



Additional evidence, including responses to questions on notice, for the Standing Committee on Social Issues Inquiry into procurement practices of government agencies in New South Wales and its impact on the social development of the people of New South Wales.

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QUESTION ON NOTICE

The Hon. DAMIEN TUDEHOPE: Ms Reilly, how many organisations are accredited with you?

RACHEL REILLY: It oscillates a little bit but, at the moment, around 120 businesses. That's both brands and manufacturers. We have 17 accredited in New South Wales.

The Hon. DAMIEN TUDEHOPE: How many of those are small to medium enterprises?

RACHEL REILLY: Generally, in the TCF industry in Australia, a majority are considered small to medium.

The Hon. DAMIEN TUDEHOPE: What do you define that as?

RACHEL REILLY: I will have to get back to you on the exact figure.

We do not capture data pertaining to a business's annual revenue turnover as it is not necessary for us to deliver the accreditation program. We capture data on the number of in-house workers and the dollar value of outsourced work. Subsequently, the Australian Bureau of Statistics definition of business size is most appropriate for Ethical Clothing Australia to utilise:

- Non-employing/sole trader
- Micro – 0-4
- Small – 5 to 19
- Medium – 20 – 199
- Large – 200+

There are currently 17 accredited businesses in New South Wales. Utilising the

- 9 small
- Up to 8 medium (5 could also fall into the small category).
- 0 large

Overall, of our 120 accredited businesses across Australia, there would be three businesses who we believe would constitute a large business. This definition would be based on the Australian Tax Office definition of large related to annual turn over, rather than the number of employees employed.

Comment on other questions received

1. Fee structure

Ms ABIGAIL BOYD: Thank you all for coming and giving your evidence today and for your very informative submissions. Could I start with you, Ms Reilly. I wanted to tease out the accreditation process. Some basic questions to begin with: How do you go through the accreditation process? What do you do to ensure compliance? Do you charge a fee from the people you're accrediting?



Ethical Clothing Australia 2024 Accreditation Fees

The annual fee covers the cost of the compliance audit as well as marketing benefits and administration involved in the accreditation process. The fee is based on a business's local manufacturing and considers the value of outsourcing and the number of in-house workers. Each year the fee will reflect the accredited business's current manufacturing circumstances and may change between years.

New Businesses & Sole Traders

Emerging Business Discount	\$384 + GST
Sole Trader - No employees and all operations in-house (no outsourcing)	\$370 + GST

To be eligible for the Emerging Business Discount, your business must fit the following criteria:

1. The ABN has been registered within the past 12 months AND;
2. Outsourcing less than \$50,000 worth of manufacturing to contractors including homeworkers AND/OR;
3. Employing less than 10 employees in-house.

Outsourcing

What is the annual value of your cut, make, trim and/or value-adding manufacturing that is outsourced to Australian suppliers?

None	\$0
Less than \$25,000	\$496 + GST
\$25,001 - \$50,000	\$744 + GST
\$50,001 - \$200,000	\$1,232 + GST
\$200,001 - \$500,000	\$1,848 + GST

\$500,001 - \$1,000,000	\$2,465 + GST
\$1,000,001 - \$5,000,000	\$3,697 + GST
\$5,000,001 – \$10,000,000	\$4,930 + GST
\$10,000,001+	\$7,394 + GST

In-House Operations

How many in-house employees does your business have across all head offices and manufacturing locations including but not limited to design, pattern making, cut, make, trim and dispatch?

No employees	\$0
1-10	\$496 + GST
11-25	\$744 + GST
26-40	\$1,232 + GST
41-55	\$2,465 + GST
56 -70	\$2,465 + GST
70 or more	\$2,465 + GST

Combination of Outsourced and In-House Operations

If you outsource manufacturing and also have in-house operations, please review the two tables above to determine the two relevant fees. Your primary form of manufacturing is whichever fee is higher, and the secondary form of manufacturing is the lower fee. Then, you must calculate:

1. The fee associated with your primary form of manufacturing, PLUS;
2. 25% of the fee for the secondary form of manufacturing.

