing the industry:

- ▶ Radical restructuring in the retail and trading environment.
- ▶ Acute shortages of skilled workers and materials.
- ▶ Repairing and rebuilding from pandemic-related business disruptions.
- ▶ Emerging inflationary pressures which aggravate supply chain and cost risks.
- ▶ The outsized impact of the pandemic on women's economic security.

In order to meet these challenges and navigate a fragile economic recovery, a new reinvigorated policy platform for the fashion and textile industry is needed. This will help the industry meet its ambitious growth targets and put women's economic advancement front and centre in the industry development agenda.

**Four policy pillars have been developed to back the industry's potential and set it on a higher and more sustainable growth path**

## **1** Promoting Australian fashion

Promoting Australian fashion both domestically and internationally to boost demand for Australian fashion and increase exports to key markets.

## **2** Building future capabilities for the fashion and textile industry

Increasing local manufacturing capabilities and boosting the supply of and demand for Australian fashion including for cotton and wool fibres and their derivatives.

## **3** Boosting Australian women's economic security

Upskill and train Australia's fashion and textile industry workforce to fill skills gaps and the create vocational career pathways for women.

## **4** Enabling Australian fashion and textiles to lead in sustainability

Building a workable and sustainable circular economy across the Australian fashion and textiles supply chain.

# The policy platform could generate a strong return on investment in the short term

The new policy platform boosts industry capacity, plans for the future and helps the transition to a more circular economy. The package and its constituent elements can be stood-up quickly and involve industry and government working together.

From an investment in industry capacity in the order of \$69 million, there is potential for tangible economic gains to take hold in the short term, providing a strong return on investment for taxpayers.

These returns, with full and timely implementation of the policy platform, involve gains from increased exports, enhanced local industry activity, greater economic security of women, and a reduction in the industry's environmental footprint.

**\$1.3 billion** The direct economic impact from implementing the initiatives

## Features of the short term impact

<b>\$700 million</b>	in additional investment
<b>\$500 million</b>	in additional exports of Australian fashion
<b>\$100 million</b>	in household consumption and government expenditure
<b>19:1 ROI</b>	the potential return on investment from a funding envelope of \$69 million

## Key advantages of the new policy platform



### Targeted promotional campaigns for Australian fashion

Stimulates economic activity and increases Australia's fashion exports by increasing penetration of Australian fashion in underrepresented overseas markets.



### Including textiles and derivatives in government manufacturing initiatives and creating a domestic procurement policy

Supports supply capacity, boosts investment and economic growth, improves productivity and industry competitiveness.



### Creating a fashion and textiles specific vocational education and career pathways program

Drives increased labour productivity and employment in the industry, boosting economic activity and women's economic security.



### Supporting the emerging sustainability economy with blockchain provenance technology and grants for recycling innovation

Allows fashion products to be sold at a premium, increases productivity in the industry, reduces waste, increases the creation of ethically sourced fashion and textiles and stimulates demand.

# Building on its direct short term impact, the policy's could lift the industry's growth trajectory and deliver substantial economic gains over the decade

Through targeted policy initiatives and co-investment from government and industry, there is potential to stimulate economic activity

**Investing in sustainability** and a circular economy could ensure that textiles are appropriately recycled, increasing productivity in the industry and driving economic growth.

**Promoting Australian fashion** could stimulate demand domestically and in underrepresented international markets.

**Uplifting manufacturing capabilities** in the fashion and textile industry could meet increased demand for Australian fashion.

**Investing in upskilling** the fashion and textiles labour force could ensure there are sufficient workers for the increased demand.

The policy pillars are designed as an integrated package.  
The economic benefits are amplified if all four policy pillars are implemented together.

From implementing the policy package, the industry's economic contribution could be...

**\$29 billion**  
in 2 years

**\$33 billion**  
in 5 years

**\$38 billion**  
in 10 years





# The context: Australia's economic priorities



# COVID-19 is accelerating change in the fashion and textile industry

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The impact of COVID-19 was unprecedented with the pandemic upending many parts of the industry. It caused a change in consumer behaviour as consumers pivoted to online platforms, changing what people purchased and how they accessed it.

As the industry emerges from the impacts of COVID-19, there are some important development drivers:

- ▶ **Market expansion** – Competing effectively against other leading fashion and textiles exporting nations for a greater 'share of wallet' globally and locally.
- ▶ **Technology and advanced manufacturing** – Embracing new technologies and innovations to accelerate growth, maximise local content and manufacturing capabilities and enhance operational resilience to future market disruptions.
- ▶ **Reskilling talent** – Upskilling workers secures future opportunities and helps businesses to adapt to new business models, with a concerted focus on women. As the industry evolves, workers will need new skills, and will need to be adaptable and technology-savvy to reap the gains from future industry growth.
- ▶ **Responsible business** – Circular business models coupled with sustainable sourcing to adapt to changing customer preferences.

## **The fashion and textile industry is looking for ways to revolutionise, be sustainable, and grow its economic impact**

The Australian fashion and textile industry is particularly focused at the design and retail ends of the production chain. These parts of the ecosystem have more localised dimensions and high levels of professional service intensity.

Whilst the industry has strong links throughout global supply chains, there are large opportunities to add value in Australia. 88% of businesses design their products in Australia but only 29% source some of their materials from local suppliers.

Currently demand for locally made is far outstripping supply, and this is largely because there is not enough capacity to produce more. More brands are looking for sovereign manufacturing for supply chain resilience, to have a smaller supply chain footprint and meet ESG targets.

The Australian fashion and textile industry is working towards and embracing the vision of Industry 4.0; a new phase in industrial revolution that focuses on advances in technology and generating jobs for the future, including STEM roles for women.

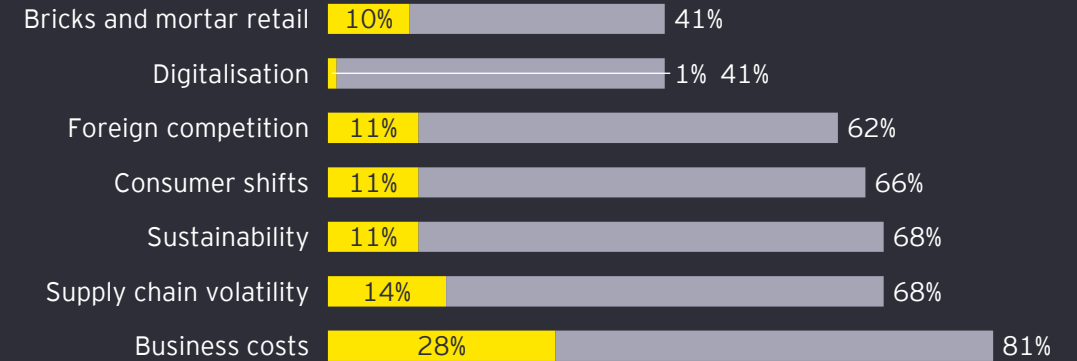
The fashion and textile industry is demonstrating a growing skilled workforce, that is dominated by women, and taking advantage of new technologies to deliver fashion and textiles in a more socially and environmentally sustainable way than ever before.

