

**SUBMISSION TO THE
PRODUCTIVITY COMMISSION**

***Inquiry into Post-2005 Textile, Clothing and
Footwear Assistance Arrangements***

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SUBMISSION TO THE PRODUCTIVITY COMMISSION INQUIRY INTO POST-2005 TEXTILE, CLOTHING AND FOOTWEAR ASSISTANCE ARRANGEMENTS.

1. Overview

The Textile, Clothing and Footwear (TCF) industry in Tasmania has consolidated following significant reductions over many years.

The major reason for that consolidation is the Government's decision to hold tariffs for TCF products at 2001 levels until 2005 and the implementation of the Textile, Clothing and Footwear (Strategic Investment Program) Scheme (SIP).

The TCF industry in Tasmania directly employs 1500 people (2001 Census). The industry also provides significant value adding activities to some of Tasmania's most important agricultural products including wool and hides.

The following companies are the major manufacturers and exporters of products including boots, carpet, manchester, towelling and woven products:

Australian Weaving Mills, Devonport
Blundstone Pty Ltd, Hobart
James Nelson (Tas.) Pty Ltd, Launceston
Ulster Tascot Carpets, Devonport
Waverley Woollen Mills, Launceston

Should tariffs be further reduced in 2005 without a level playing field and without continuation of the industry's SIP Scheme, and, should tariffs be moved to zero by 2010, industry executives believe job losses will result, not only in the TCF industry but also in component supply industries to the above manufacturers.

2. Major Employers

2.1 Devonport –

Situated in the regional North West area of Tasmania is the City of Devonport with a small, constant population of around 25,000 people.

Devonport is the centre of a rich agricultural district which produces over 40% of Tasmania's vegetable crops plus oil poppies, pyrethrum, other niche market crops and dairying. The district also produces pulp and paper, other forest products and cement of which large tonnages are exported through the port. Production of woven towelling and production of high grade carpet are at levels which represent a large share of total Australian production.

Devonport experiences two detrimental factors which affect its growth. Firstly, the mean age of the population is high which is accelerated by the outflow of 20 to 30 year old residents leaving the state for education or in search of work with a consequent loss of their children from the population profile. Secondly, the North West Coast of Tasmania has a very high rate of youth unemployment compared with the remainder of Australia. According

to the 2001 census, unemployed youth aged 15-19 years looking for full-time work in the Devonport area was 39.6% compared with 33.2% in Tasmania and 25.4% across Australia.

Textile industry manufacturing has retained a higher percentage of the workforce in the electorate of Braddon, where Devonport is located, than in other Tasmanian electorates and nationally.

2001	<i>TCF as % of Total Employment</i>
Bass	0.67
Braddon	1.26
Denison	0.80
Franklin	0.68
Lyons	0.70
Tasmania	0.82
Australia	0.78

Australian Weaving Mills

In the early 1950's Tootal, lured by Government incentives and the availability of cheaper electricity, ample water and a stable workforce, established a factory in Devonport to service the growing Australian market and to combat competition from growing Asian suppliers.

The factory was expanded in 1955 and over the next 25 years, despite increased competition from Asia, and under the protection of the tariffs and quotas of the time, Tootal expanded the workforce to a peak of 550.

The factory then concentrated on producing towels for domestic and international markets and now includes manchester in its product range.

With a workforce of 250 people, Australian Weaving Mills is a very large contributor to Devonport's economy. Of the \$43 million annual turnover, \$21 million flows back into the local economy. Additionally, there is a large flow-on of skills with the company working very closely with local education providers. The loss of this enterprise would be devastating for a small city the size of Devonport.

Australian Weaving Mills deal with over 112 companies in Tasmania, the majority located in Devonport and along the North West Coast. Some of these companies rely solely and others very heavily on the company for their income.

Ulster Tascot Carpets

Established in 1961, today's carpet manufacture uses mainly imported wool blends to spin and weave the raw products into carpeting aimed at the top end of the commercial market, specifically hotels, airports, convention centres and high use areas.

It has been a roller coaster ride for Ulster Tascot Carpets over the past decade, from a company on a downward slide in the early 1990's to one of the most progressive manufacturers in the Australian textile industry today.

Ulster Tascot Carpets employs around 220 people at its East Devonport factory and has annual sales of around \$20 million with 20 per cent of this generated from exports.

Since the Federal Government's current pause on tariffs and the implementation of the Strategic Investment Program, stability and confidence has ensured continued capital investment.

