



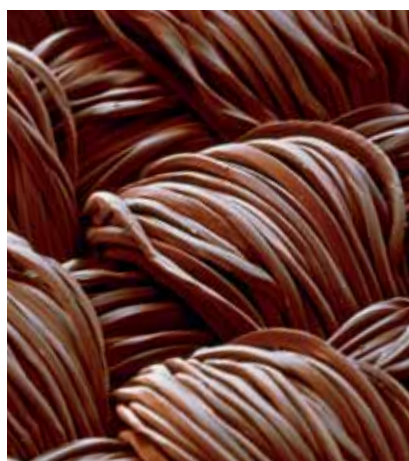
Spinning
A GOOD YARN



WEATHERING PREDICTIONS OF GLOOM AND DOOM, AUSTRALIAN MANUFACTURERS OF TEXTILES, CLOTHING AND FOOTWEAR ARE SHOWING SIGNS OF RESURGENCE, BUT STILL HAVE MANY CHALLENGES TO FACE, REPORTS KATE HANCOCK.

When Tasmania's iconic boot manufacturer Blundstone earlier this year announced its decision to move its manufacturing operations to Thailand, it seemed to be one more nail in the coffin of Australia's textile, clothing and footwear industry.

After more than 15 years of rationalisation in the face of fierce global competition, the loss of another 300 manufacturing jobs offshore was further proof of an industry in decline.



TEXTILE MANUFACTURING, CONTRARY TO SOME PERCEPTIONS, IS A GROWING SECTOR.

But recent evidence to a parliamentary inquiry indicates that the industry is not yet ready to throw in the towel.

"The sector, perhaps contrary to some perceptions, is a growing sector," executive director of the Council of Textile and Fashion Industries of Australia (TFIA), Ashley van Krieken, told the House of Representatives Economics Committee investigating the state of Australia's manufacturing.

"It has in recent quarters seen employment rise, export growth increase and stocks grow. This growth is spread across sectors and can certainly be seen in technical textiles, fashion and personal protective equipment," Mr van Krieken said.

Much of this progress could be attributed to Australian companies providing the short runs, quick turnaround times and highly specialised products that overseas competitors simply cannot offer, he told the committee.

"Australian companies are pursuing a variety of means of attracting growth. That includes differentiating their product both domestically and internationally, whether it be through branding or, as we are seeing increasingly, building on quality aspects and supply chain

efficiencies—being able to deliver product in a shorter amount of time and more tailored to the client's needs.

"There is also an increasing uptake of technology, and not just traditional textile technologies but technologies from the electronics field and from several other fields."

According to Mr van Krieken niche marketing and the production of highly advanced technical textiles, such as more durable fabrics, flame retardant materials and defence uniforms, have the potential to ensure the long term future of Australian textile, clothing and footwear manufacturing. Yet despite the attempts of Australian manufacturers to adapt to the demands of the global marketplace by achieving strongholds in niche markets, it is not a miracle cure.

Industry experts have highlighted a number of barriers to continuing growth, which they claim cannot be overcome without government support.

In particular, the TFIA is concerned about yarn and fibre rules of origin contained in the free trade agreement with the US. Those rules effectively require that for Australian textiles to be given preferential treatment in the United States market, the fibre and/or yarn used in those textiles must originate from Australia.

Continued page 44 ▶

CONNECTING RESEARCH TO INNOVATION



With niche marketing being heralded as the way of the future, it is clear the very survival of Australian manufacturing is dependent on our ability to consistently develop new and improved products and processes. But is our research reaching those it needs to?

According to Science Industry Australia (SIA), it may not be. The peak industry body says a lack of effective communication between Australian research bodies and industry is potentially limiting the returns on Australia's investment in research and development (R&D) as we move into the future. SIA highlighted its concerns in its submission to a parliamentary inquiry into the future of Australia's manufacturing industries.

"An 'innovation gap' exists between the research side of Australia's innovation system and the commercial side which impedes the effective and efficient flow-through of ideas from public researchers to industry," SIA said. "In so doing, the 'innovation gap' impedes the full realisation of economic benefits from Australia's significant investments in R&D and innovation."

During public hearings the House Economics Committee heard this gap presented significant challenges for small and medium companies that may not know how to

effectively access bodies of research.

"Going into the future, our perception is that the greatest opportunities for growth are for companies that are operating in markets where they are able to identify new high value-added market opportunities for which products can be developed. Typically that is small, agile companies," Gregory Redden of CSIRO said. "I think it is fair to say that niche manufacturers, especially the small to medium sized enterprises, have the greatest difficulty in accessing leading edge technology across the world."

Executive director of the Council of Textile and Fashion Industries of Australia, Ashley van Krieken, said this lack of communication needed to be addressed from both ends of the spectrum.

"We have a very good system in Australia in some respects, but there are still some issues, particularly when it comes to helping companies identify what technologies are out there and what technologies are available," he said. "We are finding that there is a great deal of knowledge within the industry of what they want and there is a great deal of research capability, but there does not seem to be this matching."

