


Slide 1



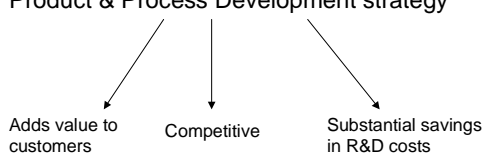
**ALBANY**  
*INTERNATIONAL*

Productivity Commission Submission:  
June 2003


Slide 2

## Delivering Value

- Albany International, Gosford to be the “ Centre of Excellence” for press and Fibre Cement fabric production in the Asia/Pacific corridor
- SIP - formalised discipline now in the R&D, Product & Process Development strategy




Adds value to customers      Competitive      Substantial savings in R&D costs



**Delivering Value**

**Productivity Commission Paper:**  
Albany International, Gosford would support **Option A**  
**because:**

- Continuation of a modified SIP scheme
- generalised funding support for expenditure on state of the art 2nd hand equipment.
  - Size of equipment
  - location within the Albany Corp
  - Cost
  - Increased the technology level introduced to Australia



## ATTACHMENT 2

### **The TCF Strategic Investment Program (SIP)**

Albany International Pty Limited (Albany) has clearly benefited from SIP. In the first year of the program Albany received \$1.8 million and in the second year \$1.7 million. We believe we will be entitled to receive around \$1.3 million in the latest year.

We have reviewed the Productivity Commission Position Paper. We believe an extension of the program will continue to assist us in our objective of being the “Centre of Excellence” for the production of Press fabric in the South East Asian region and Fibre Cement fabrics worldwide.

Press Fabrics are an important product used in the paper machine industry. Significant growth in new paper machines is expected in the Asian region in the next 5 years at the expense of the rest of the world. Albany International Gosford needs to be in a position to support this growth with the latest available technology and equipment.

Fibre Cement fabrics are used by James Hardie Industries in the production of fibre cement board for the housing industry. James Hardie has experienced tremendous growth in the United States of America and is expecting to move into Asia and Europe. Currently, Albany International, Gosford is almost

100% supplier worldwide to James Hardie. Again we need to be at the forefront in equipment and technology to meet their needs.

Albany International, Gosford's press fabric sales are expected to grow from around \$17 million in 2001 to around \$27 million in 2006. Fibre cement fabric growth is expected to grow from \$11 million to \$17 million in 2006. This growth is only based on the existing business available. As mentioned earlier, in the next five years there is expected to be significant growth in Paper Machines in Asia. This growth will require further capital expenditure by Albany International, Gosford over the next few years to be able to meet the demand for our product.

The Strategic Investment Programme has essentially changed the culture of Albany International, Gosford. It has particularly changed the way we approach research and development and process improvement. We now have a formalised discipline and more accurate recording of the results of our work. This clearly adds value to our customers and has resulted in considerable savings in our research and development processes. It has also resulted in more products that have gone from manufacturing to sales in a more structured, timely fashion. As a result of this discipline, the company has been extremely competitive in the market and has remained the market leader due to the quality and diversity of our current product mix in both Press Fabrics and Fibre Cement.

We believe that a change in the method of support for the industry would not give the same overall value to the industry that SIP currently does.

We support the Productivity Commission's Option A – a modified version of the current SIP.

Under Option A, we support the notion of generalised funding support for expenditure on state-of-the-art second hand equipment. Whilst we would support the full funding of state-of-the-art second hand equipment we can see the arguments for why this was rejected under SIP. However, in our industry with the size of equipment we use for manufacture, this equipment can cost from \$10 to \$20 million as new equipment.

Currently, Albany, as part of an international corporation, has had the opportunity to acquire this type of equipment from other Albany plants as rationalisation occurs within the corporation and may again happen in the future. We consider this type of equipment "state of the art" because the equipment that has been acquired in this situation would normally be only up to five years old. Within our industry and that time frame, there would only be a number of minor upgrades this is state-of-the-art equipment rendering it almost in the same manufacturing condition as we have installed.

As you would be aware, to relocate, prepare the building for installation, install the machinery and carry out any modifications to bring the equipment to an operational state, can cost upwards of \$1,000,000. For the latest equipment we have just commissioned, we are currently undergoing this process at the present time.

We support the Productivity Commission recommendation that consideration be given to expenditure on state-of-the-art equipment. If this is not supported, we would like to request that consideration be given to the expenditure incurred in bringing this equipment to Australia and installing it ready for use be allowed as claimable under SIP. As this is a large financial drain on the company, having this additional subsidy may enable us to carry out additional work on the machinery to obtain further benefits and further enhancing our position in the region.

We would also like to request that some consideration be given for the expenditure we are currently incurring which has introduced a new level of equipment in this particular segment of the Textile Industry to Australia. This will enable us to make product equivalent to world best. Unfortunately this expenditure is not currently claimable under the present SIP rules. If it is possible that this could be included in amendments to the current program it would be appreciated.