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Textile, Clothing and Footwear innovation package

Key Points

- The TCF package provides \$401.0 million from 2009-10 to 2015-16. Additional funding of \$10.0 million will be provided.
- The new package includes a new competitive \$30.0 million Strategic Capability Program that will support large innovation projects in the TCF industries.
- The package will increase the focus of assistance on innovation, while retaining entitlement-based assistance for the clothing and household textile products industries.

Facts and Figures

- The Clothing and Household Textile Building Innovative Capability Program (BIC) will be introduced in the 2010-11 program year with the funding to commence in 2011-12 financial year. The Government has responded to strong industry preferences for the retention of the entitlement based approach to assistance for the clothing and household textile products industries, which are facing a further tariff reduction on 1 January 2015.
- BIC will provide \$22.5 million per annum to the clothing and household textile products industry, replacing the current TCF Post 2005 (SIP) Scheme and the Product Diversification Scheme. BIC will have a greater emphasis on innovation than the existing schemes, modulation will be maintained and the industry will be consulted over implementation issues including the headline subsidy rate, which is expected to be set at 50 per cent. Without revisions, current funding arrangements would be severely modulated, reducing certainty for industry.
- The TCF Strategic Capability Program (SCP) is a five year, \$30.0 million, competitive grant program commencing in 2010-11. It will support large projects (over \$1.0 million) that will build innovative capability at the enterprise and workplace level. Funding rounds will be held annually with successful applicants required to match Commonwealth project funding.
- The \$2.5 million per annum TCF Small Business Program will continue in its current successful competitive grants format.

Senate Economics Legislation Committee
Budget Estimates 2009-10
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By: MR MARK PATERSON, SECRETARY,
DEPARTMENT OF INNOVATION, INDUSTRY,
SCIENCE AND RESEARCH
Time/Date: 5:50PM, 1 JUNE 2009

- The \$5.0 million per annum TCF Structural Adjustment Program will continue with enhancements to assistance to retrenched workers. Funding will be provided for community based organisations to work closely with government agencies and training providers to ensure that retrenched TCF workers can optimise their access to employment services. A study will be undertaken to examine the feasibility of establishing a Group Training Company for the TCF industries to maintain critical skills.
- The TCF package also includes the establishment of a TCF Industries Innovation Council and commitments to examine a new voluntary Australian Ethical Quality Mark and new voluntary Australian National Sizing Standards for clothing and footwear.

Senator the Hon Kim Carr
Minister for Innovation, Industry, Science and Research

The Government's Response to *Building Innovative Capability*, the Review of the Australian Textile, Clothing and Footwear Industries.

Recommendation	Response
<p>Recommendation 1: The approach of public policy to the development of Australia's TCF industries should take the opportunity of this Review and the wider Review of the National Innovation System to manage a shift in the organising principle of industry assistance from structural adjustment to a new focus on building innovative capability at the level of the enterprise and workplace. It is recommended that a new 'TCF Innovation Assistance Package 2009-2015' be introduced with a total budget of \$250 million.</p>	<p>Agreed in part, support will continue to be targeted to the industries that are subject to ongoing structural adjustment but with an increased focus on building innovative capability. In addition, a new program will be established to support the development of strategic capabilities in TCF industries. The TCF Strategic Capability Program (TCF SCP) will support a small number of large strategic projects that will build innovative capability at the enterprise and workplace level. There will be annual competitive funding rounds.</p>
<p>Recommendation 2: The definition of the TCF industries, for the purpose of future public policy and greater 'connectivity' among TCF firms and organisations, should be modified and expanded to encompass a broader range of activities in textiles, fashion and accessories in the context of a TCF Innovation System that is driven by more collaborative approaches to design, research, technology, branding and supply chain management.</p>	<p>Not agreed. The definition of TCF industries for the purpose of the building innovative capability package will remain linked to TCF manufacturing.</p>