Other Additions & Discounts

- Businesses that have used Ethical Clothing Australia labels on their Australian made products for the last 12 months will qualify for a 10% fee discount.
- Marketing and administration fee for having more than one trading name under the same ABN accredited or more than one website listing under the same trading name +5% per listing.

Examples:

1. Business A has 75 in-house employees and no outsourcing, they will pay \$2,465 +GST annually
2. Business B outsources to the value of \$300,000 annually and has 11 in-house employees. They will pay the full outsourcing fee for that bracket (\$1,848 +GST) and 25% of the in-house fee (\$186 +GST) = \$2,024+GST annually

3. Business C is a sole trader making all items in-house with no employees or outsourcing. They will pay \$370+GST annually.

PLEASE NOTE: This is an information resource available to businesses considering applying for Ethical Clothing Australia accreditation.

2. Free Trade Agreements

The Hon. DAMIEN TUDEHOPE: *In terms of New South Wales's obligations—and companies'—to comply with their obligations under free trade agreements, what advice have you obtained in relation to that?*

The Hon. DAMIEN TUDEHOPE: *But if the New South Wales Government is issuing a contract, say, for police uniforms—and I think it was Ms Rudman or Ms Macpherson—do they have some obligation in relation to a contract, say, for \$1 million to comply with international free trade agreements?*

As per the Buying for Victoria website, International Agreements do not apply when prioritising small and medium Australian businesses.¹ The majority of textile, clothing and footwear businesses in Australia would be considered small to medium enterprises, as outlined above (using either the ABS or the ATO definition). Subsequently, prioritising local and ethical procurement can be achieved without breaching international trade agreements.

Australian businesses which constitute large businesses are also more likely to be manufacturing garments for government contracts which attract additional national security requirements. There are several accredited businesses who produce uniforms which are mandated to be manufactured in Australia due to national security. Such items include defence garments, where manufacturing offshore may pose a security risk, and where the material itself requires special attention and treatment including secure disposal of any excess fabric.

Further to this, there is a sustained global movement to combat modern slavery including forced labour. This has resulted in the adoption of a Commonwealth Modern Slavery Act 2018, focusing on businesses reporting on their modern slavery risks, as well as the NSW Modern Slavery Act 2018 focussing on government procurement. There is increasing awareness that respect for human rights in the conduct of business requires a “pre-competitive” approach to enable businesses to collaborate, innovate and drive better market outcomes that support labour market governance and human rights.²

¹ [Government procurement under international agreements – goods and services procurement guide | buyingfor.vic.gov.au](https://www.buyingfor.vic.gov.au/government-procurement-under-international-agreements-goods-and-services-procurement-guide)

² [Green competition law and pre-competitive collaboration on human rights | Fair Futures](#)

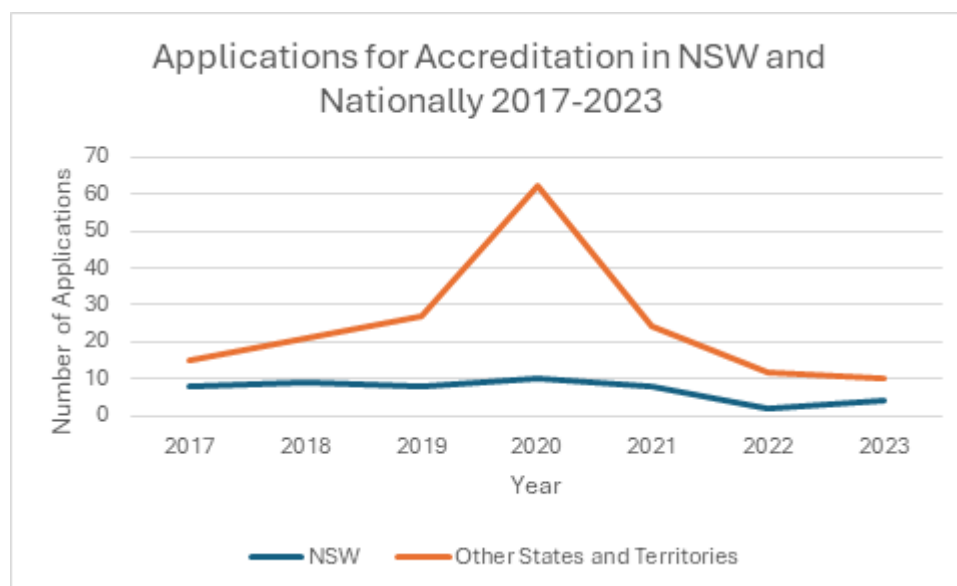
3. NSW Accreditation Program Information

Below is some further information about accredited businesses in NSW.

