

## TECHNICAL TEXTILES AND NONWOVEN ASSOCIATION

### ANNUAL CONFERENCE

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***Address by Senator Kim Carr, Labor Spokesperson for Industry,  
Innovation, Science and Research***

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Rod McKenna, ladies and gentlemen – thank you for the opportunity to speak to you today, and to participate in your seventh Annual Conference.

Your Association – incorporated in 2000 – is a youngster in terms of industry groupings, and reflects the vitality and the growing strength of your industry. As someone who aspires to be Australia's next Industry Minister, it is a pleasure to be part of your conference.

Let me start today by saying very clearly that, for Labor, industry policy is not a dirty word. But in the 21<sup>st</sup> century, industry policy is not about an old fashioned protectionist approach. In the 21<sup>st</sup> century, industry policy is innovation policy. In this country, the Government has claimed a virtue in neglecting discussion of industry policy – encouraged by a cheer squad in sections of the media. The anti-industry lobby within Treasury has been in the ascendancy for too long.

Labor is not about palliative care for industry. We are about sustained growth and prosperity. Labor's aim is to revitalise mature industries and to ensure emerging industries can develop and flourish.

I want to confound those ill-informed people who assert that the Australian TCF industry as a whole is dead. TCF is not dead – I say that the sector has an exciting future.

But it's true that TCF is not homogeneous. There are some success stories in every part – from fashion to footwear to fabrics. But technical textiles, in particular, represent a booming success story in this country.

Your industry employs 6,800 people – 13 per cent of total TCF employment. But, since the technical and nonwoven sector produces unusually high value-added products, its share in terms of dollars is even more significant.

The potential of this sector is enormous, and it is innovation that has driven, and continues to drive, the companies in your industry.

#### ***“The future is... fibres” report***

Last week the Australian TCF Technology Network released a report produced jointly with CSIRO, RMIT and Deakin University.

The report, *The future is... fibres*, points to the myriad applications of the new and adapted materials recently developed, or under development. These applications include:

- Biomedical materials;

- Safety and protective clothing;
- Lightweight composite materials for construction and other areas;
- Protecting our scarce water supplies;
- Carbon nanotube textiles for water desalination, ballistic protection and other uses; and
- “Intelligent” materials, such as those incorporating communications technology interfaces.

In addition to application within Australia, there is huge potential – some of it already being realised – in the export market, especially to Asia. This industry flies in the face of the received wisdom that a developed country like Australia can’t succeed in exporting manufactured goods to somewhere like China.

The drivers of success are skills, marketing, capital investment and, of course, innovation. The critical elements are new technology and new products.

### ***Howard Government’s failed industry policy***

But I argue that so far this success has been achieved despite – and not because of – the Howard Government’s approach to manufacturing.

The current Government has become stale. The policy settings have remained static while the industry is dynamic.

The failure of the current Government’s industry policy is not so much that it has taken us a long way off course – it has failed to follow any clear or discernible course at all.

Currently in Australia there are 169 separate Commonwealth and state programs of industry assistance in innovation. Many of them are good programs, I’m sure, but that’s not the point. I like to compare them to a forest of lantana – for a frustrated firm trying to get help to innovate, it must feel like hacking your way through the tangled vines of red tape.

What’s needed is national leadership and a national strategy. This is precisely what Australia lacks, under the Howard Government.

Labor wants to end the fragmentation and duplication resulting from the Howard Government’s unwillingness to think strategically about industry policy.

Labor in Government will sit down with the states and territories, and with companies and workers, to build a genuinely national, coordinated industry policy that will take us all in the same direction – forward, into the 21<sup>st</sup> Century. And that industry policy will be a policy based squarely on innovation.

### ***Labor’s innovation agenda***

The developments in your own industry sector demonstrate well what Australian manufacturing industry, backed up and underpinned by Australian research, is capable of. It is this kind of capability that Labor wants to set free,

right across all parts of the TCF industry – and across Australian industry generally.

Australia has suffered profoundly from a cultural divide between industry on the one hand, and the research community on the other. Yet your industry has shown that it is possible to bring together people and groupings from the opposite sides of this cultural divide.

My own portfolio also makes this necessary link across the cultural divide – it is no accident that Federal Labor has created a portfolio that brings together Industry, Innovation, Science and Research.

Our first move, if Labor is elected to Government, will be to bring responsibility for these areas together within one Department – a Department of Innovation. This is a symbolic change, but it is also a practical change.

It reflects Labor's commitment to remake and revitalise Australia's innovation system from top to bottom.

Our basic message is that, when it comes to industry and innovation, governments can and do make a difference. A newly elected Labor Government will establish a series of reviews to give effect to a renewed focus on innovation.

We will change the parameters of industry policy and in so doing revitalise the industrial base of this country.

