2013-2014

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

TEXTILE, CLOTHING AND FOOTWEAR INVESTMENT AND INNOVATION PROGRAMS AMENDMENT BILL 2014

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Industry, the Honourable Ian Macfarlane MP)
TEXTILE, CLOTHING AND FOOTWEAR INVESTMENT AND INNOVATION PROGRAMS AMENDMENT BILL 2014

OUTLINE

Overview

The Textile, Clothing, and Footwear Investment and Innovation Programs Amendment Bill 2014 will amend the Textile, Clothing and Footwear Investment and Innovation Programs Act 1999 to provide for the closure of the Clothing and Household Textile Building Innovative Capability Scheme (BIC Scheme) and the Textiles, Clothing and Footwear Small Business Program (TCF Small Business Program) on 30 June 2014.

The Government has identified savings of $25 million from the 2015-16 funding allocation of the BIC Scheme and the TCF Small Business Program.

Government funding support has been provided to the textile, clothing, and footwear manufacturing industry for many years.

The TCF Small Business Program (aimed at small businesses) and the BIC Scheme (aimed at medium to large businesses) were created to help the TCF manufacturing industry transition to a lower import tariff regime.

TCF tariffs have been lowered in stages over many years. The tariff on clothing is now 10 per cent and this will fall to five per cent on 1 January 2015. The tariff on textiles and footwear is already five per cent. There are no plans for further reductions. In many cases these tariffs are already effectively further reduced by the range of trade agreements Australia is a party to and by concessions provided to some trading partners which qualify under developing country status, for example.

Background

The TCF Small Business Program is a competitive, merit-based grants program that aims to improve the business enterprise culture of established TCF small businesses that have not received grants or qualify for assistance from other TCF programs. Grants of up to a maximum of $50,000 are available for eligible projects. The program consists of 10 rounds (1 round per year) with $2.5 million allocated for each round.

Round 9 of the TCF Small Business Program (for which applications are currently being assessed) would be the final Round of this program. Grants made under Round 9 would be funded from the 2014-15 funding allocation.

The BIC Scheme is aimed at fostering the development of a sustainable and internationally competitive clothing and household textile manufacturing and design industry in Australia, by providing grants, available on an entitlement basis, for research and development including innovative product design activities, innovative process improvements, market research and some industrial property rights expenditure. Grant payments are made in arrears for eligible activities conducted in the previous financial year.
BIC Scheme registrants can be assumed to have already spent substantial funds, in 2013-14, in the expectation that much of this will be reimbursed in 2014-15. After making such reimbursements in 2014-15 no further grant payments would be made under the Scheme.

If the Bill is passed and comes into effect by 30 June 2014 this would close the TCF Small Business Program and BIC Scheme one year earlier than originally intended.

FINANCIAL IMPACT STATEMENT
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.
REGULATION IMPACT STATEMENT

Short Form Regulatory Impact Statement for the proposal to terminate the Textiles, Clothing and Footwear Small Business Program (TCF Small Business Program) and the Clothing and Household Textiles Building Innovative Capability Scheme (BIC Scheme)

OBPR ID: 16848

This proposal would close the TCF Small Business Program and BIC Scheme on 30 June 2014.

Round 9 of the TCF Small Business Program (for which applications are currently being assessed) would be the final Round of this program. Applicants are anticipating an announcement of successful applications in mid-2014. Grants made under Round 9 would be funded from the 2014-15 funding allocation; no further grants would be made under the scheme.

The BIC Scheme provides grant payments in arrears for eligible activities conducted in the previous financial year. Registrants can be assumed to have already spent substantial funds in 2013-14 in the expectation that much of this will be reimbursed in 2014-15. After making such reimbursements in 2014-15 no further grant payments would be made under the scheme.

The early closure of the TCF Small Business Program and the BIC Scheme does not have any regulatory impact because there are no compliance issues for individuals, businesses or community organisations associated with the closure.

The Office of Best Practice Regulation has agreed that this proposal does not have a regulatory impact.

**Regulatory Burden and Cost Offset (RBCO) Estimate Table**

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<table>
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<td>Total by Sector</td>
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</tr>
</tbody>
</table>

Proposal is cost neutral? Yes
Proposal is deregulatory? No
Balance of cost offsets: $0
STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

TEXTILE, CLOTHING AND FOOTWEAR INVESTMENT AND INNOVATION PROGRAMS AMENDMENT BILL 2014

This Bill is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the Human Rights (Parliamentary Scrutiny) Act 2011.