3.1 Applications for Accreditation in New South Wales 2017-2023

Between 2017 – 2023, 49 businesses in NSW applied for accreditation meaning they paid their accreditation fee and commenced the compliance audit, with 8 businesses applying for accreditation in NSW in 2017, and this number staying consistent over the time period. In other states and territories, 171 businesses applied for accreditation in this time frame.

As can be seen in Graph 1 below, in the year 2020 there was a large spike in applications (n=62) for accreditations nationally, with the majority of these applications being in Victoria. This result was a direct response to the Victorian Government’s Ethical Procurement Policy in 2018 and the Covid-19 pandemic in early 2020 which provided procurement opportunities to businesses that were manufacturing face masks and PPE locally. To secure these tenders a business was required to apply for accreditation by Ethical Clothing Australia.



Graph 1: Applications for Accreditation in NSW and Nationally 2017 - 2023

3.2 Closed Applications in New South Wales 2017 – 2023

Of these applicant businesses, during this time frame, 21 businesses in NSW were not successful in the completion of the initial audit. The reasons for not succeeding in an application for accreditation are divided into three categories:

- *No longer manufacturing* – occasionally a business will close down their operations or decide to take their manufacturing operations offshore while they are in the process of the audit.
- *Non-Compliance* – this occurs when significant non-compliance is found during the initial audit which will lead to closure of the application. In this instance, the compliance team will address the matters outside the parameters of the program.
- *Opted Out* – there are various reasons that a business may opt out of the program during their initial audit however if non-compliances have been found, the non-

compliance process above will be followed. We have started capturing better data around this category.

Chart 1 below displays the number of closed applications and the reasons for the closure

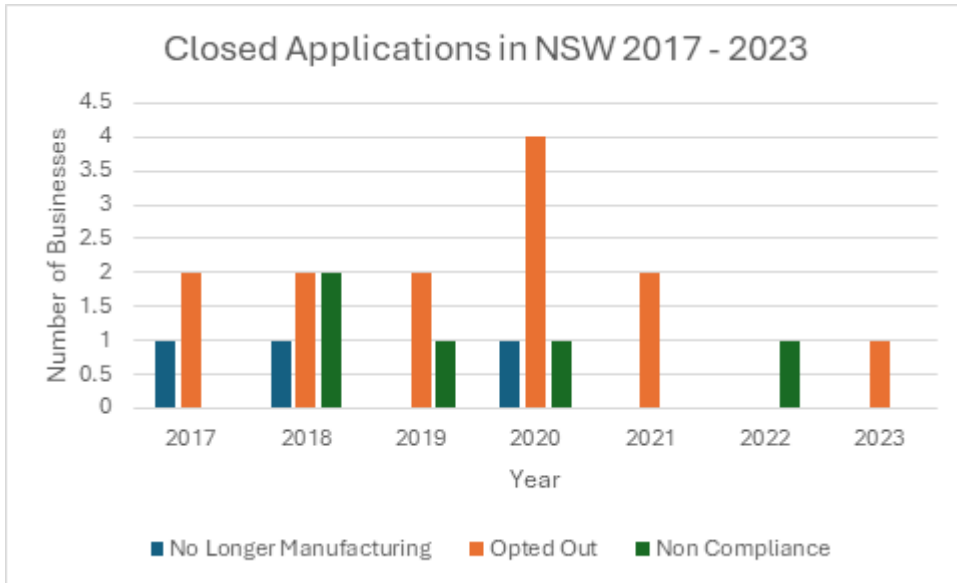


Chart 1: Closed applications in NSW 2017 – 2023

3.3 De-accreditations

Similarly to when an applying business application is closed, the reasons that a business will become de-accredited are divided into No Longer Manufacturing, Non-Compliance and Opted Out. As you can see from Chart 2 below, over the past 3 years, most de-accreditations have been for either non-compliance or the generic reason for opting out.