# Targeted policy action may support key industry priorities

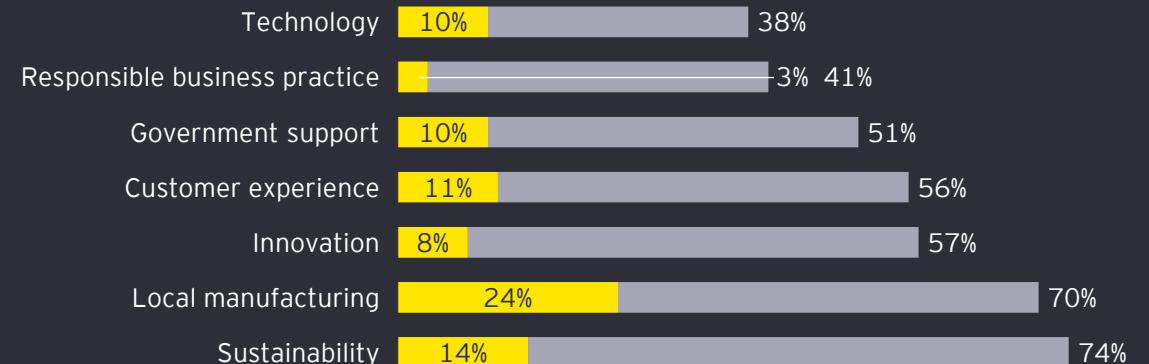
An EY survey of the fashion and textile industry in 2021 identified a range of challenges and opportunities facing the industry as it emerged from the depths of the pandemic.

- ▶ There were major pressures around digital disruption to business models, the volatility of supply chains and cost management, and promoting more sustainable practices to meet customer demands.
- ▶ But exciting prospects for the industry were also on the horizon. These bright spots included bringing more sustainable products to market, making more things in Australia – supported by advanced manufacturing – and the potential for innovation.
- ▶ Crucially, governments can play a key role in supporting the industry to tackle these issues head-on. A roundtable of fashion and textile industry CEOs last year emphasised how targeted support could elevate growth opportunities, especially around women's skills development, export market development through global campaigns and the sustainability and circularity of fashion textiles. See the appendix for more detail on the CEO roundtable survey results.
- ▶ The policy platform developed for the industry addresses both challenges and opportunities, with a range of targeted support measures to lift growth and position the industry to succeed in Australia's future economy.

## Key pressures facing the industry - the challenges



## Bright spots on the horizon - the opportunities



■ Identified as the biggest challenge/opportunity  
■ Identified as one of the top five biggest challenges/opportunities

Based on responses in the EY Australian fashion and textile industry survey 2021.

## Unveiling

### Australian Fashion™

The **Australian Fashion™** certification trade mark is a world-first, an industry-specific nation brand that will define and identify Australian fashion, selling our unique vision and progressive values to customers at home and around the world.

It was funded by the Federal Government to drive industry growth, create more jobs, and support a greater contribution to the economy, future-proofing the Australian fashion and textile industry.

#### Identification

The Australian Fashion™ Certification Trade Mark is designed to strengthen and advance our unique position on the global stage. The logo, like the Woolmark or Australian Made logos, will help consumers discover and browse Australian Fashion brands that match their values and style, encouraging them to buy Australian Fashion wherever they may be in the world.

#### The logo

The logo itself is a stylised letter 'A' for Australia, featuring a radiating Australian sun at its centre. This rounded form also represents the sustainability and circularity the industry is moving towards. The forward leaning slash of the 'A' represents the local industry's progressive and fearlessly innovative nature.

#### Provenance and regulation

The process for creating the certification trade mark and brand positioning entailed significant research into how Australian brands and Australian fashion are perceived locally and abroad. An advisory panel, comprising of experts from multiple disciplines and global territories, played a governance role throughout the development of the brand platform and logo.

As a registered certification trade mark, funded by the Federal Government, the Australian Fashion™ logo can only be used by brands that meet the criteria set out in Australian Consumer Law and in the Australian Fashion™ certification trade mark Code of Practice.

The Australian Fashion™ Certification Trade Mark:





# Investing in the promotion of the fashion and textile industry can improve economic outcomes

Boosting women's economic security, local manufacturing and environmental sustainability are among the most pressing issues for government. The fashion and textile industry has the potential to make a significant contribution to these priorities with investment in the right initiatives.

## A targeted promotional campaign could boost Australia's fashion presence internationally

\$7.2b

Current exports by the Australian fashion and textile industry are more than double the exports of wine and beer

1.59:1

The benefits of effective international marketing are clear – for example, every \$1 Wine Australia spent on marketing was associated with \$1.59 of economic benefits for Australian wine producers

5:1

The expected return on investment of a well-designed international Australian Fashion campaign

## Australia's fashion exports

Australian fashion currently holds a strong reputation for its quality in overseas markets, with exports totalling \$7.2 billion. A well targeted promotional campaign could drive further growth in fashion exports in underrepresented overseas markets as the Australian Fashion™ trade mark becomes synonymous with quality.

### Promoting Australian fashion



The AFC received funding from the Federal Government to design and develop an Australian Fashion™ Certification Trade Mark (CTM). The CTM is set to leverage Nation Brand's insights and maximise impacts.



Further investment is required to promote the CTM domestically and internationally through promotional campaigns and international trade events to drive demand in order to fully realise the potential of the CTM for Australian fashion businesses.

# Increasing productivity may help unlock more local manufacturing

## Australia's economy could grow and diversify by investing more in local manufacturing

<5%

of Australian garments are fully manufactured here

1.5%

of total Australian manufacturing is clothing and textiles manufacturing

13%

The improvement in textiles manufacturing productivity when existing technologies are introduced

## Australia's clothing and textile manufacturing industry

Over the past decades, clothing and textiles manufacturing has declined to around 1.5% of Australia's manufacturing output, as activities have been offshored to countries with cheap labour.

However, with increased automation, clothing and textiles can become more capital intensive, positioning Australia as a potential textiles manufacturing powerhouse, particularly for high quality goods.

The Government could kickstart this transformation by procuring all its uniforms from local manufacturers and helping boost industry productivity by including fashion and textiles in the Modern Manufacturing initiatives.

## Increasing local manufacturing capabilities



Most Australian fibre processing and textile and clothing manufacturing is undertaken in Asia. But in the face of new global supply risks, many Australian brands are now looking to manufacture locally to deliver vertical, sustainable and de-risked supply chains.



Australia does not yet have the productive capacity to quickly scale-up local manufacturing.



Investment in technology could increase local manufacturing capabilities to allow Australian brands to onshore with our globally recognised standards.

# Women's economic security is now front and centre of Australia's policy agenda

All Australians can gain by improving women's economic security and increasing women's labour participation

11%

The increase in Australia's GDP if the gender employment gap closed

\$8b

The amount the Australian economy would gain if the transition rate from tertiary education to the workforce was equal for men and women

15%

Businesses with 30% or more women in leadership are 15% more profitable

## Women in the fashion and textile industry

Women are at the heart of Australia's fashion and textile industry. The Australian fashion and textiles sector has the second highest female workforce behind health care with 77% of employees being women.

The value of the industry's economic contribution and its predominantly female workforce underscores the important role that the fashion and textiles sector plays, not only for women, but for Australia's economy generally.

## Investment into women's financial security



Women continue to remain more financially vulnerable than men. Investment in women's financial security can benefit all Australians.



Investment is required to upskill and train women in the fashion and textile industry to fill workforce shortages and provide economic security for women beginning their career, as well as women re-entering the workforce.



Investment will help women to find jobs of the future including pathways in STEM, FashTech and Advanced Manufacturing. It could boost female economic stability, increase labour productivity and participation rates and deliver ongoing dividends to the Australian economy.



