Textile, Clothing and Footwear Investment and Innovation Programs Amendment Bill 2014

Eugenia Karanikolas
Economics Section

Contents

Purpose of the Bill ................................................................. 2
Background ........................................................................... 2
Howard Government assistance to the textile clothing and footwear industry ........................................ 2
TCF Small Business Program ............................................. 2
Labor Government assistance to the textile clothing and footwear industry ..................................... 2
BIC scheme ........................................................................ 2
Effect of this Bill .................................................................. 2
Overview of TCF industry in Australia ......................... 3
Committee consideration ...................................................... 4
Senate Selection of Bills Committee ............................... 4
Senate Standing Committee for the Scrutiny of Bills .... 4
Parliamentary Joint Committee on Human Rights .......... 4
Statement of Compatibility with Human Rights .......... 4
Policy position of non-government parties/independents .. 4
Australian Labor Party ......................................................... 4
Independents ..................................................................... 4
Australian Greens .............................................................. 5
Position of major interest groups ................................. 5
Financial implications ...................................................... 5
Key issues and provisions ................................................ 5
Amendments to the BIC scheme ..................................... 5
Amendments to the TCF small business program .......... 6

Date introduced: 29 May 2014
House: House of Representatives
Portfolio: Industry
Commencement: On Royal Assent

Links: The links to the Bill, its Explanatory Memorandum and second reading speech can be found on the Bill’s home page, or through http://www.aph.gov.au/Parliamentary_Business/Bills_Legislation

When Bills have been passed and have received Royal Assent, they become Acts, which can be found at the ComLaw website at http://www.comlaw.gov.au/.
Purpose of the Bill
The purpose of the Textile, Clothing and Footwear Investment and Innovation Programs Amendment Bill 2014 (the Bill) is to amend the Textile, Clothing and Footwear Investment and Innovation Programs Act 1999 (the Programs Act) and thereby end the Clothing and Household Textile Building Innovative Capability Scheme (the BIC Scheme) and the Textile, Clothing and Footwear Small Business Program (TCF Small Business Program) on 30 June 2014—a year earlier than originally planned.

Background

Howard Government assistance to the textile clothing and footwear industry

TCF Small Business Program
The TCF Small Business Program was established in 2005 as part of the Howard Government’s $747 million assistance package aimed at helping the industry to transition to an open economy with a lower tariff protection. In general, the programs were designed to run over ten years (2005–2015) and ‘promote investment, product diversification and growth in value-added production’. A total of $25 million of funding was to be made available over the years from 2005 to 2015 to run the TCF Small Business Program. In brief, the TCF Small Business Program aimed to encourage ‘business enterprise culture’, in other words, a business culture that is characterised by creativity, flexibility, initiative and growth orientation.

Labor Government assistance to the textile clothing and footwear industry
On 19 September 2008, the report of a review of the Australian textile, clothing and footwear industries, Building Innovative Capability, was released publicly by the Rudd Labor Government. The recommendations made in the Building Innovative Capability report formed the blueprint for the Rudd Government’s textile, clothing and footwear assistance package announced in the 2009–10 Budget.

BIC scheme
Included in the package was the establishment of the BIC Scheme which replaced the TCF Post-2005 Strategic Investment Program (SIP). Essentially, the objective of the BIC scheme was to encourage textile, clothing and footwear businesses to invest in research and development including product design, process improvements, market research and intellectual property protection. Eligible businesses could receive grants capped at five per cent of sales of the locally made products. A total of $112.5 million worth of grants were made available for the years 2010–11 to 2014–15.

Effect of this Bill
The Government announced its intention to abolish the programs in the 2014–2015 Budget. The closure of the programs one year earlier than it would otherwise have will provide a saving to the Government of $25 million.