Recommendation	Response
<p>Recommendation 3: The scheduled tariff reductions for the TCF industries to 2015 should be allowed to take their course, as it is widely recognised that tariff protection is a blunt instrument for the promotion of innovative and competitive capability at the enterprise level and can in any case have only marginal impact in the context of large exchange-rate movements. On the basis of evidence provided to the Review, it is recommended that the emphasis of future policy should instead be on well designed industry assistance measures.</p>	<p>Agreed.</p>
<p>Recommendation 4: A TCF Innovation Council should be established, with funding of \$12 million to commence in 2009, as one of the proposed sectoral innovation councils with the task of advising the Australian Government on key priorities for the TCF industries in the context of the broader National Innovation System. The TCF Innovation Council would include appropriate representation from TCF industry stakeholder groups.</p>	<p>Agreed in part. A TCF Industries Innovation Council will be established in accordance with the Government's 2007 election commitments and operate in accordance with the Industry Innovation Council framework. The Council will establish strong links with Manufacturing Skills Australia as the Industry Skills Council responsible for training and workforce development for the TCF industries.</p>
<p>Recommendation 5: A new \$200 million TCF Innovation Capability Program (TCF ICP) should be introduced to support the development of innovative capability in the TCF industries at the enterprise and workplace level, with an allocation of at least \$15 million for small businesses. This program would supersede current assistance measures in the final transitional period of tariff reductions—2010 to 2015—and make funding available to individual applicants or consortia on a contestable basis.</p>	<p>Agreed in part. Support will continue to be targeted to the clothing and household textile products industries, which are subject to ongoing structural adjustment through tariff reductions. The TCF Small Business Program will continue to provide support for TCF small businesses. However, a new \$30 million contestable grants program, the TCF Strategic Capability Program (TCF SCP), will support large strategic projects that will build innovative capability in TCF industries at the enterprise and workplace level.</p>

Recommendation	Response
<p>Recommendation 6: Eligibility criteria for the TCF ICP should include: (1) value-adding to the Australian economy; (2) ethical production and supply chain standards; (3) additionality of program funding; (4) employee involvement in change projects; and (5) accountability for delivery of project aims, with dissemination of key learning outcomes.</p>	<p>Agreed in principle. The eligibility criteria for TCF SCP would include the following: the lead applicant must be undertaking an eligible TCF activity; entities that register for assistance must not have any significant outstanding breaches of environmental, ethical or Occupational Health and Safety regulations at the Commonwealth, State and Territory levels; and entities must not be registered under the TCF Small Business Program. The merit criteria would include: employee involvement in change projects; additionality of funding; level of value-adding to the Australian economy; the dissemination of learning outcomes; and the outcome of the project is aimed at building the innovative capability of the TCF entity.</p>
<p>Recommendation 7: Operational criteria for the TCF ICP should be developed by the Australian Government on advice from the TCF Innovation Council in the following funding categories: (1) innovation, research and design capability; (2) collaboration, networks and supply chain participation; (3) accessing global market opportunities; (4) new business models and strategic repositioning; (5) high-performance work and management systems; (6) education, skills and employment services; and (7) environmentally sustainable and ethical practices.</p>	<p>Agreed. The operational criteria for TCF SCP will be developed in consultation with the TCF Industries Innovation Council, along the lines proposed.</p>
<p>Recommendation 8: While decisions on funding under the TCF ICP will be made by the Department of Innovation, Industry, Science and Research, the business advisory services of Enterprise Connect should be provided with additional funding to constitute both the primary access point for TCF firms and organisations and the focus of a nationally coordinated TCF Innovation Network.</p>	<p>Agreed in part. Decisions on funding under the TCF SCP will be made by the Department of Innovation, Industry, Science and Research. Enterprise Connect will deliver a National TCF Innovation Network within existing funding.</p>