To complement the boost to women's employment, complementary support aimed at improving women's participation in the workforce needs to be considered, including access to childcare and parental leave arrangements.



# Consumers are looking for companies which embrace sustainable practices

The Australian fashion and textile industry is embracing sustainable practices to meet changing consumer preferences

**6000kg** of Australian clothing and textiles are dumped in landfill every 10 minutes

**\$800m** The \$190 million Recycling Modernisation Fund is set to generate over \$800 million of recycling investment

**87%** of Australian consumers are willing to purchase ethical and sustainable products at a premium

Australian brands are looking for ways to shorten their supply chain footprint and meet ESG targets

Buyers all over the world are choosing Australian sustainable and premium brands over cheap 'fast fashion' items of dubious ethical provenance and poor environmental consequences. There is still significant untapped demand with growing consumer preferences for more sustainable products.

## Reducing waste and choosing sustainable



There is a global transition for sustainable practices across supply chains, from sourcing, manufacturing and recycling of fashion and textiles.



Australia is the second highest consumer of textiles in the world per person. On average, each Australian disposes 93% of the textiles they buy with only 7% of this waste recycled.



The AFC received funding as part of the National Clothing Product Stewardship Scheme to better manage clothing textiles waste.



Further investment is required to develop a sustainable circular economy for the fashion and textiles supply chain.



# The pathways: what could be possible

# Realising the \$10.8 billion economic gain requires full implementation of all policy pillars

In consultation with the Australian Fashion Council, four policy pillars have been developed and examined to support the fashion and textile industry. The policy pillars capture key government incentives and priorities. Each pillar benefits from co-investment between government and industry to be implemented and executed to its full potential.

## 1 Promoting Australian fashion

This pillar aims to promote Australian fashion both domestically and internationally to boost demand for Australian fashion and increase exports to key markets.

## 2 Building future capabilities for the Australian fashion and textile industry

This pillar aims to increase Australia's local manufacturing capabilities and boost the productive capabilities of Australia's fashion and increase economic stability for women.

## 3 Boosting Australian women's economic security

This pillar aims to upskill and train Australia's fashion and textile industry workforce to fill the current skill gap and create vocational career pathways for women.

## 4 Enabling Australian fashion and textiles to lead in sustainability

This pillar aims to build a workable and sustainable circular economy across the Australian fashion and textiles supply chain.

### Key advantages of partnering with government



Helping grow and diversify Australia's export markets and building our national brand



Facilitating onshoring of manufacturing and promoting greater supply chain resilience



Skilling Australia's workforce and providing women in the industry with better career paths



Promoting the transition to a more circular economy



# 1: Promoting Australian fashion

## *Driving local and global demand for Australian fashion to increase economic output and fashion exports*

The AFC has worked closely with Austrade in the development of the Australian Fashion™ Certification Trade Mark (CTM) to leverage Nation Brand's insights, optimise synergies and maximise impacts. This policy pillar will complement the investment in the CTM and will include domestic and international campaigns to promote and drive demand for Australian fashion and textiles.

### What are the key activities?

#### Now

1. Domestic promotional campaign to leverage the CTM.
  - Indicative funding: \$1 million
2. Promotional campaign in the UK for the CTM.
  - Indicative funding: \$2 million

#### Next

3. Planning and execution of the international marketing and media campaigns in key markets.

Market identification will be based on the size of the market and its fashion maturity, broader export market development potential, alignment to Australia's export strategies.

  - Indicative funding: \$14 million (\$500,000 for planning)

### Who will fund these activities?

The actions would need to be jointly funded by Government and industry reflecting broader economic benefits which are likely to be generated through co-investment.

### Potential economic benefits

- ▶ Increased exports to target markets
- ▶ Increased local demand for Australian brands
- ▶ Increased jobs for women in Australia
- ▶ Growth opportunities for Australian businesses

These benefits will also spill over into other industries including tourism and trade.

### The potential locations for promoting the CTM



## Case study: The impact of Afterpay Australian Fashion Week 2021

Afterpay Australian Fashion Week (AAFW) is the most important event on Australia's fashion calendar and is globally recognised as an agenda-setting week for the industry. AAFW is an IMG event supported by the NSW Government through its tourism and major events agency Destination NSW.

Now in its 26th year, the event supports not only leading and emerging local designers, but the hundreds of thousands of Australians who make up the broader fashion industry, in addition to tourism, events and marketing professionals.

AAFW 2021 generated an economic impact of more than \$75 million to the Australian economy through sales uplift and spending.

The five day schedule brought fashion's leading players and influencers to Sydney, with more than 16,500 people attending and participating in the event across the week including more than 400 fashion buyers, nearly 5,000 consumer ticket holders, and 2,400 talent and crew supporting local employment and the broader fashion industry supply chain. The event demonstrates how the targeted promotion of Australian Fashion delivers economic benefits across retail and wholesale markets and more broadly.

In addition to generating strong economic uplift for grassroots designers, developing meaningful brand equity and awareness, and supporting tourism and local employment, AAFW showcased the diversity and inclusiveness of the industry with an increasing focus on being more socially and environmentally sustainable.

More than 100 designers showcased their brands at the event, including 24 of Australia's top emerging designers. Indigenous design was at the forefront, with a historic 13 Indigenous designers showcased in three separate events, including the Welcome to Country, the First Nations Fashion + Design runway show and Talk, and Indigenous Fashion Projects runway show.

Overall, AAFW 2021 generated an estimated media value (ASR) of \$26 million. Globally, 492,000 minutes of AAFW content was viewed across 60 countries via [AAFW.com.au](https://www.aafw.com.au). AAFW showcases Australian fashion, building domestic and international brand equity and creating economic uplift.

"Afterpay Australian Fashion Week is one of Australia's premier industry and cultural events, generating significant stimulus for both the fashion industry and the broader visitor economy through sales uplift, visitor spend, media and marketing, and event management. This directly supports hundreds of thousands of jobs - boosting an industry that spans high-end designer fashion to textile, manufacturing, retail, tourism and education. Most importantly, AAFW provides a global platform for Australian designers - both emerging and established - to forge new pathways to market, to be the creative force for our industry and take charge on issues of sustainability, inclusivity and the future of technology."

The Hon. Stuart Ayres MP, Minister for Enterprise, Investment and Trade and Minister for Tourism

"Since its earliest days, Afterpay has been strongly connected to the designers, retailers and their teams who make the industry what it is today: dynamic, inclusive and diverse. Our support of Afterpay Australian Fashion Week is one way we can ensure that the reach of our platform influences and supports the success of an industry we have grown up in - helping Australian brands and designers prosper locally and on an international stage."

Anthony Eisen, Afterpay Co-Founder

"We're proud to have paved the way during one of the most challenging times for business, hosting the first live fashion week post pandemic. The continued evolution of Afterpay Australian Fashion Week towards a more inclusive event, multiple consumer touchpoints and an advanced digital offering that complements live events have cemented its position as the Asia Pacific region's leading international fashion event."

Natalie Xenita, Vice President, Managing Director of IMG Fashion Events & Properties, Asia Pacific

# 2: Building future capabilities for Australia’s fashion and textile industry

## Strengthening Australia’s manufacturing capabilities to increase productivity and create jobs

Since 2010, most textile manufacturing has been undertaken in Asia. This policy pillar includes onshoring manufacturing to Australia and increasing Australia’s manufacturing capabilities. This would work in tandem with incentives to Australian Government agencies and companies to buy Australian-made fashion and textiles.