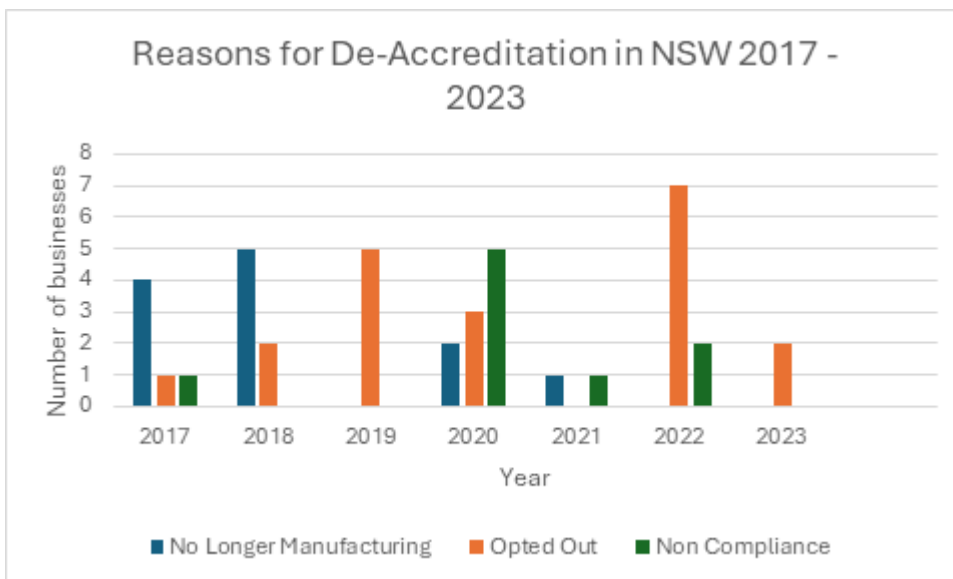


Chart2: Reasons for De-accreditation in NSW 2017 - 2023

3.4 Participating supply chain members in New South Wales and potential growth of the accreditation program

As part of a business's audit when obtaining their accreditation, their local supply chain also undergoes the same audit. The businesses in their supply chains are known as participating suppliers and each of these businesses are eligible for accreditation in their own right.

There are 17 currently accredited businesses in New South Wales (protecting 175 individual workers) and within these supply chains are an additional 107 participating suppliers (protecting an additional 47 workers) in New South Wales who have opted to not be accredited in their own right.

This means the participating supplier businesses is not accredited. Therefore, if the government implemented a procurement verification program to ensure they are purchasing from an ethical company, these suppliers would not currently be able to participate.

This number also provides an indicative number of the potential size of the industry in NSW, although it would be much larger than this as this number only represents supply chain members attached to accredited businesses.

While this again highlights the benefits of the program, that is, that while only 17 businesses are accredited in their own right, an additional 107 businesses are audited for compliance against relevant Australian workplace laws, it also highlights how further incentives to undertake the voluntary accreditation could protect more workers.

While the audit is currently protecting the workers in-house at the participating supply chain, it does not necessarily protect the workers in the participating suppliers own supply chain – i.e. if they are then giving out work to a business not related to the principal business which is accredited, then that new supply chain member is potentially not audited. (this is all dependent on who else they are receiving work from and if they are accredited or not).

If these businesses had more of an incentive to become accredited, their local supply chains would also be audited, meaning that there would be a cascading effect of more workers being protected. The size of these participating businesses and the number of workers currently protected as part of the 17 accredited businesses is outlined in Table 1.

Size of business (number of employees)	Number of businesses
1	57
2-5	30
6-10	11
10-20	5
More than 20	2

Table 1: Size of businesses in participating supply chains in New South Wales

Appendix A: Ethical Clothing Australia Code of Practice

The Ethical Clothing Australia Code of Practice can be found [here](#).