### ***TCF review and the future of Australian manufacturing in TCF – Labor's plans***

First, a new Labor Government will commission a serious, independent inquiry into the entire TCF industry. The technical textile and nonwoven sector will have an important role to play in that process.

This is part of a proactive strategy for Australian manufacturing. In the global context, Australia risks being left behind by our competitors – not just by other developed countries in Europe and America; but by the emerging industrial giants to our north, China and India.

We cannot afford that – just as we cannot afford to fail to tackle the urgent challenge of climate change, or ignore the reality that our workforce and population are ageing – with vast implications for productivity and for the kinds of goods and services that will be needed.

The technical textile and nonwoven sector – because of the kinds of products you produce and the ideas you generate – is crucial in meeting those challenges.

This inquiry will, of course, look at all issues affecting the competitiveness of the industry. This includes the issue of tariffs. The Government's review will also look at tariffs. But unlike the Government, we haven't predetermined the outcomes of the inquiry.

Labor has said that the review will examine both tariff and non-tariff barriers of our trading partners, to see what progress has been made in opening other markets – especially in light of the lack of progress in the WTO Doha Round.

However, I repeat, the scope of Labor's inquiry will be broader than that. It will look at the role and potential of the TCF industry in regional Australia as well as in our major centres.

It will also consider whether the Strategic Investment Program – or SIP – is working effectively. I know your organisation has some particular and longstanding concerns about this, and this inquiry will give you an opportunity to argue your case. Should Labor form Government, I am sure that we will see you actively involved in these debates.

Alongside our commitment to the inquiry, Labor has said that we will continue the funding of SIP at current levels. We will review the Howard Government's scheduled reductions in funding for this program, scheduled to begin in 2009, with a view to reversing those cuts – guided, of course, by the inquiry's findings and recommendations.

A Labor Government will actively pursue better market access arrangements for TCF exporters.

### ***Other inquiries***

I also want to take this opportunity to make you aware of three other inquiries that Labor has announced it will commission, which are of relevance to your sector.

The first of these additional inquiries will be the automotive inquiry. Labor has committed to having an early, independent inquiry into all issues affecting the competitiveness of Australian automotive manufacturing. Like the TCF inquiry, it will be undertaken by a high-level review panel established by the Minister.

Again, like the TCF inquiry – and unlike the Government's scheduled review – it will have broad terms of reference and will particularly consider the appropriateness of current policy settings for the Automotive Competitiveness and Investment Scheme (ACIS).

There is a valid argument that the fundamental assumptions underlying ACIS are out of date, given the incredible transformation of the global automotive industry since the scheme was designed in 2002. This was the finding of a bipartisan Parliamentary Inquiry last December and every month just seems to confirm it.

Given the importance of the automotive industry for textiles, this review will be of particular significance to your industry.

If I remember correctly, I was told earlier this week that each car uses about 25 metres of non-woven textiles. So the future of the car industry here is of no small moment for you. We share a vision of a strong auto in Australia – not just for its 80,000 jobs, but for the enormous contribution it makes to innovation and the spread of knowledge and skills across the economy.

The other review I will mention very briefly is of the Cooperative Research Centres (CRC) program. Since they were established by Labor, CRCs have been critical vehicles for engaging industry in research, and sharing knowledge between the public and private sectors. But they have been

undermined by the Howard Government's single-minded focus on commercialisation of industrial research, rather than national or public benefit.

Labor will bring forward the review of the CRC program to reconsider all aspects of the program's operations. As a starting point, however, Labor will restore public benefit as the principal objective of the CRC program.

As a sector which has been built on bringing research, science and industry together – and which has much to offer in terms of responding particularly to environmental challenges – you may have a keen interest in the conduct and outcome of this inquiry.

Finally, as outlined in our April paper *New Directions for innovation, competitiveness and productivity*, we will establish a review of Australia's innovation and research priorities, by way of a green and white paper process. This will allow for proper consultation and community debate.

### ***TTN sector – future directions***

Coming back to some more specific considerations for your sector, it is important to acknowledge that one of the reasons for its success to date is Australia's existing competitive advantages. These include the material available to work with, and crucially the expertise of our scientists and technologists.

Collaboration with CSIRO and the universities has resulted in many innovative processes and products. There is no doubt this will continue, with smart fibres and smart materials the way of the future.

This means you have a strong interest in the health of enabling technologies, such as ICT, biotechnology and now – crucially – nanotechnology. Nanotechnology is set to revolutionise materials science and Australia has the resources to lead the way.

But biotechnology remains a key enabler of innovation in the sector. One of the reasons for this is Australia's endowment of natural resources with which to work.

For example, Australia is the world's largest wool exporter and producer. In 2004–05, Australia produced 520 kilotonnes of wool; China produced 379 kilotonnes and New Zealand 231 kilotonnes. In fact, Australia produced almost a quarter of all of the world's wool. Hardly surprising then, that when it comes to innovations in wool textiles, Australia is a world leader.

