



## Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009

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## Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009

**Date introduced:** 25 November 2009

**House:** House of Representatives

**Portfolio:** Innovation, Industry, Science and Research

**Commencement:** On the date of Royal Assent.

**Links:** The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

### Purpose

The Bills amends the *Textile, Clothing and Footwear Strategic Investment Program Scheme Act 1999* to provide legislative authority for the establishment of the Clothing and Household Textile (Building Innovative Capability) scheme which will replace the TCF Post-2005 (SIP) scheme for the 2010–2011 to 2014–2015 program years.<sup>1</sup>

### Background

On 8 March 2008, the Minister for Innovation, Industry, Science and Research announced a review of the textile, clothing and footwear (TCF) industry to be conducted by Professor Roy Green in consultation with an expert advisory panel.<sup>2</sup> The Terms of Reference of the review focussed on the capacity of the industry to take advantage of new technologies and innovation, to improve productivity and move into new areas where it could compete.

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- 1 The term ‘*TCG post-2005 (SIP) scheme*’ is defined in section 4 of the *Textile, Clothing and Footwear Strategic Investment Program 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.
  2. Senator K Carr (Minister for Minister for Innovation, Industry, Science and Research), *Government announces review of textile, clothing and footwear*, media release, 8 March 2008, viewed 29 January 2010, <http://minister.innovation.gov.au/carr/Pages/GOVERNMENTANNOUNCESREVIEWOFTXTILE,CLOTHINGANDFOOTWEAR.aspx>

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Professor Green's report, *Building Innovative Capability*, was presented to the Rudd Government on 29 August 2008 and released publicly on 19 September 2008.<sup>3</sup> The review ran concurrently with the Review of Australia's National Innovation System by Dr Terry Cutler. Both reviews highlighted the Government's policy of assisting manufacturing through a strategic approach to innovation with the support of effective industry programs.

Despite increased competition from overseas suppliers and commercial pressures from large retailers, the review considered that Australia's TCF industries have:

a promising future, but this can only be achieved through a concerted effort to differentiate their products through uniqueness, product quality and design, branding, quick response and new approaches to supply chain management.<sup>4</sup>

The review made 15 wide-ranging recommendations to promote Research and Development (R&D) and investment in the growth sectors identified by the review. Among the key recommendations were:

- the establishment of a new TCF Innovation Assistance Package 2009–2015 with a budget of \$250 million
- a \$200 million TCF Innovation Capability Program should be introduced to replace the TCF Post-2005 (SIP) scheme
- the definition of the TCF industries should be expanded and government-funded assistance should be available to a broader range of TCF firms and organisations
- the establishment of a TCF Innovation Council to advise government on funding categories with funding of \$12million, and
- the scheduled tariff reductions in 2010 and 2015 should be allowed to take their course.

The recommendations formed the blueprint for the Government's TCF assistance package announced in the 2009–10 Federal Budget. Under the package, a Clothing and Household Textile Building Innovative Capability Program would be established based on the TCF Post-2005 (SIP) Scheme from the Scheme's 2010–2011 program year, with \$25 million additional funding. The package also included a new \$30 million TCF Strategic Capability Program to support large projects and the establishment of a National TCF Innovation Network.<sup>5</sup>

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3. *Building Innovative Capability: Review of the Australian Textile, Clothing and Footwear Industries*, Volumes 1–2, Canberra, 2008, viewed 29 January 2010, [http://www.innovation.gov.au/tcfreview/Documents/401\\_TCFreviewvol1.pdf](http://www.innovation.gov.au/tcfreview/Documents/401_TCFreviewvol1.pdf).

4. *Ibid*, Volume 1, p. vii.

