

Mr John Hawkins  
Secretary  
Senate Standing Committee on Economics  
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Dear Mr Hawkins

Thank you for the opportunity to make a submission to the Committee's Inquiry into the Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009.

### **Background**

The Carpet Institute of Australia Limited (CIAL) is the peak industry association representing Australia's carpet industry that employs 2,400 people in manufacturing, many in regional areas, and helps to support another 12,000 jobs in carpet supply, retailing and installation sectors.

Carpet manufacturing is capital intensive and the largest homogeneous component of Australia's textile industry. Furthermore, the Australian carpet industry is the world's largest producer of wool carpet yarn and wool carpets.

The relatively small scale of the Australian market, 56 million square metres, requires companies to be innovative, flexible and adaptive in order to survive in an increasing competitive market.

Our industry has an excellent record in responding to positive assistance measures that are strategically targeted to assist firms that have the potential to become internationally competitive. While much has been achieved over the past decade, the industry requires positive assistance after 2010 because it still has specific challenges to address.

Without suitable government policy these needs will not be adequately addressed as firms respond to continuing pressures associated with increasing competition from low cost imports; excess global supply and managed trade arrangements.

CIAL participated in the review of post 2010 TCF assistance and was extremely disappointed by the outcome, especially the decision to terminate the TCF Strategic Investment Program.

For our industry, SIP has been highly effective in stimulating new investment and innovation as well as encouraging local value adding by committed firms.

The assistance measures announced in response to the TCF Review are grossly under-funded. As a result pool of funds available to the textile, footwear and leather industries will fall from \$330 million in 2005 – 2010 to a paltry \$30 million over the next 5 years.

Given the magnitude of these funding cuts, CIAL cannot see how the Government's objectives for the re-targeted innovation package can be achieved.

CIAL has difficulty understanding why less than 12 months after the announcement of the \$6.2 billion automotive package, assistance to carpet manufacturers will be cut by 90% after this year. This is despite the fact that the carpet industry has been one of the success stories of the TCF sector.

### **Clothing and Household Textile (Building Innovative Capability) Scheme**

It is difficult to assess the Scheme because the Bill and Explanatory Memorandum provide only a basic framework. The detailed provisions are being developed by Minister Carr's Department in consultation with the TCF Innovation Council and industry stakeholders.

An important omission, however, is that the Scheme does not include a list of the industrial activities that are classified as 'household textiles.'

Machine made carpet classified to Chapter 57 of the Tariff is commonly referred to as a domestic or household textile and carpet manufacturing is similar in many respects to the manufacturing processes used to produce towels and other products on the list of eligible finished textile manufacturing activities contained in Part A of Schedule 2 of the current SIP Scheme. CIAL strongly believes that machine made carpet should be recognised as a household textile for the purposes of the Scheme.

Assistance under the Scheme should be directed to eligible TCF manufacturers for projects to be undertaken in Australia. Supporting design-related activities with little or no flow through to manufacturing jobs in Australia is of questionable value in our opinion. In this context, CIAL believes value adding through the manufacture in Australia of TCF products should be the only necessary and sufficient criterion for funding under the Scheme.

CIAL agrees with the focus on innovation and believes that the Scheme should provide grants for capital items, especially those linked to environmental initiatives.

CIAL strongly supports the introduction of the new provisions that streamline administrative procedures. At the same time, financial viability checks should be performed on all applicants as part of the grant assessment process. Additionally, the new arrangements must include claw-back provisions for grants made to firms that cease local manufacturing within a specified period of receiving assistance.

In conclusion CIAL believes that the post 2010 arrangements are seriously flawed. We ask the Government to reconsider the decision to exclude carpet manufacturing from SIP-like assistance post 2010 and to recognize carpet as a household textile for the purposes of the BIC Scheme.

Yours sincerely

  
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