SUBMISSION TO

Senate Standing Committee on Economics

Inquiry into:

the Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009

Bruck
textiles

December 2009

INTRODUCTION

Bruck Textiles Pty Ltd is delighted to have been invited to lodge this Submission to the Senate Inquiry into the **Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009**.

Bruck is a significant player in the Australian TCF industry. With its recent acquisition of Melba Industries, the company has cemented itself as Australia's largest textile mill, producing a vast range of highly specified, high performance fabrics destined for the furnishings, automotive, defence, fire-fighting, protective services markets. Bruck now has an annual turnover of around $100 million, and employs over 360 people, mostly in regional (north-eastern) Victoria.

While the industry has changed dramatically over the last decade, government policy continues to play a significant role in the industry's future development and prospects, and the proposed Textile, Clothing and Footwear Building Innovative Capability (BIC) Scheme should have a key bearing on those developments.

GENERAL COMMENT

The decision on future assistance for the Australian TCF industry was announced as part of the Federal Government's Budget Statement in May 2009, following an Industry review which was completed in September 2008.

While the final package of assistance proposed for the TCF sector is entirely inadequate to achieve the objectives and opportunities identified in the Review Report, Bruck has taken the position that the issue of the overall level and nature of TCF assistance is not open for debate as part of this Senate Inquiry. If it was, then there is no question that the package of funding would need to be considerably higher than has been allocated, and the textile sub-sector of TCF should be accorded a much greater proportion of the overall funding available. After all, it is in the textile technology areas that the greatest innovations are made to help improve the performance and point of differentiation for the end product (especially clothing).

However, given that the TCF package has been determined and announced, then passage of the Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009 is vital to ensure the limited funding that has been allocated can flow through to support the industry as intended. The remainder of this Submission thus focuses on our expectations of how the proposed BIC Scheme should operate.

THE TCF BIC SCHEME

It is important to note that the Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009 only provides the broad parameters to enable the proposed BIC Scheme to be introduced. As stated above, it is vital that this Bill be passed as it will accord the continuation of the assistance that was always scheduled for this sector industry under the former TCF (post 2005) Strategic Investment Program.

Bruck, by virtue of its window furnishings manufacture, will still be eligible to claim for funding under the BIC Scheme for certain activities – or certainly, that is the company's expectation. But this is not entirely clear, as what is missing from the Bill, is the actual Scheme detail outlining how the Program will be implemented and delivered.

It is difficult therefore to comment comprehensively on the Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009 without being sure of the final Scheme details. Thus, in passing this legislation it would be desirable (and indeed prudent) if the Senate were to provide some direction to the Government – and in particular the Government agency responsible for delivering the Program – on what the Scheme guidelines should be.

It is true that the Department of Innovation, Industry, Science and Resources circulated a Consultation Paper, in September 2009, outlining draft guidelines for the TCF BIC Scheme (and the proposed TCF Strategic Capability Program), inviting public comment. Bruck provided a written response to that "Consultation Paper" but to our knowledge no further refinement has been made to the proposed guidelines and the comments below are thus still predicated on what has previously been mooted by the Government.

The problem is that nowhere, not even in the earlier Consultation Paper, does the Government specify exactly what products are to be covered under the term "Household Textiles". Bruck's understanding has always been that it covers finished products such as bed linen, towels, curtains, window blinds, etc.

The BIC Program eligibility should however be confined to those companies that can demonstrate significant manufacturing activity in Australia. That is, eligible household textile companies must be required to undertake a certain degree of fabric conversion (ie dying, printing, laminating and coated) together with the final production of the household textile product, rather than just cutting and hemming an externally sourced finished fabric.

Indeed, taking this principle further, Bruck contends that the BIC Scheme should include companies involved in the production of "Specialised Textiles" that involve further value adding than the basic textile manufacturing processes of weaving, dyeing and finishing. There has been significant change in the textile manufacturing in Australia since the introduction of initial TCF (SIP) Scheme in 2000. The textile manufacturing has moved from the manufacturing of basic commodity fabrics to high value added products.

Therefore the definition of eligible entities needs to be expanded to include the entities producing STRUCTURED and 3 – Dimensional Textiles, multi layered textiles i.e. Coated Fabrics and Laminated Fabrics. These special functional fabrics offer the ability to build innovation capability in Australia that can be marketed internationally. The eligible entities must include entities conducting these activities e.g. Specialised Coating and Lamination, as these processes transform basic textiles into a functional and high performance textiles.

However, the Consultation Paper did suggest that capital expenditure would be excluded from the BIC Scheme (this was a vital component of the former SIP Scheme) and that the proposed "rebate rate" will be restricted to a maximum of 50% (compared to 80% for eligible innovative projects, under SIP). Bruck understands, and agrees with, a 50% rebate if all previously "SIP eligible" expenditures (<u>including</u> capital expenditures) were to be treated as eligible under BIC, but if capital expenditure is no longer deemed eligible then there is no reason to reduce the rebate rate to that extent.

Bruck contends that the most meaningful approach for industry development would be to retain BIC eligibility for expenditure on new plant and equipment. The reality is that much innovative development requires investment in the purchase and development of new equipment, and this can often underscore the very success of the innovation in question.

However, as mentioned previously, much of the innovative development that helps differentiate finished product, especially in high performance industrial areas and with protective and functional apparel, stems from the properties introduced at the fabrics stage. To help enhance such developments within Australia, and to boost supply chain collaboration in innovative development, Bruck strongly contends that BIC eligible clothing and household textile firms that source locally produced fabrics in their innovative developments be allowed an uplift factor (of say 50%) to the rebate they receive on those projects. This would encourage and reward value adding activity within Australia.

Finally, Bruck is strongly of the view that where firms have announced that they are shifting the bulk of their manufacture offshore, they should automatically be excluded from receiving any further funding under the TCF Schemes, or indeed any government scheme designed to encourage and support local manufacturing activity. Under the TCF SIP Schemes, too many major, so-called Australian icons were able to uproot their local manufacturing facilities, displacing many hundreds of workers, shift all manufacture offshore, but still claim Government funding on the basis of previous years' development activity (all of which was benefitting offshore industries). This is a disgrace and should not be allowed to continue.