Overview of the Bill

The purpose of the Bill is to close the Textiles, Clothing and Footwear Small Business Program (TCF Small Business Program) and the Clothing and Household Textile Building Innovative Capability Scheme (BIC Scheme) on 30 June 2014 by amending the Textile, Clothing, and Footwear Investment and Innovation Programs Act 1999 (the Act). The Act establishes the legislative framework for TCF Small Business Program and the BIC Scheme.

The TCF Small Business Program is a competitive, merit-based grants program that aims to improve the business enterprise culture of established TCF small businesses that have not received grants or qualify for assistance from other TCF programs. Grants of up to a maximum of $50,000 are available for eligible projects. The program consists of 10 rounds (1 round per year) with $2.5 million allocated for each round.

Closing of the TCF Small Business Program would mean that Round 9, for which applications are currently being assessed, will be the final Round of funding for this program.

The BIC Scheme is aimed at fostering the development of a sustainable and internationally competitive clothing and household textile manufacturing and design industry in Australia, by providing grants, available on an entitlement basis and payable in arrears, for research and development including innovative product design activities, innovative process improvements, market research and some industrial property rights expenditure.

Under the proposed amendments to the BIC Scheme, registrants who have undertaken eligible expenditure in the 2013-14 program year, will be reimbursed in 2014-15. After the reimbursements in 2014-15 have been made, no further grant payments would be made under the Scheme.

Human rights implications

The amendments provide for the closure of the TCF Small Business Program and the BIC Scheme. They do not engage any human rights issues.

Conclusion

This Bill is compatible with human rights as it does not raise any human rights issues.

The Minister for Industry, the Honourable Ian Macfarlane MP
NOTES ON CLAUSES

Clause 1 - Short title

Provides for the Act to be cited as the Textile, Clothing and Footwear Investment and Innovation Programs Amendment Act 2014.

Clause 2 - Commencement

Clause 2 provides that the Act shall commence on Royal Assent.

Clause 3 - Schedule(s)

Provides that each Act that is specified in a schedule is amended or repealed as set out in the applicable items in the schedule and that any other item in a schedule has effect according to its terms.

Schedule 1— Amendments

Textile, Clothing and Footwear Investment and Innovation Programs Act 1999

Explanation of the changes

The purpose of the Bill is to close the Textile, Clothing and Footwear Small Business Program (TCF Small Business Program) and the Clothing and Household Textile Building Innovative Capability Scheme (BIC Scheme) on 30 June 2014.

BIC Scheme

The purpose of the amendments made by Items 1, and 3 to 7, inclusive, is to provide for the closure of the BIC Scheme on 30 June 2014.

The BIC Scheme is aimed at fostering the development of a sustainable and internationally competitive clothing and household textile manufacturing and design industry in Australia, by providing grants, available on an entitlement basis and payable in arrears, for research and development including innovative product design activities, innovative process improvements, market research and some industrial property rights expenditure.

Under these amendments, the total of grants paid under the BIC Scheme will be reduced from $112.5 million to $90 million and the term of the Scheme will be reduced to provide that 2013-14 will be the final program year of the Scheme for which registrants will be
reimbursed for eligible expenditure under the Scheme. This is will mean that registrants who have expended funds in 2013-14 program year, will be reimbursed in 2014-15. After the reimbursements in 2014-15 have been made, no further grant payments would be made under the Scheme.

The details and requirements of the BIC Scheme are provided for by the legislative instrument, _Clothing and Household Textile (Building Innovative Capability) scheme 2010_. This instrument will be amended to reflect the legislative amendments to be made by this Bill for the earlier termination of the BIC Scheme.

**TCF Small Business Program**

**Item 2** will reduce the total of grants paid under the TCF Small Business Program from $25 million to $22.5 million.

The TCF Small Business Program is a competitive, merit-based grants program that aims to improve the business enterprise culture of established TCF small businesses that have not received grants or qualify for assistance from other TCF programs. Grants of up to a maximum of $50,000 are available for eligible projects. The program consists of 10 rounds (1 round per year) with $2.5 million allocated for each round.

Closing of the TCF Small Business Program will mean that Round 9, for which applications are currently being assessed, will be the final Round of funding for this program.

The details and requirements of the TCF Small Business Program are provided for by the legislative instrument, _Textile, Clothing and Footwear Small Business Program Determination 2005_. This instrument will be amended to reflect the legislative amendments to be made by this Bill for the closure of the TCF Small Business Program.

**Item 8** makes a technical amendment to paragraph 55A(b) to correct a clerical error.