5. Senator K Carr (Minister for Innovation, Industry, Science and Research), *Building innovation in textiles, clothing and footwear*, media release, 12 May 2009, viewed

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## TCF Post-2005 (SIP) scheme

In November 2003, the Howard Government announced a long-term assistance package for the TCF industries in the transition to an internationally competitive industry as tariffs were reduced. The \$747 million package over ten years (2005–2015) was designed to promote investment, product diversification and growth in value-added production, and was supported by structural adjustment measures to address plant closures and job losses.<sup>6</sup>

The package can be summarised as follows:

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29 January 2010,

<http://minister.innovation.gov.au/Carr/Pages/BUILDINGINNOVATIONINTEXTILESCLOTHINGANDFOOTWEAR.aspx>

6. See M Priestley, *Textile, Clothing and Footwear Strategic Investment Program Amendment (Post-2005 Scheme) Bill 2004*, Bills Digest, No. 48, 2004–05, Parliamentary Library, Canberra, viewed 29 January 2010, <http://www.aph.gov.au/library/pubs/bd/2004-05/05bd048.pdf>

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### **TCF Post-2005 Assistance Package**

The \$747 million TCF Post-2005 Assistance Package followed the \$647 million TCF Strategic Investment Program (SIP) Scheme which was established under the *Textile, Clothing and Footwear Strategic Investment Program Act 1999*. The TCF SIP Program ran from 1 July 2000 to 30 June 2005. The post-2005 arrangements were to operate to 2015.

### **Import tariffs**

As part of the post-2005 arrangements, import tariffs for clothing and finished textiles would be reduced from 25 per cent to 17.5 per cent on 1 January 2005, then to 10 per cent on 1 January 2010 and to 5 per cent on 1 January 2015.

Tariffs for other textile products and footwear ranged from 10 per cent to 15 per cent. From 1 January 2010 all these tariffs would be 5 per cent.

### **TCF post-2005 budgetary assistance**

The \$747 million Post-2005 Assistance Package comprises six programs:

- *TCF Post-2005 Strategic Investment Program (SIP) Scheme*: \$575 million available for grants in respect of eligible capital expenditure (up to 40 cents in the dollar) and eligible R&D (up to 80 cents in the dollar). All TCF industries may apply for grants under the Scheme which ceases on 30 June 2010. An extension of the Scheme from 2010–2011 to 2014–2015 valued at \$87.5 million applies to the clothing and finished textile sectors.
- *TCF Structural Adjustment Program*: \$50 million available to encourage restructuring and support labour market adjustment particularly in TCF dependent regions.
- *TCF Product Diversification Scheme*: \$50 million over ten years (2005–2015) to internationalise sourcing and diversify product range. Assistance is in the form of import duty credits based on incremental production.
- *TCF Expanded Overseas Assembly Provisions Scheme*: \$27 million in import duty concessions for importation of overseas assembly of predominantly Australian fabric and leather.
- *TCF Small Business Program*: \$25 million over ten years (2005 to 2015) to support small TCF businesses.
- *TCF Supply Chain Opportunities Program*: \$20 million over five years (2010 to 2015) in grants for capital investment. The program applies to the clothing and finished textile sectors.

Source: Parliamentary Library

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In accordance with the Terms of Reference, the review examined the effectiveness of the existing six TCF post-2005 programs. As regards the main program, the TCF Post-2005 (SIP) Scheme, the review noted that:

... the Australian TCF industries have responded favourably to the generous incentives to invest in new plant or equipment and innovation by the TCF Post-2005 (SIP) Scheme since its inception.<sup>7</sup>

It also observed that the level of eligible expenditure has continued to grow as the program approaches its end. Overall, the review concluded:

The TCF Post-2005 (SIP) Scheme has focussed Australia's TCF industries on the importance of improving their competitiveness through capital investment and innovation. The scheme, along with the other measures in the TCF Post-2005 Assistance Package, has been an appropriate mechanism for addressing the pressures of structural adjustment and should continue to do so until 2010.

However, from 2010 the TCF Post-2005 (SIP) Scheme as currently formulated will provide limited grant support for only the clothing and finished textile sectors, at the significantly reduced level of \$17.5 million per annum.<sup>8</sup>

Looking forward, the review recommended a change in the focus of any new assistance program:

... away from the structural adjustment assistance for a narrowly defined group of medium to large manufacturing firms, to the development of innovative capability across an expanded range of firms and organisations.<sup>9</sup>

This would include TCF manufacturing, design and business services, wholesale and retailing, and related research and educational institutions. Specifically, the review recommended the existing transition assistance be superseded by a new program, the TCF Innovation Assistance Package 2009–2015, with a budget of \$250 million. The centrepiece of the new program would be a \$200 million TCF Innovation Capability Program. The amount earmarked for the new program is broadly the amount of residual funding that would be left over from the \$575 million allocated under the TCF Post-2005 (SIP) Scheme after 30 June 2009.

