

To the TCF Review Secretariat: Attention Professor Roy Green TCF Reviewer.

Review of Australia's Textile, Clothing and Footwear Industry
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Kimberly Clark Australia Case Study:

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Kimberly Clark Australia Pty Ltd

Number of employees: 62

Turnover: \$35 Million

Products: Spunmelt Nonwoven Textile fabrics supplied to the Hygiene, Healthcare and Commercial Businesses of Kimberly Clark Corporation, Worldwide.

Target Market: Predominantly domestic, but with rapid growth into the international market.

Submission:

The Australian Non-wovens industry was established in Australia when Kimberly-Clark built the country's first plant in 1986/7. Throughout the 1980/90's the Spunmelt Nonwovens Industry in Australia saw steady growth with reasonable investment returns.

During the 90's the rapid growth and investment in the Asian Nonwoven Industry resulting from low cost machines built in Asia and access to regional polymer manufacturers resulted in the Australian industry progressively coming under competitive threat despite its early success.

Capital investment carried out at Kimberly Clark's Albury NSW facility in the late 1990's and early in 2000, and supported by the Federal Government's SIP

funding, assisted in returning the business to a viable state once more and ensured it continued to be competitive. This has continued to this point.

It is important to recognise that this significant investment carried out in 1999/2000 and the continual application of the latest manufacturing practices by the Australian plant's people has substantially placed the Australian Albury Facility as one of the lowest cost manufacturers within the Kimberly Clark worldwide Nonwovens Sector and a proportion of its export sales now supply affiliated manufacturing sites in North America, Europe and Asia as a result of this success. Specific examples of the significance of the impact to the Albury business are a 57% improvement in productivity per employee, a growth in export volume of 170% and a sustainable reduction in process waste from 7.7% to 0.4%.

Although being a primary supplier to its affiliated Infant Care manufacturing plant in Sydney, the Albury site has over the last 8 years been exporting material to many parts of the world and this has grown to a level where the forecast export volume for 2008 will be some 35% of the facilities total manufacturing capacity. Without the SIP funding in 2000 this likely would not have occurred.

Now in 2008, the Kimberly Clark Corporation capital investment strategy is in part reliant on the highest returns on capital investment and as such, regional investments need to compete with other areas of the world for funds.

The Australian Federal Government SIPs funding program has successfully provided the vehicle for attracting investment in the Australia nonwovens business within Kimberly Clark in preference to other locations by acting in the same way incentives such as tax off-sets and other measures taken by regional governments to attract country investment. In this sense the SIP scheme is critical to Kimberly-Clark Australia in continuing to compete with other countries in the Asia-Pacific region in attracting investment. Cost competitiveness and good manufacturing practice are no longer sufficient in attracting capital investment in a global environment. Total cost and overall capital cost and return is impacted by country assistance programs and continuation of SIP assistance availability is therefore important, not as a protective mechanism but as a competitive mechanism in achieving a "level playing field" with other countries in this region.

Despite Kimberly-Clark's success to date following re-investment a combination of high growth in the Asian nonwovens sector, affordability of some of the latest technology's available worldwide and the increased value of the Australian Dollar is beginning to have an impact on the competitiveness of Australian made nonwoven textiles. It is time for re investment to, once again, circumvent a decline in this part of the Textile industry, one of the few historical growth sectors over recent years.

The industry in general, in common with much of Australian industry, is being challenged by raw material prices and environmental sustainability and as such significant investment is required in improving mass efficiency, recycling of waste polymers and developing alternative bio-based polymers. As well, long term and likely permanent global economic change eg rising oil prices and the continued strength of the Australian currency mean that the challenges to continued success are intensifying and continued investment critical to assist in off-setting some of these impacts by achieving step changes in productivity growth.

The latest technologies are now under development to increase the mass efficiency of Nonwoven Textile materials and will be essential to be applied to Kimberly-Clark's operation in Australia to ensuring viability is maintained. The capital investments required to introduce these new technologies will be significant and the development of alternative raw materials to those dependent on oil based feedstocks will require significant support funding in future if a viable Australian operation is to be maintained.