

# FEET FIRST

A footwear manufacturing policy for the  
Australian community



Footwear Manufacturers Association of Australia Inc

Independent Review of Australian TCF Industries

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Author: Footwear Manufacturers  
Association of Australia  
Organization: Footwear Manufacturers  
Association of Australia  
Type: Industry Association  
Address: 22 Ceylon Street Nunawading  
Vic  
Email: [peames@surimex.com.au](mailto:peames@surimex.com.au)  
Phone: 03 9894 4470

Declaration of Interest: The FMAA is the peak representative body for the Australian footwear manufacturing industry. These companies are directly and indirectly affected by the policies and practices under consideration

## Overview

The FMAA is the national industry association that represents the collective interests of the Australian footwear industry. Members include manufacturers of finished footwear, manufacturers of components (i.e. lasts, insoles, heels etc) and manufacturers of associated products such as leather care products.

The Australian industry accounts for:

- \$515 million of manufacturing turnover per year
- more than \$1.2 billion of retail sales
- footwear manufacturing operations in Sydney, Melbourne, Adelaide and Perth and many regional areas including Ballarat, Geelong and Goulburn.

The association's members account for 75% of the industry's output manufactured in Australia.

Since the early 1990's footwear manufacturing firms have been closing and restructuring – largely due to decreasing tariffs, declining domestic infrastructure, increasing imports and through the purchasing strategies adopted by a concentrated retail sector, the larger margins available from imports.

Since 1988 tariffs have reduced from 50% plus \$10.50 per pair (estimated nominal rate of 63% compared to the manufacturing average of 10%), componentry producers have closed, shoe leather production has ceased, dedicated institutions for training mechanics and designers have closed, skilled labour has left the industry, retailers have bought local production on the same basis as imports and intermittently flooded the market with their own supplies in order to drive prices down. Governments have ceased purchasing local production in advanced technical areas, such as military and security forces whilst acceding to trade agreements that prohibit our access to these markets overseas.

This has resulted in:

- the import share of the Australian market tripling to some 90% of the market.
- employment declining
- value added per employee increasing by over 90%.
- the share of total output exported increasing to 15%.
- the industry focussing on specific sectors such as work wear, mid-range women's fashion and specialty footwear.

There are three important features of footwear manufacturing that need to be considered in assessing the industry's place, scale and contribution to the national manufacturing capability. These are that:

- retailers demands are unstable
- the skills and facilities of most suppliers are highly specialized
- most manufacturers only produce footwear.

These features mean that a technically advanced, industrial capability is susceptible to complete closure if there is not a sustainable market for these producers to operate in.

Over the last 15 years Australian industry policy as it has affected footwear manufacturing has resulted in:

- the demise in Australia of significant border protection
- export markets for fashion footwear that are more competitively serviced by lower wage countries
- high technology, high value foreign government purchasing for military and security forces requirements restricted by local purchasing policies;

As a result the conditions necessary to sustain a viable industrial mass are perilously close to being absent. If this occurs Australia will not have an indigent manufacturing capability with adverse implications for our industrial, technological, social and military capabilities.

This “casual” approach to manufacturing industry was demonstrated by the previous Government when it provided an additional five years policy framework to the finished apparel sector when compared to its treatment of the footwear sector. Though both sectors are particularly sensitive to fashion and consumer trends, imported competition and are labour intensive the distinction implied little interest or concern for the sector.

The experience of the FMAA and its members is that the key drivers of the Australian industry are:

- a government policy framework that accelerates import penetration compared to one facilitating a sustainable indigent manufacturing capability
- the continual rebalancing of sourcing between local manufacture and imported product by wholesalers and retailers.
- effective research and development into new consumer product and manufacturing process designs by footwear manufacturers.
- the ongoing search for best practice protocols that assist in manufacturing sustainability
- the uptake of the latest technology by manufacturers.

In light of these experiences the FMAA and the industry would make the following observations and recommendations as to the components necessary to create a holistic, integrated and effective industry policy for the Australian footwear manufacturing industry.

### **Innovation and Competitiveness**

With the concentration of the industry and individual firms there has been a significant reduction in both the capacity utilization of capital equipment and in the utilization of enabling infrastructure, such as component making and skilled machinery mechanics.

This diminished access to skills and economies of scale adversely affects the competitiveness of individual manufacturers.