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7. *Building Innovative Capability*, op. cit., Volume 1, p. 59.

8. *Ibid*, p. 62.

9. *Ibid*, p. 101.

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## Overview of the TCF Industry

Australia's TCF industry has remained competitive in a high exchange rate environment through restructuring and innovation. Assisted by the TCF Strategic Investment Program (SIP) Scheme and TCF Post-2005(SIP) Scheme, the industry has restructured and survived due its design capability, niche marketing and growing linkages with global supply chains. However, the industry has steadily been declining over the last decade with employment levels falling by more than 50 per cent and investment almost halving.

### Key points

- ABS figures for 2008–09 show that the industry contributed around \$5.2 billion in industry value-added which is around 5 per cent of all manufacturing value-added
- in 2008–09, TCF imports (\$10.6 billion) were more than five times that of exports (\$1.9 billion)
- export levels of all categories of finished TCF goods are small and are declining, except for leather
- New Zealand is the largest export destination of TCF exports, followed by China and the United States, and
- competition from Asia in particular has affected the size and vitality of the industry, with a number of Australian TCF industries sourcing product overseas or moving production offshore.

### TCF industry performance 1999–2009

The TCF industry performance for 1999–2009 is set out in the following table:

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### TCF industry performance 1999–2009

	1999– 2000	2000–01	2001–02	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08	2008–09
Industry Value Added <sup>1</sup> (\$million)	7,511	7,333	7,059	7,011	6,911	6,079	5,497	5,522	5,760	5,162
Employment <sup>2</sup> (000s)	78.3	70.6	59.2	55.4	46.9	42.4	39.2	40.5	30.1	35.2
Exports <sup>3</sup> (\$million)	2,589	2,936	2,740	2,758	2,155	1,924	2,185	2,272	2,208	1,921
Imports <sup>4</sup> (\$million)	6,852	7,388	7,421	7,841	7,367	8,069	8,509	8,950	9,249	10,643
Investment <sup>5</sup> (\$million)	\$191	\$22	\$186	\$200	\$173	\$238	\$155	\$139	\$111	\$112
BERD <sup>6</sup> (\$million)	\$18.2	\$26.7	\$22.4	\$27.8	\$40.9	\$35.1	\$38.5	\$31.4	NA	NA

NA – Not available. The latest data available for Business Expenditure on R&D is 2006–07.

- 1 ABS Cat. No. 5206.0 – Australian National Accounts: National Income, Expenditure and Product, September 2009, Table 14 – Chain Volume Measure: Trend.
- 2 ABS Cat. No. 6291.0.55.003 – Labour Force, Australia, Detailed, Quarterly, May 2009, Table 06: Employed Persons by Industry Subdivision and Sex – Original Data. Employment is at May (i.e. 2008–09 is at May 2009).
- 3 ABS Cat. No. 5368.0 – International Trade in Goods and Services, Australia, Dec 2007, Table 32: Merchandise Trade: Exports By Industry, FOB Value. (Exports from 1999–2000 to 2004–05 under ANZSIC 1993. Exports from 2005–06 to 2008–09 under ANZSIC 2006)
- 4 ABS Cat. No. 5368.0 – International Trade in Goods and Services, Australia, Dec 2007, Table 35: Merchandise Trade: Imports By Industry, FOB Value. (Imports from 1999–2000 to 2004–05 under ANZSIC 1993. Imports from 2005–06 to 2008–09 under ANZSIC 2006)
- 5 ABS Cat. No. 5625.0 – Private New Capital Expenditure and Expected Expenditure, Australia, November 2009, Table 2E: Actual Capital Expenditure, Detailed Industries – Seasonally Adjusted Current Prices.
- 6 Business Expenditure on Research and Development. ABS Cat. No. 8104.0 – Research and Experimental Development, Businesses, Australia, 2007–08.

Note: The ABS is in the process of moving away from ANZSIC 1993 towards ANZSIC 2006. Industry value added, exports, imports and BERD have moved to ANZSIC 2006, while investment and employment are still at ANZSIC 1993.