### What are the key activities?

Now	Next
<div>1. Integrate Fibre and Derivatives into the Federal Government’s Modern Manufacturing Strategy / National Reconstruction Fund priorities to be included as part of the Food and Beverage National Manufacturing Priority.</div> <div>- Indicative funding: \$10 million</div>	<div>2. Incentivise an Australian-first uniform purchasing policy for Australian Government agencies including the Australian Defence Force and the Australian Federal Police to buy from Australian owned businesses with local manufacturing wherever possible.</div> <div>- Indicative funding: \$10 million</div> <div>3. Develop a grant scheme called <i>OzBrandBuilder</i> which would incentivise Australian companies to purchase uniforms and textiles from Australian-owned businesses.</div> <div>- Indicative funding: \$6.75 million over 3 years</div>

### Who will fund these activities?

The first action could be included within current Government funding allocations. The direct costs of the *OzBrandBuilder* incentive would be designed in collaboration with Government including setting an overall cap on the program and considering local industry capacity.

Potential economic benefits

- ▶ Increased Australian manufacturing capabilities
- ▶ More jobs for women in Australia
- ▶ Increased domestic spending and increased supply chain resilience

Case study

**Increasing Australia’s manufacturing capabilities will allow for more companies to manufacture locally**

Country Road is one of Australia’s leading retailers who supports locals by sourcing Australian cotton, merino fibres and leather.

Country Road has been investigating increasing their onshore manufacturing for some time. They have trialled local garment production and customers responded well.

This onshore production initiative supported Australia’s manufacturing sector, benefiting a workforce of 120 Australians across multiple manufacturing facilities, whilst also creating a smaller transport footprint.

Key challenges were many and can be overcome with Government policy - these include the need for greater factory capacity to produce large volumes and addressing the skills shortage in Australia with machinists and technicians. This would help enable Country Road to fulfil the customer demand for Australian-made clothing.





### 3: Boosting Australian women's economic security

#### *Upskilling Australian women to support their long term economic opportunity*

The fashion and textile industry is struggling with skilled workforce shortages. This policy pillar aims to upskill and train the majority female workforce in the fashion and textile industry to increase the economic security for women beginning their career as well as women re-entering the workforce. This initiative will fill current and future skills gaps with a focus on STEM roles as the industry moves to adopt technologies and advanced manufacturing initiatives, boosting the economy and closing the gender gap.

#### **What are the key activities?**

##### Now

1. Develop an AFC led pilot apprenticeship and traineeship program with key industry partners.
  - Indicative funding: \$290,000
2. Promote and better inform school leavers and women looking to re-enter the workplace about the opportunities and pathways for pursuing a career in fashion and textiles.
  - Indicative funding: \$500,000

##### Next

3. Expand the AFC led apprenticeship and traineeship program to be nation wide.
  - Indicative funding: \$2 million per year

#### **Who will fund these activities?**

The recently announced budget provided multiple funding options for upskilling and training women in manufacturing. These actions should be able to be funded through existing programs. Industry sponsors would be needed to deliver the apprenticeship program and provide future focused vocational training.

#### **Potential economic benefits**

- ▶ Increased jobs for women in Australia including better career pathways to boost skills and actively creating opportunities to enter the workforce and boost skills at different life stages
- ▶ Increased productivity and workforce participation for Australian women including women re-entering the market and migrants entering into the Australian market

#### **Case study**

##### **Upskilling can increase productivity and local capabilities**

State of Escape, founded in 2013, has committed to ethical and transparent manufacturing in Australia. It took the business 12 months to secure a local manufacturer to produce their hand-crafted products, however this was limited to 70% capacity. In 2018, they were able to move to a new local factory which could support their growth, however the new staff all began with minimal design and production skills.

Continued growth will require the factory to continue to expand its operations and hire skilled staff. Government support would be key in ensuring new employees are educated and trained in new design techniques, new manufacturing processes and developments, and new machinery and technologies.

## 4: Enabling Australian fashion and textiles to lead in sustainability

### *Kickstarting a workable circular economy and promoting responsible practice for fashion and textiles*

There is rising demand for sustainable practices in the fashion and textile industry. This policy pillar aims to build a sustainable circular economy for the fashion and textiles supply chain through the development of a proof of concept model using blockchain technology and grant schemes to support appropriate waste management activities. It will complement the investment in the ongoing National Clothing Product Stewardship Scheme (PSS) for fashion and textiles and build on this to include all fibre and textile waste.

#### What are the key activities?

##### Now

1. Develop, in collaboration with industry, a proof of concept model applying blockchain technology for provenance validation in Australian fashion and textiles.

- Indicative funding: \$1 million

##### Next

2. Build on the PSS to include investment in material innovation at the cradle stage to enable future cradle-to-cradle full circularity. Include all fibre and textile waste in the PSS and co-fund with industry a research and viability study on the business case for the emerging fashion and textiles recirculation industry.

- Indicative funding: \$2 million

3. Develop a dedicated grant program for SMEs to support innovation and technology in waste management in fashion and textiles.

- Indicative funding: \$5 million

#### Who will fund these activities?

These actions will need to be supported by Government incentives. There are also significant opportunities for co-funding with industry, with potential funding arrangements to be determined as part of developing the policies.

#### Potential economic benefits

- ▶ Increased Australian jobs in a global high-growth sector
- ▶ Increased productivity
- ▶ Increased manufacturing in Australia
- ▶ Development of an emerging industry in the recirculation of all fibre and textile waste

#### Case study

##### **Investment into new sustainable applications for textiles can reduce waste and increase productivity**

BlockTexx is a clean technology company that recover polyester and cellulose from fashion and textiles. Their mission is to divert textiles away from landfill and accelerate the global recycling industry towards a sustainable future.

BlockTexx converts textile waste into a high value resource, stimulates the production of new products and meets consumer demand to reduce the environmental impact of our clothing. Fashion labels, designers, charities, government bodies, corporate and large manufacturers are all looking for opportunities to reuse and repurpose unwanted fabrics.

For Australia, even a 6.6% reduction in textiles going to landfill will represent the removal of a clothing pile the size of the Sydney Harbour Bridge. Government policies would aim to build and scale this industry, further reducing the impact of fashion and textiles waste on the Australian environment.

## Case studies: Australian companies are demonstrating leading edge sustainable practices

### Investment in research can lead to innovative sustainable practices

The wool industry globally has come under criticism for its impacts on the production of greenhouse gas emissions. Clothing and textile businesses are driving towards a net zero even ahead of aggressive government targets. Although wool is one of the more sustainable fibres, the sheep contribution to greenhouse gas emissions is posing a challenge for fashion businesses working towards net zero.

A research methodology developed by Ms Bree How and supported by M.J. Bale, concluded that feeding merino ewes a mixture of barley and an eco-friendly seaweed grown in Tasmania, alters the animal's digestion, reducing animal produced methane by 80% or more.

There is opportunity to commercialise and scale this proven initiative without negatively impacting production. This will work to decrease the greenhouse gas emission in the fashion and textiles supply chain to make Australia's highly sustainable merino even more desirable on the global market.

### Local manufacturing allows companies to react quickly and preserve Australian jobs

bassike is a Climate Active carbon neutral certified design-led brand, supporting local manufacturing and sustainability since its inception in 2006. Local manufacturing enabled bassike to have a short supply chain which allows the business to react quickly to market demand and reduce lead times by 50% compared to offshoring.

