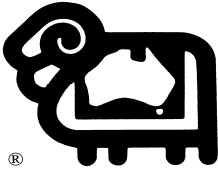


AUSTRALIAN COUNCIL of WOOL EXPORTERS & PROCESSORS INC



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20 December 2009

ACWEP-09-298

The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

By E-mail: economics.sen@aph.gov.au

Dear Sir,

Inquiry Into the TCF Strategic Investment Program Amendment Bill 2009

Thank you for the invitation to the Australian Council of Wool Exporters & Processors to make a submission to this Inquiry. It is appreciated.

The Strategic Investment Program has been a key part of Government Policy for the textile industries for some ten years. The Scheme has been applied to “downstream” (i.e. closer to the retailer) processors, rather than across the whole processing pipeline. It has provided support for textile manufacturing companies to improve their productivity and general commercial efficiency as tariff protection is progressively wound back.

The Australian Council of Wool Exporters & Processors regards this as a disappointing opportunity to embrace a “whole of industry” approach. In particular, the “early stage” wool processing industry has been omitted from the Scheme, despite making submissions to the original request for submissions and to the Productivity Commission Review in 2003. The Council has also made submissions to other key Government Inquiries including the 2006 Inquiry into the Manufacturing Industry.

The need to embrace a “whole of industry” approach is even greater today as, despite the Government support, the industry has reduced in size at all levels, due primarily to competition from countries with low cost structures, notably China. The wool processing industry has been part of that reduction and has also been affected by a decline in wool production. In the case of wool, this has meant that downstream processors have had to become more reliant on offshore suppliers for their raw materials.

While there has been a downside which has seen company closures in all textile industries, there has also been an upside as the remaining companies have:

- (a) Become innovative in ways to reduce costs / infrastructure to a level to remain competitive.
- (b) Merge with competitors (and then close some sites).
- (c) Merge with customers / suppliers.
- (d) Innovate with new products.

The Council believes that for the Government to achieve its goal to foster the development of a sustainable and internationally competitive manufacturing industry and design industry for clothing and household textiles in Australia, it can probably take three simple approaches, namely.

1. Encourage new businesses to start and grow.
2. Provide key support which will enable the “better” business to successfully adjust to changes in their business environment.
3. Encourage existing businesses in all parts of the supply chain to work together to provide a competitive product

Support for both existing and potential business is important for the long term viability of the industry.

The third point may be seen as harder. But, it does much to address points (a) to (d) above. Addressing these points gives all businesses the best chance of being relevant in today's market. It:

- * Enables them to spread overheads.
- * Enables them to work with others in the chain to get better, faster, more desired products.
- * Forces all within the supply chain to meet the needs of the end customer.
- * Facilitates regional branding and origin protection.
- * Gives Australia a chance to create a sustainable manufacturing and design industry.

But, to include this as an effective part of Government policy, incentives must be available that will encourage businesses in the supply chain to change, otherwise they will all "keep hold of their patch", no-one will do anything, and then they will all slowly bleed to the inevitable outcome.

There have been recent examples of in the early stage wool processing industry in Australia of what can be achieved when companies have worked successfully worked together through the establishment of joint ventures to scour and carbonize wool. The Council is happy to provide further comment if required.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Peter Morgan". The signature is written in a cursive style with a large, prominent loop at the end.

Peter Morgan
Executive Director

cc Michael Avery, President Australian Council of Wool Exporters & Processors