Source: *Parliamentary Library*

### TCF Tariffs

As from 1 January 2010, the rate of customs duty applicable to all TCF goods (with the exception of clothing and finished textiles) is 5 per cent. The rate of customs duty on these other items will be reduced to 5 per cent from 1 January 2015. (See table below.)

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**Australian tariff rates: TCF items** (all rates expressed as per cent of value)

	Clothing, finished textiles, household textiles	Cotton sheeting, woven fabrics	Sleeping bags, table linen	Carpets	Footwear	Footwear parts	Other*
2005–09	17.5	10	7.5	10	10	7.5	5
2010	10	5	5	5	5	5	5
2015	5	5	5	5	5	5	5

\* Textile yarns.

Source: Parliamentary Library

**Productivity Commission’s modelling of TCF assistance**

As part of the Terms of Reference of the review, the Productivity Commission was tasked with modelling the macroeconomic effects of future TCF assistance and changes to TCF tariffs. The Commission modelled various policy scenarios that included tariff reductions to 5 per cent.<sup>10</sup> The results of the economic modelling showed that reducing tariffs in 2010 and 2015 could provide net benefits to the economy of around \$60 million per year with economy-wide gains outweighing the negative impacts on the TCF industry.

The most important findings of the modelling were that the economic benefits from a modest increase in productivity combined with tariff reductions far exceeded the potential benefits of reducing tariffs alone, and that ending assistance to the TCF industry would have no impact on GDP. However, maintaining assistance would soften the impact of tariff reductions in the TCF industries by slowing down the rate of decline in output and employment associated with the tariff reductions.

**Clothing and Household Textile Building Innovative Capability (BIC) scheme**

The Clothing and Household Textile (Building Innovative Capability) (BIC) scheme will replace the TCF Post-2005 (SIP) Scheme from the Scheme’s 2010–2011 program year. The BIC scheme will be funded from a standing appropriation in the Bill. The total amount of the grants to be paid under the BIC scheme for the years 2010–2011 to 2014–2015 will not exceed \$112.5 million. This amount subsumes \$87.5 million previously allocated for an extension of the TCF Post-2005 (SIP) Scheme from 2011 to 2015 and \$25 million in additional funding. Increased funding is as a result of the discontinuation of the TCF Product Diversification Scheme and TCF Supply Chain Opportunities Program,

10. See Productivity Commission, *Modelling Economy-wide Effects of Future TCF Assistance*, June 2008, viewed 29 January 2010, <http://www.pc.gov.au/projects/study/textile-clothing-footwear/finalreport>. The results are summarised in Table 1: Assistance reductions deliver economy-wide gains, even with restrictive assumptions, *Building Innovative Capability*, op. cit., Volume 2, p. 3.

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which was due to start in 2010. However, details of the operation of the BIC scheme are not available as the Bill provides broad policy parameters only and legislative authority for the scheme to be established.

A Consultation Paper outlining the draft guidelines for the BIC scheme was released by the Department of Innovation, Industry, Science and Research in September 2009 inviting public comment. Consultations with the TCF industry are scheduled for February 2010. The two principal areas identified by TCF industries as requiring further development and clear guidelines are:

- the textile products to be covered by the term ‘Household Textiles’,<sup>11</sup> and
- administration and compliance costs.<sup>12</sup>

#### Committee consideration

The Bill has been referred to the Senate Standing Committee on Economics for inquiry and report by 25 February 2010. Details of the Senate Committee’s inquiry are at [http://www.aph.gov.au/senate/committee/economics\\_ctte/textiles\\_09/index.htm](http://www.aph.gov.au/senate/committee/economics_ctte/textiles_09/index.htm)

## Main provisions

### Schedule 1—Textile, Clothing and Footwear Strategic Investment Program Act 1999

**Schedule 1** amends the *Textile, Clothing and Footwear Strategic Investment Program Act 1999* (the Act) to provide for the establishment of the Clothing and Household Textile (BIC) scheme and makes additional amendments to the Act relating to provision of the new scheme.

**Item 2** changes the short title in section 1 of the Act to the *Textile, Clothing and Footwear Investment and Innovations Programs Act 1999* to better reflect the programs provided under the Act.