By producing over 90% locally, the business has significantly reduced its carbon footprint and has contributed to the local economy and job growth, preserving skills and jobs that would otherwise have been moved offshore.

Over the years, one factory alone has seen a 275% increase in employment growth and bassike head office in Sydney employs 3.5 times more staff than if they were to manufacture offshore. bassike, like most brands making locally, needs government investment for supply chain innovation and to mitigate labour shortages through training and apprenticeship programs or skilled immigration.

### Investment in innovative strategies will create cotton circularity in regional Australia

Australians are the second highest consumers of textile per person in the world. Therefore, there is a need to shift fashion and textiles disposal from environmental catastrophe to environmental sustainability. Textile waste not only creates environmental degradation, but through the decomposition process there are greenhouse gases being produced, including both carbon dioxide and methane.

Australia is the third largest exporter of cotton in the world and Australian cotton farming is one of the most water efficient in the world. Australia is firmly in a position for innovation in circularity to minimise the impact of the disposal of fashion and textiles.

A study conducted by Dr Oliver Knox, with the participation of home textile maker Sheridan, trialled the disposal of cotton textiles by spreading them onto a local cotton field. Early stages shows encouraging results and if the ongoing trials deem the process successful this can provide a large-scale circular solution for 100% cotton textile products in Australia, which are naturally biodegradable, renewable, and recyclable.



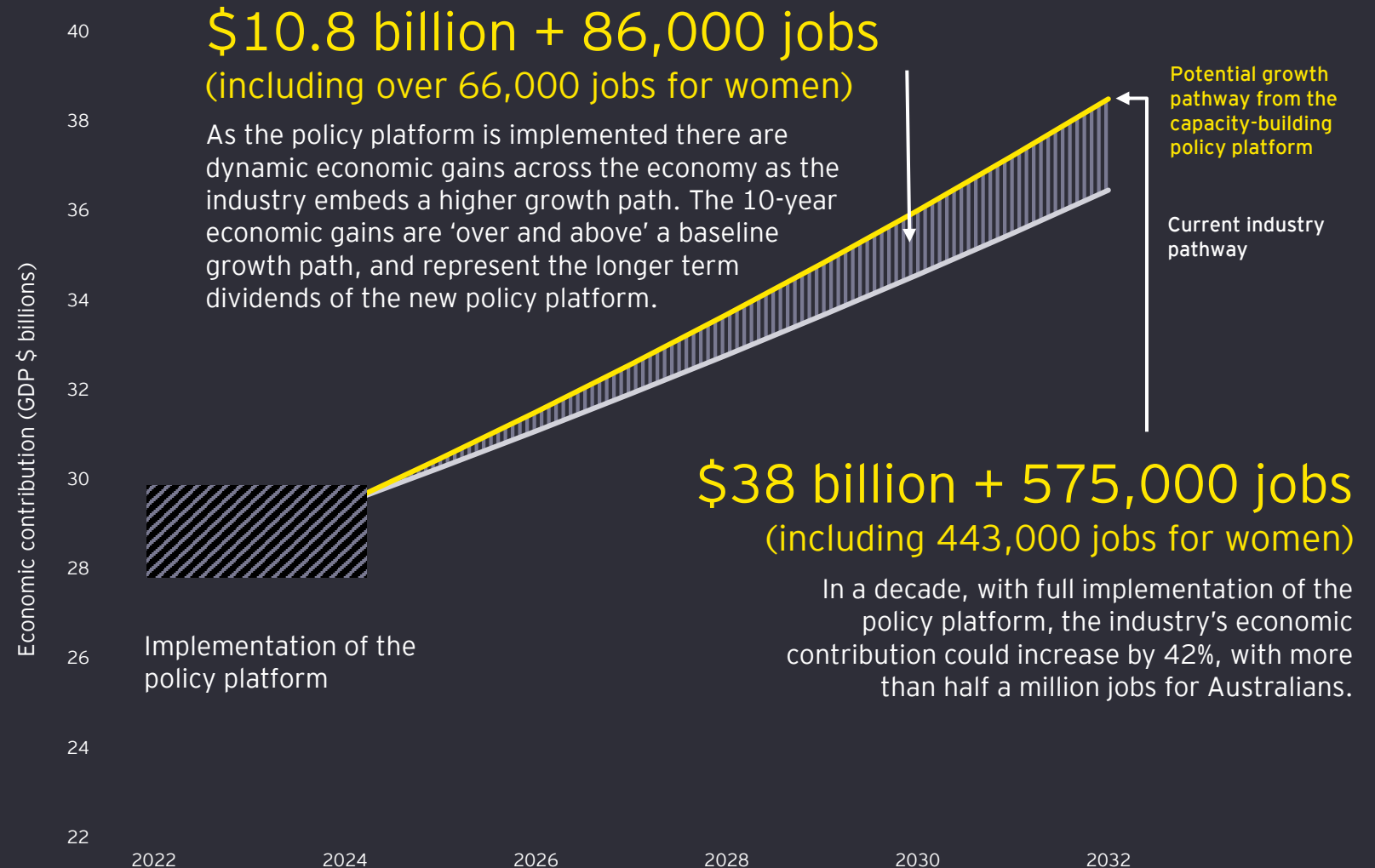
# The potential: the impact to the economy



# The policies may embed a higher-growth path for the industry, potentially delivering a \$10.8 billion economic dividend for the country over the decade

## Investment in fashion and textiles could deliver increased economic benefits for the industry

- ▶ Full implementation of the policy pillars over the next three years has the potential to build the industry's productive capacity. This enables the industry to better 'produce, perform and deploy' in a fast-changing environment.
- ▶ The package could put the fashion and textile industry on a higher growth path, increasing long run productivity and supporting sustainable end-of-life facilities.
- ▶ Implementing the package could lead to the industry contributing 2.12% to Australian GDP in 2032.
- ▶ It would go a long way towards meeting the industry's ambitious growth agenda.