Individual footwear firms are increasingly looking to overcome these impediments by working closely with each other, local suppliers, infrastructure providers, educational institutions, and other relevant agencies. Such cluster based developments are based on the premise that a company can realize higher levels of competitiveness when it looks beyond its own limited capacity and strategically partners with others, to address challenges and solve problems that it is unable to solve as comprehensively or effectively when operating as an isolated entity. It is an approach that encourages companies to come together and identify ways in which they can cooperate to their mutual benefit.

This strategy has a number of benefits over and above the direct benefit of the support provided, i.e. clusters:

- increase levels of local expertise. This provides companies with a greater depth to their supply chain and allows for the potential of inter-firm learning and co-operation.
- give firms the ability to draw together complementary skills in order to bid for large contracts that as individual units they may be unable to successfully compete for.
- allow for potential economies of scale to be realized by further specializing production within each firm, by joint purchasing of common raw materials to attract bulk discounts or by joint marketing.
- strengthen social and other informal links, leading to the creation of new ideas and new businesses.
- improve information flows within the industry. For example, clusters may enable finance providers to better judge the sustainability of a business given the larger operating environment within which it is sustained and operates, rather than being an isolated concern completely dependent upon its own internal resources.
- allow for the development of an infrastructure of professional, legal, financial and other specialist services.

Critical to the success of such a strategy is the identification of a cluster champion. The cluster champion is the conduit for and focus of activity. This entity must have an intimate knowledge of the industry and be able to identify collaborative projects and mobilize the relevant stakeholders. (See case study one for an example of how J Robins & Sons and Laura Benini are forming a women's fashion footwear cluster)

Support for a cluster can be provided through providing financial support for activities and expenditures incurred in facilitating co-locations and rationalization and modernization of facilities.

The current funding mechanism, the Strategic Investment Program (SIP) should therefore continue but with some modifications to better suit the circumstances of the time and this particular industry. The footwear industry's preference is to ***focus funding on expenditures that encourage the development of a technologically advanced sustainable footwear manufacturing industry***. (See case study two for an example of how investment in advanced facilities has challenged and developed Victor Footwear – who proportionately responded more to the SIP program than any other manufacturer). This would mean being more specific in the definition of what activities should be encouraged to facilitate the desired outcomes (as distinct from encouraging activities for their own sake) and in developing a more critical appraisal process to ensure that any available moneys are spent in ways that are realistically likely to contribute to the desired outcomes (as distinct from ways that do not contravene a rigid set of proposals).

To achieve this the industry considers that ***the Government should provide financial support for clustering, capital equipment upgrades and enhancements, final consumer related research, development and design, brand support and value adding***.

Except for the clustering concept, these categories are generally supported under the current scheme to varying degrees. (Case study three outlines an innovative development linking Australia's mining development to safety footwear). We consider it essential however that ***the value adding concept should be incorporated into the funding formula so that support is conditional on an ongoing commitment to Australian manufacturing plant and facilities***.

To ensure that any government support generates the maximum impact and additionality it is important that the available funding not be concentrated in any one group to the detriment of the industry as a whole. As such we would support ***an annual cap to any one corporate groups claim upon such funds of say, \$2 million per year***.

We would also support the targeting of these strategies and any associated funding at the specific and particular needs of the footwear industry, in isolation from other sectors of the broader industry. As such a close matching between the Governments objectives, policy design, industry strategies and company activities will necessitate informed assessments as to the effectiveness of claims and consistency of strategies. ***This specific industry program should be administered by a broad based footwear industry panel, including appropriate government representation***.

## **Government Programs and Regulations**

Government programs and regulations are critical elements in setting the context within which the industry operates and performs or fails.

## I Tariff Measures

It has been suggested that no support (beyond generally available measures) is appropriate once the sectors tariff rate is at 5%, as scheduled in 2010. This is wrong because it implies that there is no need for a manufacturing industry policy once tariffs are at 5%.

A tariff only industry policy will ensure consumer access to footwear at a minimally taxed price (sans GST). The certain result of this is that Australia will have an importing and distribution sector. However there is no guarantee or likelihood of a sustainable viable manufacturing sector.

Australia's past policy of unilateral and unconditional TCF tariff reductions in order to obtain lower consumer prices and enhanced global trade has largely been at odds with international practice. Further reductions in the real price of finished footwear are unlikely as Australian levels are already amongst the lowest in the developed world. Concomitantly, without a local supplying industry to contest the market, real increases in imported apparel prices could be expected.

While regional trade blocs such as NAFTA, the EU and, in time, AFTA have and will open up increased trade opportunities for their members, at the moment at least, Australia is not a member of any of these agreements. If Australia unilaterally reduces its tariffs further it will have given away any inducement it may have had to facilitate reasonable market access to these blocs.

