

Textor Pty Ltd.

Summary 4 June 2003

Public Hearing
Melbourne 3 p.m.

Productivity Commission Inquiry

The Post 2005 TCF
Assistance Arrangements

Summary

Textor has already submitted a detailed written submission but believes that there are some technical issues regarding the current SIP scheme that need to be brought to the Productivity Commission's attention. These problems discriminate against smaller growth companies.

The current SIP scheme has been a major factor in the successful turnaround of the Textor business. Textor supports the Productivity Commissions view that more time is needed for the industry to restructure and become self sustainable.

The industry needs to restructure and Textor has taken up the challenge.

- The transition has not been without difficulty and financial pain
- This business has now focused on the technical markets of medical, hygiene and advanced food packaging.
- This business is now profitable and growing strongly.

There are many opportunities to significantly grow in the future.

- The markets exist and are all import replacement or export orientated.
- The training and skills exist within the current work force.
- Raw materials are available at world best pricing.
- The technology is available from Textor's world-wide network.
- The cost structure is now world competitive.
- Management is capable of successfully implementing new technology.

The issue facing Textor is the funding required to support the growth plans.

- **SIP is an important factor in process equipment selection as it assists a business to purchase the best available in the world.**
- **All grants received from the SIP scheme are being reinvested back into the business**
- **The current scheme is biased towards larger stable companies**
 - **Smaller companies that are growing strongly, cap out on the WTO restriction.**
 - **The WTO cap delays payments until the following years, effecting cash flow. For the 2002 claim, Textor will have to wait until March 2005 for final payment of the 2002 approved grant.**
 - **Textor needs the grants and the cash flow now to reinvest in new equipment.**
 - **Type 3 Grants are capped at 5% of value add. A larger company has less chance of capping out on Type 3 and hence receives an effective 40% for an approved capital investment. In the 2002 claim Textor will receive an effective 26% grant due to the cap out in Type 3 grants.**

These are difficult issues to explain and I look forward to the opportunity to discuss them in more detail.

**Phillip Butler
Managing Director.
Textor Pty Ltd.
4 June 2003.**