

# **Wool Interiors Limited**

**Submission To: Productivity Commission Review.**

**Re: Post-2005 Tariff Review - TCFL Sector**

**April 2003**

## **Introduction**

Wool Interiors Limited (WIL) is a joint venture owned in equal shares by the New Zealand Wool Board and the Wool Research Organisation of New Zealand (Inc.). WIL is a brand and technology company, involved in the commercialisation of new product and process technologies and in brand marketing activities, largely in the carpet manufacturing industries of New Zealand, Australia, Western Europe, UK, North America and SE Asia. WIL is funded by a New Zealand wool grower levy (reserved for R&D investment projects only), and by the carpet industries in the markets noted above on a fee-for-service basis. WIL has also recently signed an Agency Agreement with The Woolmark Company to represent its interests in the carpet sector.

## **The Australian Wool Carpet Industry**

We have identified the Australian carpet industry as a world leader, in particular within the wool carpet sector. This potential has been developed in close relationship with the New Zealand wool industry – the world's major supplier of strong wool types for the machine-made carpet industry, and accounting for over 80% of the wool consumed by the Australian carpet industry. Achieving this position has been the result of many years of investment by the manufacturing industry, and by New Zealand wool grower levy funding in both R&D and promotion.

The ongoing investment in R&D has secured wool's position in the tufted carpet manufacturing sector (which accounts for well over 90% of machine-made carpets worldwide) – a sector that is characterised

world-wide by the dominance of synthetic fibres. A substantial proportion of new technologies and processes are trialled and proved by the Australian (and New Zealand) wool carpet industry before they are launched internationally.

We believe Australian wool carpet manufacturers are world leaders in product styling, leading Europe and the UK by several years, and have the potential to develop a significant export trade with the US and other key markets in top quality wool carpets.

The Australian wool carpet industry has responded well to the dynamics of a changing marketplace over recent years. The industry is well-regarded and has the potential to realise substantial export growth, which WIL is working to encourage on both individual and collective bases.

### **Export Opportunities**

Although wool has been replaced by synthetic fibres in the largest volume sectors of the world's carpet industry (eg tufted carpets in the US), we have identified a growing demand for high quality wool carpets in the top end of the market. The high-end residential market in North America and the five-star hospitality market in Asia represent major opportunities for the Australian carpet yarn and wool carpet manufacturing industries. In the US, where synthetic carpets account for over 97% of carpet sales, wool carpets represent the fastest growth sector in that market, albeit from a small base. A substantial proportion of the wool carpets sold into the US are imported from Europe. Australian mills could take a considerably larger share of those sales, as long as the local industry remains viable.

It is worthy of note that one of the major carpet exporting nations, Belgium, has a long history of government support for this industry.

### **The Effects of Tariff Reductions**

The Australian carpet market has a unique profile, Only in New Zealand does wool hold a more dominant share, and Australian

consumers are well served by the high quality of products available at reasonable prices.

Australian carpet manufacturers have a considerable investment in wool processing technology that would be under serious threat if imports of lower quality synthetic carpets were to grow significantly. Carpet is not an easy purchase for consumers, and differences in quality may be difficult to determine for an untrained person. Cheap imports could change the profile of the market forever. This has been the experience in other western markets.

### **Our submission**

The carpet sector is unique within the Australian textile industry and we believe that the carpet industry should not be treated as a domestic textile such as sheeting that is an intermediary stage in the manufacturing process. Carpet is shipped ex-factory in completed form ready for installation (unlike sheeting or curtain fabrics as examples), and should therefore be classified as a finished textile. We propose to the Commission that carpets should become one of the “certain finished textiles” that are scheduled to reduce to 17.5% in 2005. Carpet, currently attracting a 15% import tariff could remain at that level until the staged reductions scheduled for the “certain finished textiles” category fall below 15%, when carpet would then fall into line. This simple re-classification of the carpet sector would allow for the staged tariff reduction programme under the preferred option 4, while giving the wool carpet industry the space to continue its domestic growth, build its international reputation and exploit the export opportunities that undoubtedly exist.