***Further unilateral tariff reductions should be avoided and a strategy of negotiated agreements adopted.***

If it is decided to also continue with a global approach to tariff issues, ***any future reductions should be conditional upon establishing that more than 90% of world manufactured footwear is undertaken in countries with a tariff of a maximum of 10%, as will be the case in Australia.***

Given the direct relationship between imports and the sustainability of the remaining manufacturing base it is appropriate for import programs to contribute to any program designed to support that base. As such it would be appropriate for ***10% of customs duty levied on footwear imports to be allocated to supporting the manufacturing base.*** Such a measure would also ensure that the direct industry support measures envisaged could act as a buffer to opportunistic import programs, whether by domestic retailers, local speculators or overseas suppliers, that arbitrarily disrupt the demand and supply of footwear in Australia with immediate adverse consequences for the local manufacturing industry that act as the buffer in the supply chain. (case study four exemplifies the difference in risk and return between manufacturing and importing as experienced by a former leading manufacturer and now a significant importer and retailer, Mr John Kirkhope). Recognizing the diminution of the component making sector ***the tariff on footwear components should be reduced to zero.***

## II Trade Agreements

In 2007 the American Department of Defence budget for the specialised non-fashion footwear, that both American and Australian manufacturing industries have increasingly specialized in, was some US\$200 million. Despite the Australia – United States Free Trade Agreement (AUSFTA), this market is effectively barricaded from potential Australian suppliers by the operations of the Berry Amendment, a law requiring that 100% of footwear purchased by the American Department of Defence is totally made from American components in America.

The FMAA considers that *the Australian Government needs to renegotiate the AUSFTA so that the Berry effect is specifically and directly negated as it affects Australian sourced footwear*. Without prejudging the means of achieving this, this could be effected by:

- negotiating a specific waiver for Australian sourced footwear within the Berry Amendment.
- negotiating the treatment of Australian sourced footwear materials as American under the AUSFTA’s rules-of-origin provisions

Regardless of whether the AUSFTA can be made effective *a commitment to similar measures to the Berry Amendment should be made for Australia*. Whilst this would facilitate providing a commensurate concession to the Berry waiver such a policy would go some way to providing a leading edge customer base for an advanced technology manufacturing sector in Australia that cannot be undermined by opportunistic low cost import programs.

Within the provisions of the AUSFTA it has also been established that Australian footwear experiences a significant level of discrimination compared to other suppliers. A wide variety of specific tariffs have been retained on American imports of Australian produced specialist, non-fashion footwear. Whilst some advantage has been obtained compared to the General Tariff rate, the Americans provide greater concessions to a wide variety of other suppliers. These include:

- Canada
- Caribbean Basin countries
- Israel
- Dominica Republic/Central America
- Mexico
- Jordan
- Singapore

In many instances these differences in preference levels hinder Australian attempts to supply these products. Australian footwear products access into the American market should not be inhibited by institutional differences. *The Federal Government should seek to have the level of tariff imposed on exports of Australian footwear to America set at least equal to the most preferred level provided to any other supplier by America.*

### III Taxation Measures

Local manufacturing requires a significantly greater commitment to employees, communities and financiers than importing/distributing. This greater commitment results in a greater risk being borne by a manufacturer compared to an importing operation. This greater risk is not recognized by the market where the cost of footwear is set by the lowest available imported alternative. ***The greater capital commitment and risk should be offset by a lower effective tax rate on profits attributable to locally produced manufacture.*** For example:

Proportion of locally manufactured footwear sales to total footwear sales	Tax Offset (%)
80%+	20%
60% – 79%	15%
40 – 59%	10%
20 – 39%	5%
<20%	0%

Within the current tax structure it is anomalous that clothing, predominantly imported, is supported by the tax deductibility of non-compulsory uniforms whilst footwear – an essential component of any uniform – is not. ***Locally made footwear should be made eligible under the non-compulsory uniform tax deduction provision.***

Another continuing problem is the maintenance by State Governments of payroll taxes on manufacturing employment. This anachronism from a by-gone era is unsustainable for manufacturing activities facing significant and increasing import competition. The industry considers that ***the Federal Government should look to persuade the States to forego payroll tax by in the first instance, providing offsetting funding equal to the payroll tax paid by this manufacturing sector***

#### **Education and Skills**

The footwear industry is an intensive user of skills. The skills utilized include both knowledge based activities, such as machine operators, cutters and clickers and craft based skills such as design. We are therefore a keen user of the existing educational and training institutions output.