3. Ibid.
7. The term ‘TCF post-2005 (SIP) scheme’ is defined in section 4 of the Textile, Clothing and Footwear Investment and Innovation Programs Act 1999 to mean the scheme in force under section 37C of that Act. Section 37C provides that the Minister must, by writing, formulate a scheme (the ‘TCF Post-2005 (SIP) scheme’) for the making of grants in connection with, or incidental to, the design or manufacture of eligible textile, clothing or footwear products.
Overview of TCF industry in Australia

In the past few decades the industry has experienced increased competition from imports and commercial pressures from large retailers. Responding to these pressures the industry has been making efforts to move towards higher value-added manufacturing and specialisation and has increased its spending on research and development in real terms from $44.8 million in 2005–06 to $52.8 million in 2011–12.12 Despite this however, the industry’s overall contribution to the Australian economy has been gradually declining. For instance, the industry’s contribution to Australia’s Gross Domestic Product (GDP) has fallen from 1.6 per cent of total GDP in June 1984 to 0.3 per cent in 2012–13, currently contributing $5.2 billion in industry value added to Australia’s economy.13

TCF exports have also been declining as a proportion of total merchandise exports. Specifically, in 2006, the average monthly proportion of TCF exports was 1.36 per cent, falling to 0.81 per cent of total merchandise exports by 2013.14 In 2012–13 the industry exported $1.9 billion worth of goods, with New Zealand being one of Australia’s most significant export markets.15

Not surprisingly, imports have increased as a proportion of total merchandise imports, from an average monthly proportion of 5.01 per cent of total merchandise imports in 2006 to 5.06 per cent in 2013.16

Employment in the industry has also fallen between 1984 and 2014 by around 69 per cent. As illustrated in Figure 1 the number of people employed in the TCF sector declined from 123,400 in November 1984 to 38,800 in February 2014.

Figure 1: Employment-TCF Industry


15. Department of Foreign Affairs and Trade (DFAT), Trade in Primary and Manufactured Products 2012-13, DFAT, Canberra, accessed 16 June 2014.
Committee consideration

**Senate Selection of Bills Committee**

At the time of writing this Bills Digest, the Senate Selection of Bills Committee had not referred the Bill for inquiry and report.

**Senate Standing Committee for the Scrutiny of Bills**

At the time of writing this Bills Digest, the Senate Standing Committee for the Scrutiny of Bills had not considered the Bill.

**Parliamentary Joint Committee on Human Rights**

At the time of writing this Bills Digest, the Parliamentary Joint Committee on Human Rights had not considered the Bill.

**Statement of Compatibility with Human Rights**

As required under Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* (Cth), the Government has assessed the Bill’s compatibility with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of that Act. The Government considers that the Bill is compatible.

**Policy position of non-government parties/independents**

**Australian Labor Party**

The Australian Labor Party (Labor) is opposing the Bill. The member for Makin, Mr Zappia, argued in the House of Representatives that the proposed changes are short-sighted cost-cutting ‘for no better reason than simply to balance the budget, without considering the overall impacts’. Mr Zappia went on to state that:

> Australia’s future beyond the resources boom will depend on the development of advanced manufacturing on high tech knowledge-based industries producing goods for niche markets, not in high-volume industries producing goods for mass markets. The firms receiving these grants fit exactly that description. So the belief that TCF is ‘old’ manufacturing is simply ignorant.

**Independents**

During the debate in the House of Representatives, the Member for Indi, Ms McGowan, stated her opposition to the Bill arguing that it ‘goes against everything that the Coalition stands for’. Using the example of a large textile, clothing and footwear employer in Wangaratta, Bruck Textiles Technology, the Member for Indi made the following statement:

> Where is the support that we have been told the coalition offers for successful and innovative business? Bruck textiles is a world leader in textile and fabric research and innovation. Bruck produces quality product for some of Australia’s best known brands and, importantly, the defence forces. Where are the moves from the coalition to improve business confidence? Bruck textiles reformed their business in response to this program, and they tell me that it will make a significant difference to their confidence levels in the future. Where is the coalition commitment to remove red tape? This policy will increase the compliance and administrative burden for Bruck and other textile businesses. Where is the support for sustainable regional communities? Bruck employs 200 people in Wangaratta, a community of 17,300 people. It will have a significant impact.