Should Australia further reduce tariffs whilst international competitors maintain their barrier assistance and industry support measures, this specialist woven carpet manufacturer will simply be throwing away their tariff bargaining position. A resulting loss of market share can only then lead to a reduction in workforce and minimal future capital investment.

2.2 Hobart –

With a population of 194,000 people and located in the south of Tasmania, Hobart is less reliant on the TCF industry. Hobart is the seat of Government and many service industries provide for government requirements.

Key industries, major local corporations and institutions include CSIRO, Australian Antarctic Division, University of Tasmania, Cascade Breweries, Cadbury Schweppes, Blundstone Pty Ltd, Erico Lighting Technologies, Pasminco Metals EZ, Incat Tasmania, Mercury Walch Pty Ltd, Davies Brothers Ltd, Federal Hotel's - Wrest Point Casino.

Blundstone Pty Ltd

Blundstone Pty Ltd (Blundstone) is a Tasmanian based footwear manufacturer. The organisation consists of a highly integrated group of companies owned and operated by a family whose history can be traced back to the 1840's.

Today the Blundstone name is synonymous with quality footwear and markets stretch to all areas of the globe.

The Group – as well as its individual team members – has won a number of prestigious community based honours and awards in areas such as occupational health and safety, process innovation and product quality.

Blundstone directly employ 500 people in Hobart and the company's future directly affects another 25 people employed at a local tannery.

80% of their product is fully manufactured in Australia, 15% have uppers made overseas and 5% are fully imported. The company is the last major full footwear manufacturer in Australia.

Blundstone's biggest challenge is trying to maintain full manufacturing in Australia. They are under pressure and if the Government were to make it too hard for them to compete, by

reducing tariffs and winding up the SIP Scheme, they would have to seriously re-evaluate their position.

2.3 Launceston –

With a population of 98,000 people and located in the north of Tasmania, Launceston is less reliant on the TCF industry.

Industries include Gunns, French's Pine and Starwood (forestry products), Comalco, Temco, ACL Bearings (car components), call centres, wool growing, vineyards, aquaculture and tourism. The Launceston campus of the University of Tasmania and the Australian Maritime College are also important contributors to the local economy.

James Nelson (Tas.) Pty Ltd, Launceston

Employ 85 people including management in Tasmania and since the mid 90's employment numbers have fallen by 10%.

The company's core product is woven fabrics and products are moving very strongly into the commercial furnishing sector.

Waverley Woollen Mills, Launceston

Employ 80 people and the company's core products are woollen blankets and rugs. Employee numbers move up and down with the season and deterioration has occurred since 1998.

3. Conclusion.

- Since the pause on tariffs in 1998, two TCF companies have closed down in Tasmania – Tamar Knitting Mills in Launceston, and, Sheridan Australia in Hobart. Sheridan commenced its operations in Tasmania in 1969 and at one stage employed over 1,000 people. Operations were moved to Adelaide and China 12 months ago.
- Slow reduction in tariffs is easier for the industry to adjust to and cope with. With slow adjustment, natural attrition can be relied upon to reduce and stabilise the workforce. Rapid adjustment forces retrenchments and closures.
- Female, married/partnered employees are disadvantaged in retrenchments and closures as they are less able to move their family to another Australian centre to seek employment as husbands/partners work in other industries. Mobility for many in the TCF industry in Tasmania is not an option.
- Significant gains and structural change have been achieved from imposed tariff reductions, innovation and the implementation of the SIP Scheme.
- Further gains will be achieved through the continuation of and modification of the SIP Scheme to encourage additional investment and innovation in the industry.

- Australian tariffs should not be reduced in front of our trading partners otherwise, increasing competition from imports will continue to cause the TCF industry to contract.

4. Recommendations.

1. The Productivity Commission examine what progress is being made internationally in reducing tariffs.
2. The Productivity Commission examine international tax regimes for competitors in the TCF industry and make like comparisons with Australia.
3. There must be a level playing field.
4. The Productivity Commission examine the drastic implications of reducing tariffs, particularly in the clothing and finished textiles range where tariffs are currently 25%, reducing to 17.5% in 2005, to comply with its commitment to free and open trade and investment with APEC members by 2010.
5. The Textile, Clothing and Footwear (Strategic Investment Program) Scheme (SIP) be extended past 2005 and be modified to increase the 5% cap and allow for capital investment in one outlay without being penalised by the rules of the Scheme. The Scheme must be accessed in larger amounts, faster.
6. Under SIP, adequate recognition be given to full Australian manufacturers rather than full importation or partial importation.

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