

# Victoria carpets

*Fine carpets since 1895*

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21 March 2003

Commissioner David Robertson  
Textile, Clothing and Footwear Inquiry  
Productivity Commission  
PO Box 80  
BELCONNEN ACT 2616

Dear Commissioner Robertson

## **Submission to Textile, Clothing and Footwear Inquiry**

The Victoria Carpet Co. Pty Ltd has been operating in Dandenong, Victoria, Australia for fifty years. We are a manufacturer of wool and wool blend, tufted carpets, mainly for retail residential, and contract residential (high rise apartments, etc) use.

For the first forty years of the Company's existence, until the early '90's, the Company purchased yarn from external sources and converted yarn into carpet.

In 1993 the Company purchased the assets of The Castlemaine Woollen Company in Castlemaine, Victoria, and in October 2002 purchased the assets of Pacific Textiles Bendigo, Victoria.

The Company has a total of 300 employees, over the three sites; i.e. Dandenong 100 people, Castlemaine 100, and Bendigo 100.

During the past six years the Company has spent approximately \$17 million in turning the Castlemaine spinning mill into a state-of-the-art, world-competitive, modern woollen spinning plant. Around \$3 million has also been spent at Dandenong during this period on high speed tufting machines, incorporating the latest technology.

The Company has been able to grow its sales from \$25 million in 1996/97 to \$50 million in 2002/03.

We are, we believe, as well as being a significant employer in regional Victoria, the second-largest recipient of SIP grants in the carpet industry.

## **Export**

The Company exports around 12% of its production, mainly to Pacific-rim countries.

## **Innovation**

Investment in the latest technology, American tufting machinery, allows us to design and efficiently produce clever, point of difference, products for our market, at least on a par with products produced overseas.

At Castlemaine we are only the third company in Australia and New Zealand to have invested in Superba continuous heat setting for the lowest cost, and highest efficiency, in producing heat set carpet yarns.

## **Competitiveness**

Investment at Castlemaine of \$17 million over six years include the latest Tatham 3 metre cards, Gaudino spinning and Gilbos auto coning and Superba heat setting. This mill is arguably the most modern in Australia and New Zealand, and certainly, from an equipment and staffing viewpoint, is world-competitive. At Dandenong, metres per employee have improved dramatically over this time, with new work practices and investment in modern tufting machinery. It is our intention to progressively bring the mill at Bendigo up to the same standard as Castlemaine.

## **Regional Development**

I have already commented on the 200 employees we have in Central Victoria, employed in our spinning mills, producing the 75 tonnes per week of spun carpet yarn needed for our operations.

Some 10% of Bendigo's output is exported to Asian countries. There is every possibility that the Bendigo mill will be further expanded in the medium term.

**Victoria Carpets is a success story in the carpet industry in Australia today. We look forward to continuing the growth we have achieved in recent years, and make the following points:**

### **□ Tariffs**

We appreciate that the 15% tariff currently applying on TCF items is legislated to reduce to 10% on January 1, 2005. This may or may not affect Australian manufacturers, depending on the strength of the A\$ at that time. Carpet is currently embraced under the general TCF tariff. It can be realistically argued that carpets would more appropriately fall into the category of Interior Textiles, which reduce to 17% on January 1, 2005. We submit that the present tariff should be retained at 15% and follow the tariffs applying on interior textiles.

### **□ Strategic Investment Program**

We seek to maintain our aggressive investment policy in the latest textile machinery. Increasing Type 1 grant payments as a proportion of eligible expenditure from 20% to 30% plus, and including certain major repair and maintenance investments would facilitate this.

□ **Infrastructure Reform**

The spinning industry in Australia has seen a significant departure of machinery and investment from Australia to New Zealand over the last five years. Undoubtedly this is due partly to the significantly more competitive infrastructure costs applying in New Zealand; I refer particularly to payroll tax and workers' compensation premiums (currently costing us in excess of \$1.5 million per annum). Prohibitive sea freight rates from Australia compared to our overseas opposition remain an anti-competitive burden.

Union demands and intransigence demonstrate there is very little evidence of any co-operation or understanding of the need to have competitive workplaces. This has worsened in recent years. Last year we discontinued a permanent week-end shift at our Castlemaine mill, due in part to the obstacles and difficulties constantly presented by the union. We now operate at week-ends on overtime rates.

The Victoria Carpet Co. Pty Ltd is a Foundation Member of the Carpet Institute of Australia, and has participated in the preparation of the Institute's Submission to the Productivity Commission. We fully support all the points made in the Institute's Submission.

We would welcome the opportunity of enlarging on any of the points made in this brief submission.

Yours faithfully  
Michael W. Oakley

A handwritten signature in black ink, appearing to read 'M. Oakley', with a stylized flourish at the end.

**Managing Director**