# The higher-growth path would spread the returns from investment across Australia's states and territories

## The economic benefits from investing in the initiatives accrue across the country

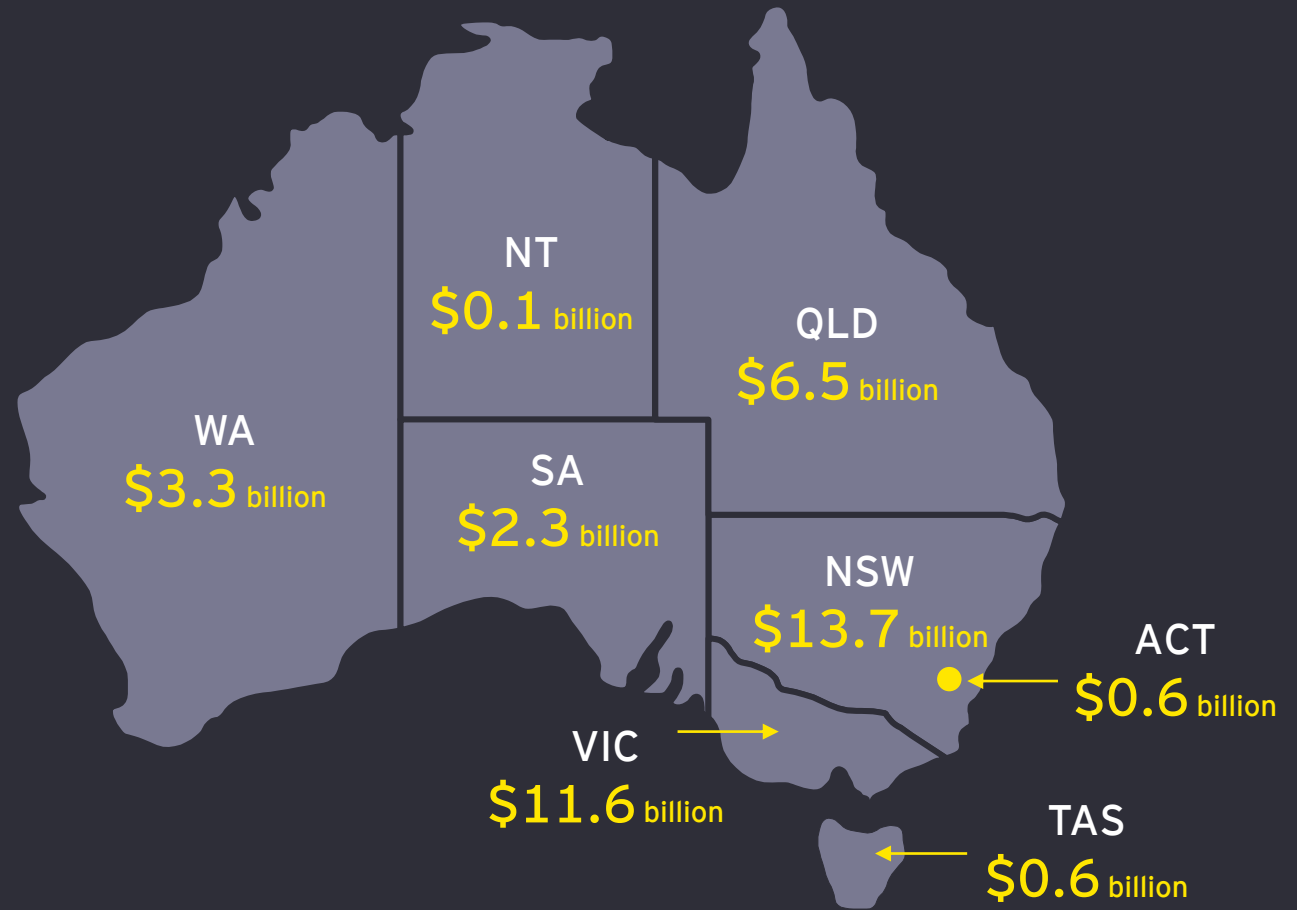
- ▶ The majority of the economic benefits from promoting Australian fashion domestically is expected to be seen in the major cities of Sydney and Melbourne.
- ▶ When implementing the policy platform together, the package could contribute:

**\$10.0 billion** to the Sydney economy

**\$9.8 billion** to the Melbourne economy

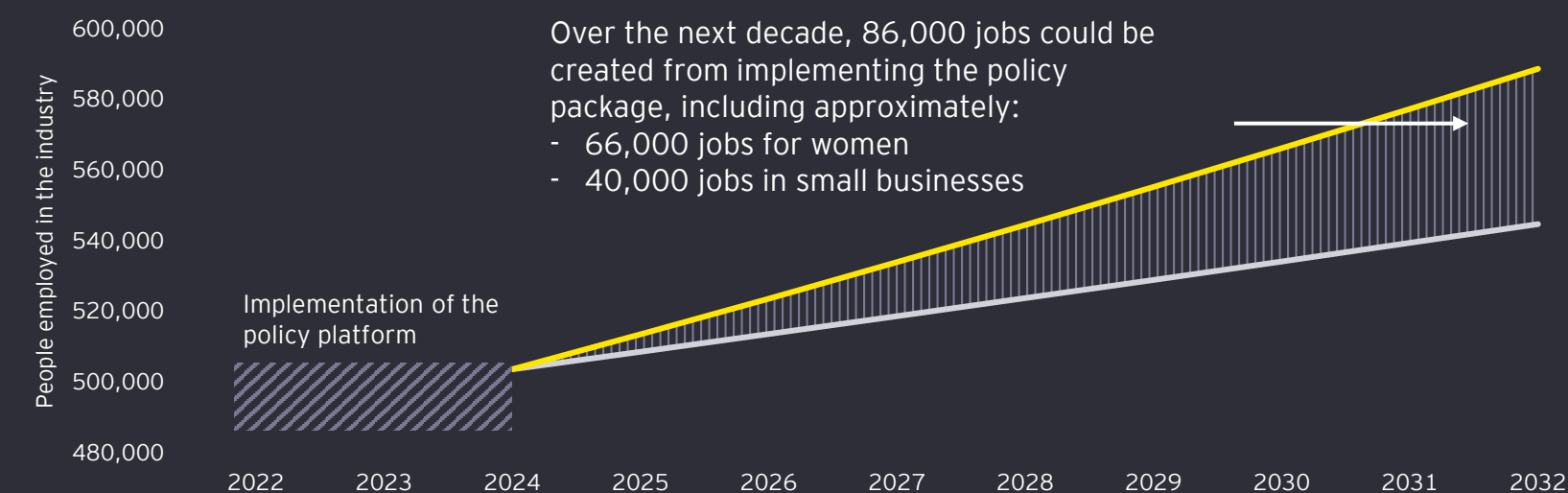
- ▶ Benefits from supporting future capabilities for the Australian fashion and textile industry could boost economic value in regional Australia where manufacturing facilities could be located.
- ▶ Investing in women's education in fashion and textiles could boost women's economic stability in all parts of Australia.
- ▶ Investing in sustainable choices and creating a circular economy for fashion and textiles can induce large productivity gains in both metropolitan and regional Australia.

## The national profile of the industry's potential economic contribution in 2032...



# Investment in the initiatives can be seen through thousands of jobs created

The capacity building policy platform could increase the economic contribution of the fashion and textile industry, creating thousands of new jobs



From implementing the policy package, the industry could employ...

**504,000**

people in 2 years

**529,000**

people in 5 years

**575,000**

people in 10 years

## Jobs which could be created include

- |                           |                         |                            |                             |
|---------------------------|-------------------------|----------------------------|-----------------------------|
| Garment technologist      | CAD operator            | Data analyst               | Fashion designer            |
| Wool grower               | Textile designer        | Tourism operator           | Trend forecaster            |
| Cotton grower             | 3D printing specialist  | AI Engineer                | Sustainability marketer     |
| Seamstress                | Digital merchandiser    | Circularity engineer       | Mobile experience developer |
| Machine learning engineer | Online personal stylist | Chief fashion technologist | eCommerce manager           |





# The approach: what's in the pathways and how they've been modelled



# The study involved developing and analysing the following policy pillars and initiatives which require government investment

