

The Secretary
Senate Economics Legislation Committee
Room SG.64
Parliament House
Canberra ACT 2600

July 21st, 2004

Dear Sir/Madam,

Textile, Clothing and Footwear Strategic Investment Program Amendment (Post-2005 Scheme) Bill 2004

Customs Tariff Amendment (Textile, Clothing and Footwear Post-2005 Arrangements) Bill 2004

It is with pleasure that we make a submission to the Committee in relation to the two bills currently under consideration by the Committee.

Please find attached a copy of the submission that we made to the Department of Industry Tourism and Resources in March of this year in relation to the proposed Strategic Investment Program. As outlined in the submission, Blundstone is, generally, favourably disposed towards the proposed scheme. However, there are a number of aspects of the scheme that are of concern and that, we believe, need to be addressed. We have made several recommendations in our submission that, in our view, will improve the proposed scheme.

One of the major issues in relation to the proposed SIP scheme is the need for certainty going forward. We are classified as an early balancing entity as our financial year ends on December 31st each year rather than the more common June 30th. This means that the current SIP scheme, for us, ends on December 31st 2004. The government being aware of this has indicated that it was their intention to have the new scheme passed through parliament before the end of this calendar year.

This is a critical issue for us, as it is for all those companies who are early balancers. In order to make strategic decisions we require the certainty of knowing what the new scheme is going to be before the end of 2004. Unless the scheme has passed through parliament by the end of this calendar year there is indeed investment uncertainty for our company.

In relation to the tariff bill, there can be no doubt that moves to reduce tariffs will have a negative impact on employment within Australian based textile, clothing, and footwear manufacturers. However, it has seemed to us that a move towards reduced tariffs has, over the past decade or so, enjoyed bi-partisan support from the major Australian political parties. In that light, Blundstone has been working towards achieving a competitive manufacturing capacity to deal with a low tariff environment. In order to continue the development of its competitive position within the Australian and Global economies it is critical to Blundstone's strategic decision making that certainty be achieved in relation to the Strategic Investment Program.

There are many factors at work that affect the competitive position of a manufacturer such as Blundstone of which tariffs is only one (indeed fluctuations in exchange rates can have a bigger impact on competitive position than tariffs when the Australian currency fluctuates widely as it has done over the past three years). The existing Strategic Investment Program has allowed Blundstone to invest with confidence in its manufacturing operations and to develop innovative solutions to the challenges of operating in a global environment. The proposed scheme incorporating the changes that we have outlined in the attached submission would allow Blundstone to continue to respond to these challenges.

The Committee has indicated that it is interested in impacts on export markets. For the past several years Blundstone has established an international reputation for its footwear. Blundstone footwear can be found across the globe and a significant part of Blundstone's revenues will increasingly come from export sales. Blundstone has adopted clear strategies to increase its penetration into overseas markets. Again, the Strategic Investment Program has provided, and we trust will continue to provide, the support needed to ensure that Australian manufactured footwear is competitive in the global market. There is no doubt that "Australian Made" is valued in the export market and that Blundstone footwear is seen as a quality product. However, cost competitiveness is still an essential element of operating in a global marketplace.

I would be more than happy to discuss the issues associated with the proposed scheme and our industry in general with the Committee at any time. I, or our Chief Executive Officer, Mr. Stephen Gunn, can be contacted on the telephone numbers listed below.

Your sincerely,



Andrew Ross CMA MAICD
Company Secretary and
Chief Financial Officer