Recommendation	Response
<p>Recommendation 9: A new Australian Ethical Quality Mark should be devised, with a budget allocation of \$8 million, to reflect the incorporation of defined ethical standards relating to labour conditions, animal welfare and environmental sustainability in TCF production and supply chains. This will enhance consumer choice and confer competitive advantage on firms that achieve certification.</p>	<p>Agreed in principle. The TCF Industries Innovation Council will be tasked with examining the feasibility and appropriateness of establishing a voluntary Australian TCF Ethical Quality Mark given the wide range of existing environmental and other standards. The examination of the Mark should take into account the Homeworkers Code of Practice and 'No Sweat Shop' label and the various State and Territory schemes already in operation. The Mark should complement rather than add complexity to the arrangements currently in place.</p>
<p>Recommendation 10: A new Australian National Sizing Standard for clothing and footwear is long overdue and should be developed as a matter of urgency, with a funding allocation of \$5 million, to meet the changing needs of customers and ensure that Australian TCF firms and organisations are not placed at a competitive disadvantage.</p>	<p>Agreed in principle. Assistance will be sought from the National Measurement Institute (NMI) to evaluate the proposal for an anthropometric (human measurement) study of the Australian population. NMI will provide advice for the TCF Industries Innovation Council and the Government on the benefits and costs of the proposal to replace the national sizing standards for clothing and develop new national sizing standards for footwear.</p>
<p>Recommendation 11: Australian Government procurement policy should encompass capability building for Australian TCF firms and organisations so that they are in a better position to tender successfully for contracts both individually and in broader networks. In addition, consideration of value for money in tendering should take account of labour and environmental standards, as evidenced by the Australian Ethical Quality Mark. The Review notes and supports concern expressed about the US Berry Amendment, which excludes Australian TCF firms from the US defence apparel procurement market.</p>	<p>Agreed in principle. The Department of Innovation, Industry, Science and Research will examine opportunities for Enterprise Connect services to help build the capacity of firms to tender successfully for Government procurement opportunities. The Australian Government will also re-energise mechanisms for ensuring that local suppliers have access to government and private-sector tenders, including the intergovernmental Australian Industry Participation National Framework.</p>
<p>Recommendation 12: The TCF ICP should have as a priority the improvement of R&D performance in Australian TCF firms, especially technical textiles, both through individual projects and through broader innovation partnerships and networks with research and educational institutions. There should also be an opportunity for TCF firms and organisations to access programs resulting from the Review of the National Innovation System.</p>	<p>Agreed. The new TCF SCP will apply these principles.</p>

Recommendation	Response
<p>Recommendation 13: A further priority of the TCF ICP is to provide additional targeted support to TCF firms and organisations in meeting their needs for training and skills development, where this is required over and above the expanded range of programs available through the Department of Education, Employment and Workplace Relations.</p>	<p>Agreed. The new TCF SCP will support TCF firms in meeting their needs for training and skills development.</p>
<p>Recommendation 14: The commitment to Part 1 of TCF SAP, which provides assistance to retrenched workers in the TCF industries, should continue to 2015, with a budget allocation of \$25 million, but preferably in an enhanced form to meet concerns expressed about its operation. There should be a greater role for the industry stakeholders in facilitating access by workers to employment and training services, and a feasibility study should be conducted into the potential contribution of a TCF group training company.</p>	<p>Agreed in part. Part 1 of TCF SAP will be enhanced by: giving limited grant funding to community-based service providers for projects aimed at enhancing delivery; and conducting a feasibility study into the potential contribution of a TCF Group Training Company. The Restructuring Initiative Grant Scheme (RIGS) will continue.</p>
<p>Recommendation 15: Better protection should be provided to workers engaged in home-based manufacture of TCF products through both legislation and industrial awards, and steps should be taken to ensure that homeworkers whose work is performed for a single customer or business are deemed to be employees for the purpose of legislative and other entitlements.</p>	<p>Agreed in principle. The Government is keenly aware that TCF outworkers are a vulnerable sector of the Australian workforce and require special protection. To enable this protection the Fair Work Act allows modern awards to include 'outworker terms' for the TCF industry. Outworker terms create a regulatory framework that extends to record keeping in relation to the giving out of work and ensuring claims for payment can be recovered from outworker entities that do not themselves directly employ or engage outworkers. This scheme is supported by strong compliance measures that include special arrangements around right of entry. The Fair Work Act enables the Fair Work Ombudsman to represent non-employee outworkers and provide education, representation, assistance and advice to outworkers and outworker entities and to enable outworkers to enforce statutory entitlements in State and Territory courts and via the small claims process. A comprehensive scheme for non-employee outworkers would require a referral of power from State jurisdictions, as many of the parties involved would otherwise be beyond the reach of Commonwealth legislative power.</p>