Policy pillar	Objective	Concrete actions for the next 6 months	Concrete actions for 6-12 months	Who will fund this?	The potential economic benefits
<b>1</b> Promoting Australian fashion <i>Driving global demand for Australian fashion to increase economic output and exports</i>	Promote Australian fashion domestically and internationally to boost demand and increase exports to key markets. This will complement the investment in the recently developed Australian Fashion™ Certified Trade Mark (CTM).	1. Domestic marketing and media campaign to leverage the CTM: \$1m ● 2. Marketing and media campaign in the UK, specifically around campaigning the CTM: \$2m ●	3. Planning and execution of international marketing and media campaigns in key markets: \$14m ●	Actions are to be jointly funded by Government and industry reflecting broader economic benefits which are likely to be generated due to the co-investment.	Increased exports to target markets. Increased jobs for women in Australia. Growth for Australian businesses. Increase local demand for Australian brands.
<b>2</b> Building future capabilities for the Australian fashion and textile industry <i>Strengthening Australia's manufacturing capabilities to increase productivity and create jobs</i>	Increase Australia's local manufacturing capabilities and supporting local supply chains.	1. Integrate Fibre and Derivatives into the Modern Manufacturing Strategy and National Reconstruction Priorities: \$10m ●	2. Incentivise an Australian-first uniform purchasing policy for Australian government agencies: \$10m ● 3. OzBrandBuilder grant scheme: \$6.75m over 3 years ●	The first action could be included within current government funding allocations. Direct costs of the OzBrandBuilder incentive would be designed including setting an overall cap on the program and considering local industry capacity.	Increased manufacturing in Australia. Increased jobs for women in Australia. Increased domestic spending and increased supply chain resilience.
<b>3</b> Boosting Australian women's economic Security <i>Upskilling Australian women to support their long term economic opportunity</i>	Upskill, train and prepare Australia's fashion and textile industry workforce to fill current and future skills gaps and enhance career entry points and pathways for women throughout their working life.	1. Develop an AFC led pilot apprenticeship program with key industry partners in Victoria: \$290k ●● 2. Promote school leavers and women re-entering the market on the opportunities and pathways for pursuing a career in textiles: \$500k ●	3. Expand the AFC led apprenticeship and traineeship program to be nation wide: \$2m per year ●●	The recently announced budget provided multiple funding options for upskilling and training women in manufacturing. These actions should be able to be funded through existing programs. Industry sponsors would be needed to deliver the apprenticeship program and provide future focused vocational training.	Increased jobs for women in Australia. Increased productivity. Increased workforce participation for Australian women including women re-entering the market and migrants entering into the Australian market.
<b>4</b> Enabling Australian fashion and textiles to lead in sustainability <i>Kickstarting a workable circular economy and promoting responsible practice for fashion and textiles</i>	Build a workable and sustainable circular economy across the Australian fashion and textiles supply chain. This will complement the investment of the ongoing National Product Stewardship Scheme for clothing textiles.	1. Develop in collaboration with industry a proof of concept applying blockchain: \$1m ●	2. Extend the PSS to include investment in material innovation: \$2m ● 3. Develop a dedicated grant program for SMEs to support waste management: \$5m ●	These actions will be supported by government incentives. There are also significant opportunities for co-funding with industry (particularly actions 1 and 2), with potential funding arrangements to be determined as part of developing the policies.	Increased Australian jobs. Increased productivity. Increased manufacturing in Australia. Development of an emerging industry in the recirculation of all fibre and textile waste.



# Key assumptions underpinning the analysis

## Promoting Australian fashion

- ▶ This scenario forecasts the increased output of the fashion and textile industry as a result of international and domestic marketing campaigns, scaled in over 10 years.
- ▶ This return on investment was benchmarked and calibrated against past marketing campaigns to promote Australian trade exposed industries internationally. Benchmarked campaigns included Australian government sponsored wine and tourism campaigns.

## Building future capabilities for the Australian fashion and textile industry

- ▶ To calculate the effect of a domestic procurement policy for Australian government uniforms, research was undertaken to assess what proportion of uniforms are currently manufactured overseas.
- ▶ The value of the current offshored manufacturing was assumed to transfer to Australia, resulting in an increase in local manufacturing.
- ▶ To calculate the uplift in economic activity of OzBrandBuilder, first the value of uniform purchases in the private sector was estimated using national accounts data.
- ▶ OzBrandBuilder was then assumed to attract a percentage of this procurement back to Australia, increasing domestic economic activity.
- ▶ The impacts of the fashion and textile industry being included in the Modern Manufacturing Initiative has been modelled as an uplift of productivity in the sector. This uplift is assumed as the productivity enhancement of the last decade being applied to a proportion of the industry. This is additional to baseline uplifts in productivity.

## Boosting Australian women's economic security

- ▶ The labour productivity increase associated with completing a Vocational course in fashion was assumed to be in line with the uplift in wages between High School and a Cert III/IV educational attainment.
- ▶ It was assumed that the labour force would increase in line with the percentage of people employed with a Cert III/IV compared to a High School leaver.
- ▶ All assumptions for this pillar are based on ABS census data.

## Enabling Australian fashion and textiles to lead in sustainability

- ▶ An assumption was made in line with market surveys, that Australians would be willing to pay a premium for ethically and sustainably sourced fashion and textiles. This results in an increase in demand for Australian fashion and textiles.
- ▶ The percentage of fashion and textiles that could be recycled due to the program is an estimate of the value of fashion and textiles going to waste each year. This material was assumed to be cheaper than the current textile inputs into the textile sector, resulting in an uplift to productivity.
- ▶ All assumptions are conservative estimates and based on industry data.

## The growth potential

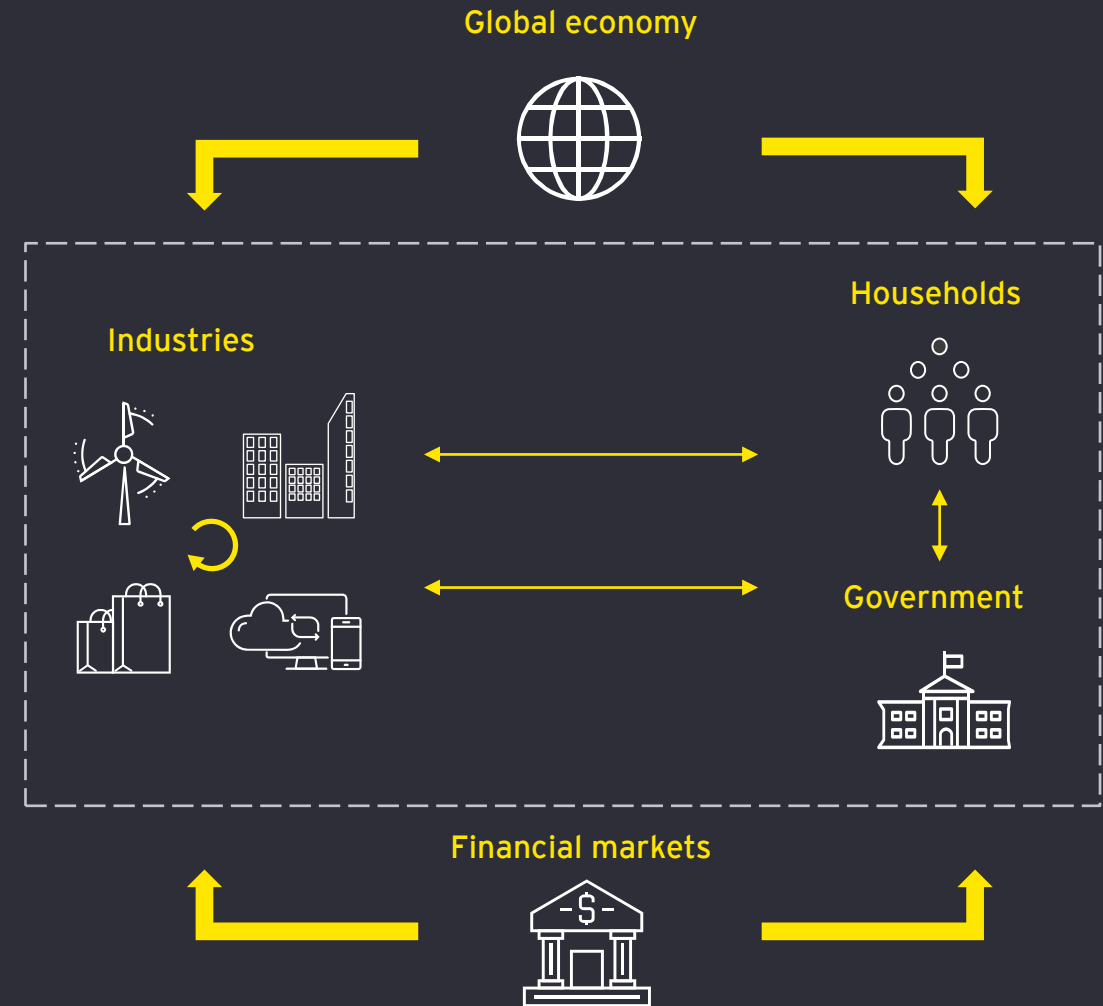
- ▶ The baseline growth rate reflects long term economy wide growth as forecast by the Australian Treasury.
- ▶ The future growth potential of the policy platform is based on industry engagement and empirical research including on historic above trend industry growth performance.

