

24 March 2003

TCF Post-2005 Assistance Inquiry
Productivity Commission
PO Box 80
Belconnen ACT 2616

Dear Sirs,

This submission is made by Done Art & Design and relates to the Commission's post2005 inquiry into assistance measures for the textiles and clothing industries.

As the Commission would be aware, the Done Art & Design organisation has been a long-time leader in the application of design intensive themes and treatments to a range of textiles, clothing and related accessories. The firm has built a sustainable position in its selected markets over the past decade despite major disruptions to markets caused by economic factors. Changes in the manufacturing and local textiles supply base due to industry rationalisation have affected the quality and choice of suppliers.

As the Commission looks forward to the form of assistance that might be most applicable to a post-2005 industry, Done Art & Design would generally encourage that such assistance should be focused on linking support for innovation with activities aimed at backing ascendancy of the brand. The Commission might readily inquire: Where does the strength of Australia's TCF industries stand? Done Art & Design would respond that increasingly in the future this will be in innovation, design (the brainpower of fashion), intellectual property, managing substantially less choice of garment makers, printers, textile suppliers and continual improvement within the industry as a whole to counter imports continually improving quality.

Some critical changes in Australian manufacturing culture will be required to achieve such a position, however. Rather than manufacturing, the TCF industry of 2010 will be reflected in the concentration of 'grey'matter, with the brand recognised as the key support and sustainability factor. Australian industry will need to consolidate a position in global manufacturing/supply chains. By 2004/05 if US market entry restrictions are lifted, Australian export manufacturing to that market will become increasingly viable.

Done Art & Design has participated in the TCI' Strategic Investment Program (SIP), and has found the Scheme a valuable partner in helping to reduce the risk of continual investments in new production technology, particularly in the area of digital printing. This revolution offers Australian firms major competitive advantages in the application of innovative design to small production runs aimed at closely following, if not leading,

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Having provided five years of assistance to the TC17 industries, and prospectively a rollover of the program to complete the job of transitioning industry leaders to a sustainable state, the Commission might also give some thought to parallel initiatives that might offer support for accelerating the exploitation of innovations in product development currently being funded by Type 2 grants. While it is true that many companies will have exhausted their entitlements (ie: 8/11 years) under the Export Market Development Grants (EMDG) Scheme, it is not generally true that they lack enthusiasm to market innovations coming out of expenditures being undertaken under the SIP Scheme. What is also true is that the forms of assistance under the Scheme for Brand Support are limited.

Done Art & Design would accordingly suggest to the Commission that, in looking for initiatives to improve the effectiveness of the SIP Scheme, consideration be given to introducing an Export Sales Multiple. In effect, firms engaged in exploiting innovation sourced from previous Type 2 investments would be offered a 'multiple' for export sales over domestic sales, when calculating the total level of sales for SIP purposes. Recognising that there are limits in the total benefit firms can access under the Scheme, there is merit - in terms of assisting firms to maximise their promotion of Type 2 innovations - in adjusting SIP provisions to provide a mechanism to claim up to the 5% cap.

Done Art & Design's own experience is that seeking to take innovations to international markets can be very expensive, and full of pitfalls. However, there is an economic argument that in having assisted firms to innovate, then support should also be afforded for firms to drive the maximum exploitation of such innovations in both local and overseas markets. As such, extending Brand Support to shop fit-outs contributions in export markets might be a useful initiative as long as there is innovative product going through. Attention needs to be given to existing assistance for trade shows and to concept corner in a retail space that is not owned by the company. Also, to have maximum impact, benefits would need to be extended across all branded product, not just the innovative product as currently required by SIP.

Websites are a key element in the mix of tools adopted by firms to promote innovations, especially those which feature new technical performance benchmarks. Current SIP claims in these regards are uncertain, with the result usually being some apportionment of costs. Nevertheless, consideration for the extension of SIP benefits for the development of websites aimed at the promotion of innovative product - and equipped with modules that support stock holdings/sales orientation, would be a useful leveraging initiative for those firms having adopted the required paradigm shift in corporate philosophy.

In summary, Done Art & Design does believe the SIP Scheme is making a valuable contribution to effecting the required cultural shift in corporate management thinking in terms of the utilisation of the program to move into new areas of opportunity that offer a firmer assurance of longer-term competitiveness. The fact that the take-up process has been slow does not detract from the merit of the Scheme, but does indicate Government might have to be patient for the required cultural shift to come into full swing.

rapidly changing consumer demand. But there are still substantial technical problems to overcome, with suitable resolution still some years away. If Australian industry is to yield the promise of a better future, other initiatives and cultural shifts are required.

In particular, we draw attention to the recognition of world-class design and the role its incorporation into garments and related products plays in developing internationally competitive product. In a world where the ability to rapidly diffuse product ideas across the globe makes all the difference in the sustainability equation - particularly in terms of the satisfaction of market demand through global supply chains - we would question the strictures placed on the role of design in the SIP Scheme. In such circumstances, and given returns to Australia will be increasingly based on Licence Fees, Done Art & Design would submit that, when based on Australian design, revenue from licence fees should be included in eligible sales for SIP grant calculation purposes.

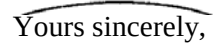
To deny such a request is to fundamentally deny recognition of the essential cultural dynamics that will increasingly underpin Australia's future TC17 industries. From Done Art & Design's perspective, any initiative the Commission might consider for realising this future vision of the industries needs to encompass the brand, style issues, local and overseas sales, and encompass presentation of the whole brand - not just the most innovative elements.

Observing the effectiveness of the SIP Scheme in advancing Government endorsed objectives for the industry, Done Art & Design would observe further work is to be done in regard to industry practices to ensure achievement of the point where R&D is yielding a really new product - not just incremental improvement. As noted above, the elements driving this are essentially cultural, and in an environment of prospectively reducing tariff assistance provides some support for a continuation of the SIP Scheme post-2005.

In essence, one might consider the ultimate achievement of the Government's SIP objectives as requiring patience and support for two-stages of activity. The first being 2000-2005 where the industry has focused on rationalisation and technology/cultural catch-up; and 2005-2010 where a refreshed and refocused industry is able to muster the required cultural/paradigm shift and opportunity to yield real innovation into tomorrow's products.

Unfortunately, Done Art & Design's experience has been that the opportunity for the adoption of paradigm shifts in individual corporate strategy represented by the introduction of the SIP has not got off to the most advantageous start. Criteria governing the establishment of R&D cost centres has suffered considerable delay, and there are different views within program management as to individual company entitlements. Such observations do not undermine the potential of the Scheme to deliver the Government's objective, but serve to support the view that it might take a longer period of time than policy makers in Canberra originally envisaged to achieve cultural shift within industry and recognition of the value of the Scheme in support paradigm shifts in corporate strategy as compared to a view of Government assistance as a tool for mediating current production costs.

As such, favourable consideration should be given to extending the SIP for a further period of time, whilst concentrating its benefits on those firms looking to adopt major shifts in corporate focus or the use of technology to achieve long-term competitiveness objectives. Having invested so much in TC17 industry innovation in the period since the year 2000, the Commission might also consider the merits of further focusing the SIP to help those firms attain their maximum grants entitlements, by way of improving the return on investments and expenditures designed to leverage the maximum commercial benefit from previous investments in innovation, as identified by projects having formerly received Type 2 benefits.

Yours sincerely,

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