**Item 3** repeals section 3 and substitutes **new section 3** with a simplified outline of the Act as a result of the amendments made by the Bill so that there are two schemes under the programs: the TCF Post-2005 Scheme which provides for two types of grants in respect of

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11. See Submissions to the Senate Standing Committee on Economics: Inquiry into the Textile, Clothing and Footwear Strategic Investment Program Amendment (Building Innovative Capability) Bill 2009 by Bruck Textiles, Submission No. 2, December 2009 and Carpet Institute of Australia, Submission No. 8, February 2010.

12. See TCF Services Pty Ltd, Submission to the Department of Innovation, Industry, Science and Research in response to the Consultation Paper on the TCF Strategic Capability Program (SCP), and the C&HT Building Innovative Capability (BIC) Program – September 2009, Response to 2009 SCP-BIC Consultation Paper, viewed 29 January 2010, [http://www.tcf.net.au/pdf/TCFServicesSCP\\_BICConsultationPaperResponse.pdf](http://www.tcf.net.au/pdf/TCFServicesSCP_BICConsultationPaperResponse.pdf)

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expenditure incurred in the 2005–2006 to 2009–2010 income years; and the Clothing and Household Textile (BIC) scheme which provides for innovation grants in respect of the expenditure incurred in the 2010–2011 to 2014–2015 income years.

**Items 4 to 9** amend section 4 of the Act to insert definitions of ‘*authorised Commonwealth contractor*’, ‘*business day*’, ‘*Clothing and Household Textile (BIC) scheme*’ and ‘*clothing/finished textile expenditure*’ and repeal redundant definitions of ‘*bounty*’ and ‘*loan*’.

**Item 18** amends subsection 37D(1) by reducing the total cap on the amount of grants available under the TCF Post-2005 (SIP) Scheme from \$575 million to \$487.5 million.

Clothing and Household Textile (BIC) scheme

**Item 32** inserts **new Part 3C—Clothing and Household Textile (BIC) scheme**.

Division 1—Preliminary

**Proposed section 37ZK** sets out the object of new **Part 3C** and provides a simplified outline of this Part. The object of **proposed Part 3C** is to foster the development of a sustainable and internationally competitive manufacturing industry and design industry for clothing and household textiles in Australia by providing incentives which will promote innovation (**subsection 37ZK(1)**).

**Proposed section 37ZL** provides the following definitions in relation to **Part 3C**:

- ‘*authorised officer*’ means a person appointed under **subsection 37ZY(1)** as an authorised officer of the Department, and
- ‘*innovation grant*’ has the meaning given by **section 37ZQ**.

Division 2—Formulation of Clothing and Household Textile (BIC) scheme

**Division 2** of **new Part 3C** authorises the establishment of the scheme, its duration and funding.

**Proposed section 37ZM** authorises the Minister to formulate, by legislative instrument, the Clothing and Household Textile (BIC) scheme.<sup>13</sup>

**Proposed section 37ZN** provides that the scheme must make provision for ensuring that the total of innovation grants (including advances on account of innovation grants) paid under the scheme does not exceed \$112.5 million.

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13. The legislative instrument may be subject to parliamentary disallowance under Part 5 of the *Legislative Instruments Act 2003*.

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**Proposed section 37ZO** provides that innovation grants (including advances on account of innovation grants) will be appropriated from the Consolidated Revenue Fund.

#### Division 3—General policy objectives

**Proposed Division 3** of the **new Part 3C** sets out the broad policy objectives of the scheme within the legislated parameters. Specifically, the scheme provides for innovation grants in respect of clothing/finished textile expenditure (**proposed paragraph 37ZR(2)(a)**) as defined in **section 4** that is incurred by an entity from 2010–2011 to 2014–2015 (**proposed paragraph 37ZR(2)(b)**).

Grants must be paid in arrears (**proposed section 37ZS**) and the total amount of grants to an entity must not exceed 5 per cent of its revenue (**proposed subsection 37ZT(2)**) and 15 per cent of its eligible start-up investment (**proposed subsection 37ZT(4)**).

#### Division 4—Registration scheme

**Proposed Division 4** of the **new Part 3C** establishes a registration regime for entities into the Clothing and Household Textile (BIC) scheme (**subsection 37ZU(1)**). Examples for possible requirements relating to the registration of entities are listed in **subsection 37ZU(2)** and include a requirement that:

- an entity must apply for registration, or
- the entity’s application for registration must be accompanied by a statement issued by a specified person as to the entity’s future financial viability.