Mr van Krieken said while the textile, clothing and footwear industry had taken steps to help overcome the gap, the manufacturing industry as a whole could benefit from a review of the way in which research is disseminated.

"We have a project in Victoria, for instance, which has over 100 TCF companies registered and we are matching them with technology providers. We have over 45 matches under way at the moment," he said.

It has been estimated that as little as 11 per cent of all Australian textile products are currently eligible for preferential treatment under those rules. That's because even though the clothing may be manufactured in Australia, from wool or cotton grown in Australia, the yarn which is used to make the fabric has been spun offshore, where most Australian yarn and fibre is now produced.

One Australian company so affected is Melba Industries, which produces highly specialised protective clothing, including for smelter workers. Despite there being a large smelting industry in the US, Melba Industries is finding that the rules of origin relating to the sourcing of yarns stand as an obstacle to the firm competing in the US market.

Operations manager Lindsay Black told the House Economics Committee the yarn the Australian company uses in its textiles comes from Europe.

"When we try to sell those fabrics or export them into the US we pay duties of between 13 per cent and 25 per cent depending on the weight and construction of the fabrics going in there, which automatically precludes us from a lot of the market opportunities and obviously hurts our competitiveness in the marketplace in the US," Mr Black explained.

According to the director of Cinnabar Designs, Christine Hawkins, the origin rules are causing the same sort of problems for her company's fine merino knitwear.

"It is all beautiful Australian wool, but there is no yarn processing in Australia—certainly not of the quality that goes into our knitwear. The Italians have the monopoly on that," Ms Hawkins said.

"So wool goes offshore; it is processed—it is spun—offshore. We bring the yarn in and turn it into fabric and finished product. That is excluded from the benefits of the free trade agreement also because of the yarn."

Compounding the US free trade agreement problem are US government procurement rules, in particular the Berry Amendment. These rules require the US Department of Defense to give preference in procurement to domestically produced clothing and fabrics. The Berry Amendment has

limited many Australian companies involved in the manufacture and distribution of defence related clothing and equipment from exporting to the US—a serious impediment for an industry trying to establish itself in the niche market of technical textiles.

In its submission to the House Economics Committee inquiry, the TFIA has called for the government to take a stand on these two issues which they described as significant, if not impossible, obstacles for the majority of companies to overcome.

The TFIA has also called for government assistance to overcome certain non-trade barriers, which they say place them on a playing field which is anything but level.

“Just looking at China, we know that the Chinese government subsidises

its exporters,” said Peter Waddell of clothing manufacturer the Stafford Group. “It might only be a few per cent; we do not know the amounts, but we have had correspondence with Chinese suppliers where they have said that their prices have to increase because the government has changed the degree of subsidy.

“The other issue is, when you are looking at a level playing field in terms of exchange rates, we have found that the Chinese currency has effectively devalued against the Australian currency significantly over the last few years.

“We cannot see why a country that has massive trade surpluses like China, when dealing with a country that has trade deficits like Australia, should have had the level of devaluation that has occurred to the extent it has, unless there is government control over the exchange rate.”

Industry wide skills shortages are also a challenge, with the focus on producing technical textiles proving to be a double-edged sword. On the one hand it has helped manufacturers establish strongholds in niche markets, but at the same time has

created the need for a workforce with a completely new skill set.

According to the chief operating officer of Bruck Textiles, Brett Manwaring, the textiles industry has relied on traditional manufacturing skill sets, found particularly among European migrants. But now the game has changed and more specialised, technical skills are needed.

Despite this change, perceptions of manufacturing make it difficult to attract the right people to the industry.

“Because our area is becoming more technical, a lot of the real growth areas in textiles require tertiary education,” he said. “There is a perception that manufacturing is a dirty industry. This is why you have so many people doing law and accounting degrees but not engineering.”

While the textiles industry has its work cut out to make manufacturing more appealing to a younger workforce, industry experts say the government can help. In its submission to the inquiry, TFIA identified a number of measures which it believed could solve the problem. Key proposals include a review of the current system of training delivery in Australia, providing greater taxation incentives to companies for approved training expenses, offering reduced or zero HECS fees for key manufacturing related qualifications, and the introduction of TCF as a skills area into the technical schools program.

“We have got people in our workforce who have been there for 40 years. They are not going to be there in the future, so there very much needs to be training incentives,” Mr Manwaring said. “One area that we suggested was in the area of HECS: to encourage people into that area, look at a reduced HECS where we have skills shortages—that is for the next generation to ensure we have got those ongoing skills.” ■

For more information about the House Economics Committee's inquiry into the future of Australian manufacturing, visit www.aph.gov.au/house/committee/efpa/manufacturing or email efpa.reps@aph.gov.au or phone (02) 6277 4587.

Niche marketing and the production of highly advanced technical textiles have the potential to ensure the long term future of Australian textile, clothing and footwear manufacturing.



Melba Industries in Victoria has found a niche market for highly specialised protective clothing.