# Our whole-of-economy CGE model

**EYGEM** is EY's in-house, state of the art Computable General Equilibrium (CGE) model. It is a large scale, dynamic, multi-region, multi-commodity model of the world economy.

The model provides a rich and realistic representation of how changes in one part of the economy flow through to other parts.

- ▶ **Comprehensive regional analysis** - The model contains 141 distinct regions, with the ability to disaggregate these into sub-national regions for highly granular economic analysis.
- ▶ **Rich sectoral detail** - All sectors of the economy are integrated into the model, with 65 discrete sectors. These can be further refined for specific industries.
- ▶ **Time dynamics** - Solving year-on-year over a flexible periods, the model can assess short term policy initiatives and decades-long reforms or investments.
- ▶ **Market tested and strong academic foundations** - A model has a lineage that has been applied globally across the public and private sector.







# The appendix: results, sources and release notice



# Fashion and textile industry CEO roundtable

A roundtable of 15 CEOs from the fashion and textile industry conducted a survey to rank the following recommendations in order of priority for the short to medium term and the medium to long term. The survey results put a strategic lens over the industry's pressures and key priorities.

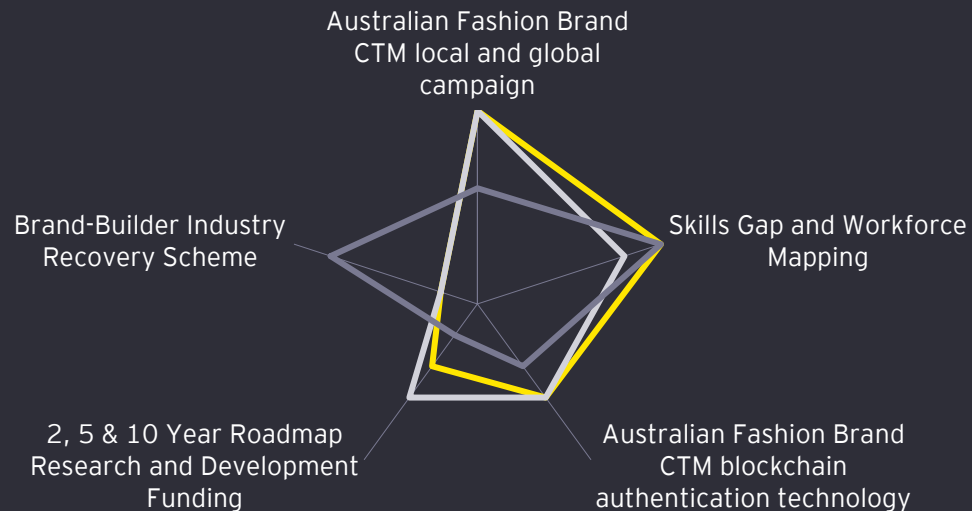
## How to interpret the graph

- ▶ A point which is further out from the centre of the graph correlates with a higher priority recommendation for the CEOs.
- ▶ The different coloured lines differentiate between small/medium and large companies.

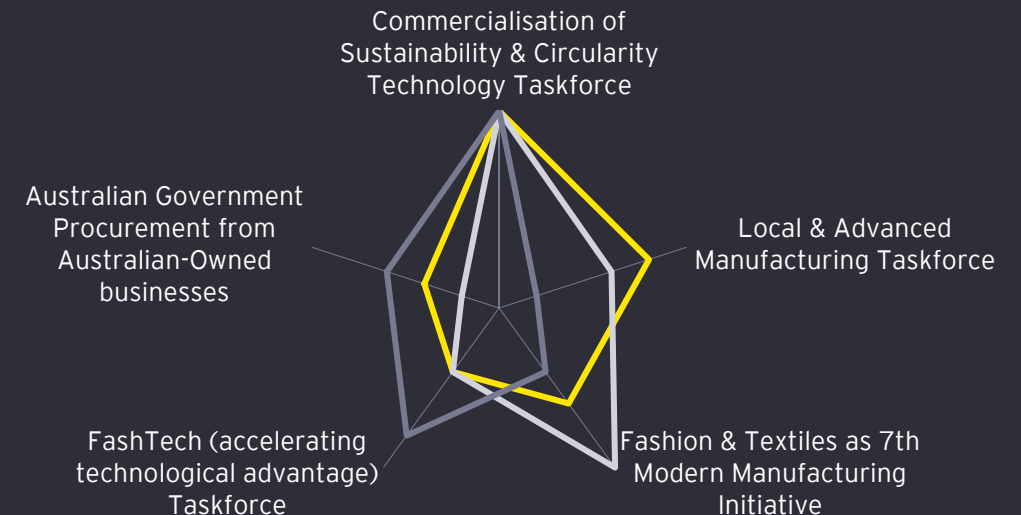
## Results

- ▶ Campaigning the Australian Fashion™ CTM locally and globally and focusing on the skills and workforce mapping shared high priorities for all CEOs in the short to medium term.
- ▶ While the brand-builder industry recovery scheme was a high priority for large enterprises, this was a lower priority for small and medium-sized enterprises.
- ▶ Focusing on sustainability and circularity was a clear priority for a medium to long term recommendation for all CEOs.

## Short to medium term recommendations



## Medium to long term recommendations



# The direct economic impact from the policy pillars

Policy pillar	Variable	2 years	5 years	10 years	Total
1 Promoting Australian fashion 10:1 ROI	GDP (\$m)	9	17	26	172
	Employment	192	371	574	3,799
	Exports (\$m)	30	52	73	532
2 Building future capabilities for the Australian fashion and textile industry 7:1 ROI	GDP (\$m)	7	17	33	190
	Employment	166	384	740	4,212
	Investment (\$m)	10	17	31	179
3 Boosting Australian women's economic Security 30:1 ROI	GDP (\$m)	6	39	118	515
	Employment	141	870	2,644	11,481
	Female employment	108	670	2,036	8,840
4 Enabling Australian fashion and textiles to lead in sustainability 55:1 ROI	GDP (\$m)	30	46	49	439
	Employment	681	1,018	1,092	9,354
	Investment (\$m)	19	22	18	211

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## Photo credits

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- ▶ Simon Launay
- ▶ Ruth Alden Wicker
- ▶ Clarinta Subrata
- ▶ Alexander Andrews
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