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17. The Statement of Compatibility with Human Rights can be found at page 4 of the Explanatory Memorandum to the Bill.  
20. Ibid.
**Australian Greens**

The Australian Greens (the Greens) have also expressed their opposition to this Bill. During the debate in the House of Representatives, the Greens member for Melbourne, Mr Bandt, echoed the views expressed by both the Member for Indi and Labor. He criticised the Government for attacking small businesses and undermining the industry’s efforts to innovate and move towards higher-end advanced manufacturing.

Mr Bandt also questioned the Government’s priorities, and the reason why large banks, the mining industry and foreign multinationals are eligible to receive large levels of assistance whilst small businesses are hit by the budget savings.\(^\text{21}\)

**Position of major interest groups**

In a media release, the Council of Textile and Fashion Industries of Australia (TFIA) expressed its disappointment that the Bill had passed through the House of Representatives, and argued that the industry was not given a prior indication that the commitments made to businesses under the existing programs would not be ‘honoured’:

> While the program cutting decision impacts on the final year of the scheduled TCF Program period only, and would relate to expenditure yet to be incurred; with the BIC Scheme in particular, industry decisions on innovation expenditure are undertaken with longer term horizons than just the current year. Much of the innovative design and innovative processes that have already been committed by TCF companies for projects in the current year would also extend into the next financial year. By passing this Bill companies will no longer receive expected returns on that investment and this undermines both existing activities and intended activities for next year. Early termination undermines the original intentions of the Programs and they should be able to run as originally committed.\(^\text{22}\)

**Financial implications**

According to the Explanatory Memorandum, ‘passage of the Bill before 1 July 2014 will deliver savings of $25 million in 2015–16. Failure of the bill to pass before 1 July 2014 will compromise the savings anticipated for the 2014–2015 Budget’.\(^\text{23}\)

**Key issues and provisions**

**Amendments to the BIC scheme**

**Item 5** amends section 37ZN of the *Programs Act* to substitute the amount $112,500,000 with $90,000,000. This amendment decreases the cap on the total funding available for innovation grants under the BIC scheme. **Item 6** amends paragraph 37ZR(2)(b) of the *Programs Act* to substitute the date 2014–2015 with 2013–2014. This amendment brings forward the end dates for reimbursements under the BIC scheme so that the last financial year in which expenditure will be eligible for reimbursement under the scheme will be 2013–14.

**Items 3 and 4** are consequential amendments which make changes in equivalent terms to those made by items 5 and 6 to the simplified outline of the BIC scheme in subsection 37ZK(2) of the *Programs Act*.

**Item 7** amends section 37ZZN of the *Programs Act* to substitute the date 2015–2016 with 2014–2015. As grant payments are made in arrears for eligible activities conducted in the previous financial year, the amendment operates to bring forward the final financial year during which the Minister must publish the names and amounts given to participants under the programs administered under the *Programs Act*.

**Item 1** makes a consequential amendment to the simplified outline of the *Programs Act* in section 3 of that Act.

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\(^{22}\) The Council of Textile & Fashion Industries of Australia (TFIA), Opposition to the early closure of TCF programs, media release, 5 June 2014, accessed 10 June 2014.

**Amendments to the TCF small business program**

**Item 2** amends subsection 37ZJ(3) of the Programs Act to substitute the amount of $25,000,000 with $22,500,000. This amendment decreases the funding available under the TCF Small Business Program by $2,500,000.

**Item 8** amends paragraph 55A(b) of the Programs Act to add ‘or’ at the end of the paragraph. This minor proposed amendment addresses a technical error by adding consistency to the paragraph.