The provision of institutionalized footwear industry training has not been effective in Australia for over ten years, since the closure of the Footwear Skills Centre. This loss was essentially due to the loss of critical mass in the manufacturing base so that a dedicated training facility was not able to operate commercially.

This loss of infrastructure has accelerated the fragmentation of the industry in recent years and contributed to the current situation. The loss of mass has now reached such a stage that it is difficult to see how a broad based institutional approach to industry training could operate successfully.

As such it would be more appropriate to support additional training within the confines of the firm. This would require improved articulation between the firm and training providers. ***The provision of training support should be more directly and effectively targeted at the time taken off line by an employee*** rather than funding training places in third party organizations.

Given the labour shortages currently affecting manufacturing it has been observed that many employees are being hired without adequate English language skills. In addition to the hurdles this places in the way of using their existing skills this language barrier makes the provision of more advanced skills within the factory commensurately harder. The lack of language also impinges on the ability of the individual to adjust to the wider community. Addressing this particular impediment would provide relief to the manufacturing employer and even broader benefit to the community as a whole. As such ***the provision of English as a Second Language support should be directly funded within the factory context.***

The industry recognizes that further change will occur within the sector. This recognition also affects employees willingness to stay with the industry when there is the prospect of employment elsewhere. This works to make keeping our skilled employees harder than it would otherwise be. This would be alleviated if there was some security that if adverse change did affect the manufacturing company in the future then ***any employees who lose their jobs as a result of continuing structural change would have access to enhanced employment support services over and above those generally available. This could include a provision so that any other firm in the industry that re-employed these retrenched employees had the full State payroll tax attributable to these employees reimbursed.***

Consumer education is also vital to ensure that information on the specific implications for employment, income and value of purchasing that product are available, understood and valued. Information as to the appropriate country of origin is particularly important. Experience has indicated that while such labeling may be mandatory it is widely treated as a minor or voluntary requirement. ***Enforcement of accurate country of origin labeling is a minimum requirement for encouraging an accurately informed final consumer.***

## **Climate Change and Environment**

The industry recognizes that it must adapt to the imperatives arising from climate change and environmental pressures.

It has been estimated that the industry accounts for some 36000 tonnes of greenhouse gases per year mainly through its use of electricity. There is little scope for transferring this power source to gas which is not appropriate to use in close proximity to highly flammable materials. As such prior to the introduction of the carbon cap and trade scheme the industry is looking to see whether a suitable industrial scale solar power system can be developed. Preliminary investigations have indicated that the storage and delivery of appropriate power supplies to the industry's equipment will be particularly challenging. However we are continuing to seek

improvements in this area and would support *the establishment of an on-site industrial scale research program into power storage and transmission by the CSIRO.*

A preliminary industry based study of energy consumption has identified a number of activities and processes that could contribute to improved outcomes. These have included:

- increased awareness of staff to energy conservation
- packaging material practices
- waste paper
- pallet techniques and controls

Further education and encouragement for all staff to regard the unnecessary use of power within the factory as something that they can and should address is desirable. The key practical issue to address is to ensure that critical power supplies are not interrupted inappropriately. Support for a program to identify and introduce such procedures in a factory setting would be practical and effective.

Packaging materials accompanying footwear products for sale consume huge quantities of plastic and paper materials. Cardboard waste and wooden pallets are also a significant area for potential environmental waste improvement.

Energy saving programs such as scheduling air compressors in conjunction with planned equipment utilisation could provide significant environmental savings as a result of establishing best environmental manufacturing practices.

The industry is therefore seeking *support to institute a systematic environmental audit and remediation program* to identify and implement improvements in workflow and practices that will improve footwear manufacturing performance and environmental outcomes.

### **Social and regional**

The industry recognizes the magnified sensitivity of rural and regional centres to changes in footwear manufacturing activity. Recognizing this, the industry would support *an uplift factor being applied to any direct funding provided to firms in rural and regional areas.*

*Consideration could also be given to supporting the diversification of some regional facilities into historical displays* that would highlight and extend the relationship between footwear manufacturing and the town *and provide the basis for consolidating and emphasizing the brand awareness and impact of that facility and company.*

