



## **Wax Converters Textiles**

14<sup>th</sup> June 2003

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

Dear Sirs,

This submission has been prepared by Wax Converters Textiles Pty Ltd T/A WCT Australia, and relates to the Commission's prospective deliberations on tariff rates and supporting import concessions regarding the import of fabrics for industrial use in the post-2005 business environment.

WCT Australia manufactures a broad range of treated (eg: oilskins) and coated (eg: plastic) finished fabrics that are on-sold as inputs into a wide range of consumer and industrial products. These extend across oilskin garments through to waterproof canvas for Defence requirements. They also span horse rugs, tarpaulins for semi-trailers, upholstery vinyl, PVC/Lead X-ray screens, Tents, Marquees, Camper Trailers and Caravan Annexes etc.

The company has experienced rapid growth since the late 1980s as industrial rationalisation within competitor firms saw large segments of the Australian market turned over to imported products. Subsequent consumer dissatisfaction with such products, and the timely intervention of WCT Australia in 'import replacement' activities, has helped to boost company turnover, whilst underpinning an internal program of innovation in coating compounds and application methods. These investments have driven new product development that has found success in the local market, whilst also having potential for translation into export.

The majority of our finished product is based on rough cotton-polyester fabrics which are sourced in the 'greige' form for subsequent treatment at Rutherford plant. Whilst WCT Australia has historically sourced some of these input fabrics from Australia, the passage of time and thinning of the local supply base has seen the large majority now imported, upon which a duty of 15% is currently paid - reducing to 10% from 1st January 2005.



**Wax Converters Textiles Pty Ltd. A.C.N. 003 851 330**

21 James Street, Lidcombe NSW 2141 Australia,  
PO Box 131, Lidcombe NSW 1825 Australia

Tel: 61 2 9749 2944 Fax: 61 2 9749 2889 email: [waxcon@waxcon.com.au](mailto:waxcon@waxcon.com.au)





Due to difficulties in sourcing the right quantities of fabrics at competitive prices from Australian sources, WCT Australia has recently bought some looms for installation at its Rutherford facility, which will be progressively worked-up to yield an internal source of specialised woven cotton-polyester fabrics. These machines however will not be able to satisfy all our needs, so it is intended that the balance of our requirements will be turned over to import. This is unfortunately necessary given the substantial cost savings offered by external sources compared to those offered by Australian weavers whose production equipment cannot match the scale and sophistication of that available overseas.

Whilst the existing tariff structure provides assistance for many of WCT Australia's 'traditional' products, the area we see of greatest growth - technology intensive plastic coated fabrics - suffers a major assistance anomaly. The anomaly stems from a decision on assistance for such products (stemming from an earlier Commission inquiry on the Chemicals and Plastics industries), which sees competitive finished products entering free of duty. In terms of more traditional textile products, we would note another anomaly in that pre-primed artists' canvas also enters Australia duty free. The fabric base used for such products currently enters Australia at a 15% duty rate.

Given there is wide substitutability of treated/coated products across the many segments for industrial products served by WCT Australia, the operation of the current tariff structure means that despite a focus on the technical superiority of our coatings and processes, our market position is being undermined given the cost burden of the tariff being paid on imported base fabrics. Out in the market-place, end products based on both traditional treatments and more contemporary coatings are having to compete with substitutable PVC coated finished (ie: planar form) products which are imported at the substantive 5% rate, although the majority pay only 3% due to the operation of Tariff Concession Orders.

In short, the disparity in assistance rates is damaging WCT Australia's ability to grow and advance employment in the Hunter Valley Region, and we therefore seek the Commission's consideration as to initiatives which can be taken to reduce or eliminate the tariff burden placed upon our intermediate goods by the current tariff structure. WCT Australia has studied the Commission's 1997 TCF report and notices that the bulk of discussion regarding the current assistance structure is related to assisting inputs of base fabrics into the clothing and bed linen industries.

WCT Australia observes that much has changed in these industries over the last six years, including a substantial break-down of the group of firms engaged in both the treatment of intermediate fashion fabrics, as well as the production of finished garments. We further note that due to the operation of Policy By-laws, the bulk of fabrics now consumed by the fashion industries are imported duty-free under a number of key concessions. With the traditional fashion industries recognised as being in substantial decline, we question the validity of any continuation with the current assistance structure.



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In looking at post-2005 tariff rates, WCT Australia considers that as part of any future tariff reduction program the Commission should recommend the elimination of the 10% tariff on imported cotton-polyester and cotton fabrics at the earliest opportunity. Recognising the impact this may have on the remaining few firms focused on the fashion industry - but also questioning the economic costs of continuing to burden industrial product manufacturers with the tariff on intermediate goods - we alternatively request the creation of a policy by-law covering such goods to be implemented from 1 January 2004.

In terms of 100% Polyester or Nylon, WCT Australia considers a reasonable demarcation for the creation of the requested policy by-law could start around the 250 denier mark. As noted above, the types of fabrics imported for industrial purposes are 'rough' manufactured, and therefore not generally suitable for apparel purposes. Apparel product is light-weight, <250 denier, whilst that used for industrial products is 250+ denier. As the yarn count determines the weight of the fabric, we believe that in consultation with the Commission a suitable by-law wording could be drafted which would satisfy current policy in regard to the fashion industry, whilst also releasing the industrial products industries from an unnecessary cost impost.

As the Commission gives consideration over the next few months to the post-2005 tariff assistance environment and related Government objectives to see an outcome consistent with APEC objectives and undertakings, important consideration will need to be given in terms of balancing the interests of the older declining industries, compared to growth opportunities in new industries. WCT Australia maintains that access to poly-cotton and cotton loomstate fabric at world prices, offers the best prospects for underpinning long-term growth of the company and its ability to serve rapidly growing industrial products requirements. Prospectively having to wait another five to ten years whilst intermediate tariffs are phased out does not offer an effective solution for WCT Australia, which as immediate requirements in terms of its desire to address market growth opportunities in higher value-added finished products stemming from ongoing growth across the Australian economy.

As such, and within any tariff phase-down for intermediate products, WCT Australia requests sympathetic consideration be given to adopting an industry wide view that low-value added TCF raw materials should generally enter Australia at world prices. In its own case, and whether by accelerated tariff reductions or the creation of a policy by-law, this would effectively ensure that canvas, cotton/polyester and cotton fabrics above 200gsm would enter Australia duty-free. WCT Australia would be pleased to talk further with the Commission in regard to the drafting of a suitable policy by-law wording.

Yours Sincerely,  
Jim Kelman  
Managing Director



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