We also have vast crop-growing capacity, and a wealth of potential in our unique flora and fauna.

Using new technologies, there is potential for new bio-fibres that transform wool, crop fibres, milk, and naturally-occurring biological materials. Turning this potential into new products is where you come in.

Indeed, this process embodies futurist Richard Hames' succinct description of innovation – that:

*“Innovation **links** the creation of new ideas with the capturing of their commercial or social value.”*

When it comes to the creation of the new ideas to feed this process, governments have a role in supporting the science – both the basic research itself, and the infrastructure it requires. The Synchrotron in Victoria, for example, is a new world-class facility whose potential for your industry is extremely significant. It represents a government-led investment in research infrastructure that is directly related to industry and innovation.

To take advantage of scientific discoveries in the areas of relevance to you, however, Australia needs an industry-wide strategy. We won't be able to exploit these emerging markets to full advantage unless we follow the example of our international competitors and develop a coherent national strategy.

Developing an industry strategy is the proper role of our national government – a role that the Howard Government has ignored. It has sat on its hands while other countries have forged ahead.

### ***Industry Innovation Councils***

Labor has already announced that it will establish Industry Innovation Councils, to develop and implement national industry innovation strategies for key sectors. The Councils will comprise high level decision makers from business, the workforce, Commonwealth and State governments and the science and innovation community.

By building strong, productive and ongoing working relationships among all participants in the supply chain, the Councils will enable whole-of-government and industry commitment to strategies aimed at:

- Improving productivity, global competitiveness and market access;
- Building a highly skilled and flexible workforce for the 21st century; and
- Ensuring the sustainable development of each sector and its participation in Australia's response to the global challenge of climate change.

Industry Innovation Councils underscore Labor's commitment to breaking down the cultural barriers between researchers, industry and – indeed – the bureaucracy.

They also reflect a long-term perspective on innovation. Industry Innovation Councils will provide an ongoing mechanism for strategic planning, feedback on government programs and services, and identifying and overcoming roadblocks.

The Howard Government's Action Agenda program – by contrast – has too often seen government walking away from industry just when it needs support to implement its growth strategies.

Its approach to the TCF Action Agenda is a perfect case in point: "completed" in February 2000, the key outcome was the establishment of an industry grouping to implement identified projects. It received some funding and itself produced another document – *TCFL 2012 - Global and Growing: Blueprint for a Positive Future*.

This is a worthy document but – with due recognition to those who contributed their expertise from the sector – where was the ongoing whole-of-government involvement to actually help achieve the objectives of the blueprint? What has happened since this industry forum “completed its work” in June 2003?

Labor wants to do much, much better than this.

### ***R&D tax concession***

One thing we’ve been looking closely at is the R&D tax concession. It is one way that the national Government can assist companies to innovate. There are, and must be, other programs as well, but this one is critical.

The Howard Government’s cuts to the tax concession in 1996 were damaging to Australian industry across the board. In manufacturing, business R&D spending went backwards for four years in a row.

Today, we are still playing catch-up. But the reality is that other countries – as well as being potential collaborators in innovation – are also our competitors in attracting R&D investment by multinational companies.

And we know that they are playing hardball. They are more than willing to provide incentives to make themselves more attractive locations for global R&D. Partly as a result of this active strategy, I am told that combined R&D spending of India and China now amounts to 17 per cent of the world’s total.

Every other developed economy has cottoned on to this new global reality and they are upping the ante as well. In the last few months, New Zealand has introduced a 15 per cent tax credit for R&D (equivalent to a 150 per cent concession under the Australian scheme); and the UK has increased its R&D tax credit for small and medium businesses from 150 to 175 per cent and for large companies from 125 to 130 per cent.

Labor is looking hard at the current arrangements for the R&D Tax Concession, with a view to developing a much more effective scheme.

### ***Conclusion***

In Australia over the last decade, sadly, it has been the national Government that has dragged its feet on innovation. The states, especially Queensland and Victoria, have led the way.

A Rudd Labor Government will remedy this situation. Our eyes are fixed on the future and our key concept is innovation. Our key emphasis is on the potential contained in relationships between public research agencies and universities, on one hand, and industry on the other – a potential already recognised in your own industry.

A Federal Labor Government, if elected, will revitalise Australia’s national innovation system.

In so doing, we will be following the path taken by most of our global competitor countries, where innovation, and the policies that underpin it, have been given high priority.

As I have said, the technical textile and nonwoven industry has been a leader in innovation. You stand to benefit perhaps even more than other industries from a concerted, visionary approach, driven nationally.

I look forward to working with all of you in meeting the challenges of the future for our nation.