## Summary

- *focus funding on expenditures that encourage the development of a technologically advanced sustainable footwear manufacturing industry*
- *the value adding concept should be incorporated into the funding formula so that support is conditional on an ongoing commitment to Australian manufacturing plant and facilities*
- *an annual cap to any one corporate group claim upon such funds of \$2 million per year.*
- *this specific industry program should be administered by a broad based footwear industry panel, including appropriate government representation*
- *further unilateral tariff reductions should be avoided and a strategy of negotiated agreements adopted.*
- *any future reductions should be conditional upon establishing that more than 90% of world manufacture of footwear is undertaken in countries with a tariff of a maximum of 10%, as will be the case in Australia*
- *10% of customs duty levied on footwear imports to be allocated to supporting the manufacturing base*
- *the tariff on footwear components should be reduced to zero*
- *the Australian government needs to renegotiate the AUSFTA so that the Berry effect is specifically and directly negated as it affects Australian sourced footwear*
- *similar measures to the Berry Amendment should be made for Australia*
- *the Federal Government should seek to have the level of tariff imposed on exports of Australian footwear to America set at least equal to the most preferred level provided to any other supplier, i.e. Canada.*
- *the greater capital commitment and risk should be offset by a lower effective tax rate on profits attributable to locally produced manufacture*
- *locally made footwear should be made eligible under the non-compulsory uniform tax deduction provision*
- *the Federal government should look to persuade the states to forego payroll tax by in the first instance, providing offsetting funding equal to the payroll tax paid by this manufacturing sector*
- *the provision of training support should be more directly and effectively targeted at the employee*

- *the provision of English as a Second Language support should be directly funded within the factory context*
- *any employees who lose their jobs as a result of continuing structural change would have access to enhanced employment support services over and above those generally available. This could include a provision so that any other firm in the industry that re-employed these retrenched employees had the full State payroll tax attributable to these employees reimbursed.*
- *enforcement of accurate country of origin labeling is a minimum requirement for encouraging an accurately informed final consumer*
- *the establishment of an on-site industrial scale research program into power storage and transmission by the CSIRO*
- *support to institute a systematic environmental audit and remediation program*
- *an uplift factor being applied to any direct funding provided to firms in rural and regional area*
- *consideration could also be given to supporting the diversification of some regional facilities into historical displays... and provide the basis for consolidating and emphasizing the brand awareness of that facility and company.*

## Case Study No 1

### J Robins & Laura Benini for clustering

J Robins and Sons has been designing, manufacturing, marketing and distributing footwear for nearly 130 years predominantly through its Sandler and Easystep brands. Within the market segments for medium priced women' fashion and casual shoes and middle to high priced high quality, female fashion footwear, the company is the pre-eminent Australian manufacturer.

Laura Benini is amongst Australia's fastest growing designers and manufacturers of female fashion footwear, marketed and distributed through an extensive party plan network throughout Australia.

This newly developing method of providing access to personalized shopping and product selection is proving so successful that Laura Benini's original factory of some 500 square meters where all its shoes were made predominantly by hand was unable to produce all the footwear that was being demanded by the market.

Faced with the prospect of having to outlay millions of dollars for a new factory and equipment Laura Benini and J Robins who had undertaken some contract work for Laura Benini undertook a study into the benefits of co-locating in J Robins modern factory in Belmore, Sydney.

Laura Benini footwear is now manufactured in the more efficient J Robins system. "This has enabled us to do what we do really well" said Laura Benini's Managing Director Ian Francis. "We design high fashion footwear and provide an incredibly customized service."

"Robins are one of the best fashion footwear makers in the world and now Benini shoes are amongst the best made in the world as well – it's fantastic that we now have virtually no problems with returns due to failed componentry or other quality issues" he said.

J Robins Managing Director Phil Butt said that "it gives us another view into what the market is demanding that we normally wouldn't get through our department stores and helps keep up the use of our making track".

The additional market intelligence and increased capacity utilization is one small way that Robins is looking to improve its effectiveness in one of the most competitive footwear markets in the world.

"Having another producer in-house requires a different way of managing the facilities" Mr. Butt said "however the skills and insights we can share and the services we share can make both our businesses better and stronger as well as help secure the employment of over 160 employees."

## Case Study No 2

### Victor Footwear for Investment Effort

Victor Footwear is one of Australia's leading designers, manufacturer and supplier of safety and non-safety work footwear. The company which employs around 40 people has been making footwear for more than 70 years and distributes and retails its products under the Mongrel brand. The company has developed its own "Airzone Comfort System" as a unique factor that improves the comfort of its work boots.

As a consequence of the introduction of the TCF Strategic Investment Program, in 2001 Victor Footwear believed that it was in a position to make a substantial investment in a 20 station injection moulder to modernise its production methods and to improve its ability to compete with imported products.

The size of Victor Footwear's investment relative to its size and turnover was substantial, i.e. about 20% of its annual revenue. As an indication of the degree of commitment that this investment represented for the Company, if the whole TCF industry had similarly committed to new plant and equipment, then the new capital investment for the industry would have been approximately ten times the investment that actually occurred.

In other words, Victor Footwear responded in the most positive way possible to the establishment of SIP even in the face of accelerating import competition.

"It was funny at first – the moulding machine filled up nearly a quarter of our factory and we had to re-organize everything" Mr. Bill Cloros Victor's Managing Director said.

"While everything didn't go according to plan – we are still here, making things, doing things and employing people" he said.

"If we can't make a go of this what's going to happen to the people here – a lot of them have poor English and they're not going to get jobs as waiters".

"Here they work hard, we work hard and it is hard – but we make damn good boots".

Victor Footwear has taken five years to bed down and fully master that moulder. In 2007 they eventually moved into a new factory so they weren't as hard pressed for space.

"Now that's done its time to move on if we are to keep making things here" Mr. Cloros said. "The next job is to be able to do coloured and segmented soles – but that will cost another fortune. Still we can only hope that the Government and the market recognize that we're working hard to make the best possible outcome for all of us"

For Victor Footwear, another major investment program represents another long-term commitment to the manufacturing industry.

## Case Study No 3

### Steel Blue for innovation - mining boots

Western Australia is the centre of the current expansion in Australia's mining industry and as such Steel Blue, a manufacturer of safety boots based in Malaga near Perth has close connections with many of Australia's leading mining companies. These international operators have been talking with Steel Blue as to the potential for creating a special mining boot that would be suitable for use in underground conditions, where ores such as gold, copper, tin, silver, uranium, iron and coal are extracted.

Steel Blue has been working to develop a new boot that resolves the problems experienced when working in the conditions found in underground mining – such as the warm, humid environment which facilitates slipping within the construction. The wet conditions prevalent in mines mean that water proofing is also a critical issue. Whilst miners often use thin rubber boots to waterproof their normal safety these provide minimal protection against leaks and scratches caused by rock faces, equipment and walkways.

Steel Blue has been working to design a boot incorporating a series of gutters and barriers between the outer and inner membrane that channels water to the lowest point of the sole, away from the midsole. The edge of the sole is designed in such a way that the moisture pours down the outside of the sole - the system is analogous to drainage systems used on exposed roofs where the drains are disguised and connected to an overflow pipe where the water outflow cannot do any damage or be seen.

Other issues for which solutions were sought included the need to ensure no residual contamination would be left on a boot and a requirement to achieve a high degree of luminous reflectivity for the entire life of the construction.

The interaction between the mining industry, and Steel Blue's designers and technicians has resulted in the development of knowledge, skills and capabilities that whilst specially suited to local conditions are relevant to the wider world.

Such developments most frequently and successfully occur where the problems, ideas and revisions can be dealt with in a practical working environment, that is - a working factory.

## Case Study No 4

### Manufacture or Import

John Kirkhope used to spend his days worrying about balancing his womens fashion footwear making tracks, solve the problems of managing motivating staff and where he was going to find someone able to sew a buckle into a one centimeter wide leather strap.

In those days Mr. Kirkhope was the Managing Director of Diana Ferrari, one of Australia's leading manufacturers of womens fashion footwear. His company in 2000 won an international award in Chicago for motivating and retaining staff. Diana Ferrari was runner up to a modern software USA company.

The company was eventually bought by Colorado, one of the world's leading fashion retailers and as part of the arrangement Mr. Kirkhope concentrated on designing footwear which was manufactured in China and then imported into Australia for sale through the group's retail outlets.

"The difference was unimaginable" Mr. Kirkhope said. "I could address issues with a contact in China over the phone and they would be done and the finished good delivered by plane within twenty four hours"

"This would happen without me having to figure out how the problem could be fixed, find and organize somebody able to do what I wanted and I didn't have to look for the materials which had often to be sourced from Italy or China" he said.

"I could do all this without having to regularly front the bank to explain why we needed more money for equipment or to meet the payroll and at the same time explain why revenue projections hadn't quite been what we thought they would be. I wasn't just a local manufacturer I was a magician".

The market we now supply from China is exactly the same as it was when we manufactured in Australia the amount of financial and personal risk and stress on staff associated with being a local manufacturer and an importer is entirely different.