**Proposed subsection 37ZU(3)** provides examples of possible consequences of non-compliance with the registration requirements, namely:

- that the entity is not eligible for an innovation grant
- that the entity’s eligibility for an innovation grant is subject to restriction or reduction, or
- that the time of payment of an innovation grant to the entity is deferred.

#### Division 5—Strategic business plans and accounts

Pursuant to **proposed Division 5** of the **new Part 3C**, an entity will only be eligible for an innovation grant if it has complied with the scheme’s provisions in relation to the content and submission of strategic business plans and variations of strategic business plans (**proposed section 37ZV**). Under **proposed section 37ZW**, an entity may be ineligible for an innovation grant where it has not complied with the requirements relating to the submission of audited or unaudited accounts and financial statements (**proposed paragraphs 37ZW(a)** and **(b)**).

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## Division 6—Conditional grants

**Proposed Division 6** of the **new Part 3C** sets out the framework for conditional grants under the scheme. **Proposed subsection 37ZX(1)** stipulates that the scheme may provide for the payment of innovation grants subject to certain conditions which may be imposed as a condition precedent or subsequent. The following conditions may be imposed:

- compliance with an information gathering notice pursuant to section 38 of the Act (**proposed subsection 37ZX(2)**),
- that no false or misleading statement, information, evidence or document is made, given or produced in connection with a claim for the grant (**proposed paragraphs 37ZX(3)(a) to (c)**), and
- that an entity must allow authorised officers access to the business premises for the purpose of monitoring compliance with the grant conditions (**proposed subsection 37ZX(4)**).

In relation to monitoring compliance with the conditions of an innovation grant, the Secretary is authorised to do the following things by written notice:

- specify the business premises to be accessed (**proposed subsection 37ZX(6)**),
- appoint a qualified APS employee in the Department as an authorised officer (**proposed subsection 37ZY(1)**), and
- appoint a qualified employee of an authorised Commonwealth contractor to be an authorised employee of the contractor (**proposed subsection 37ZY(2)**).

## Division 7—Monitoring compliance

**Proposed Division 7** deals with monitoring compliance with the conditions of an innovation grant where the relevant documents are in electronic form, and access to the documents is by operating electronic equipment at the premises.

**Proposed section 37ZZ** applies to an authorised officer within the meaning of **proposed subsection 37ZY(1)** and as defined in **section 37ZL**, empowering the officer to:

- operate the equipment or other facilities at the premises to put the documents into hard copy form (**proposed subsection 37ZZ(3)**), or
- operate the equipment or other facilities at the premises to transfer the documents to another storage device, such as a disk or tape (**proposed subsection 37ZZ(4)**).

**Proposed section 37ZZA** provides similar powers to an authorised employee (the expert) who is required to assist the authorised officer with retrieval of the relevant documents by operating the electronic equipment. However, while the expert is authorised to:

- operate the equipment or other facilities at the premises to put the documents into hard copy form (**proposed subsection 37ZZA(3)**), or

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- operate the equipment or other facilities at the premises to transfer the documents to another storage device, such as a disk or tape (**proposed subsection 37ZZA(4)**),

the removal of the hard copies or storage devices must be performed by the authorised officer (**subsection 37ZZA(5)**).

Pursuant to **proposed section 37ZZB**, a pre-condition to the operation of electronic equipment for the retrieval of documents is that the person operating the equipment believes on reasonable grounds that it can be operated without causing damage.

Where, however, the equipment has been damaged as a result of the operation of the equipment, the Commonwealth must pay compensation pursuant to **proposed subsection 37ZZC(2)**. Compensation is only payable where:

- damage is caused to the equipment (**proposed subparagraph 37ZZC(1)(a)(i)**)
- damage is caused to the data recorded on the equipment (**proposed subparagraph 37ZZC(1)(a)(ii)**), or
- programs associated with the use of the equipment, or with the use of the data, are damaged or corrupted (**proposed subparagraph 37ZZC(1)(a)(iii)**),

and where the damage was due to:

- the exercise of insufficient care in selecting the person who operated the equipment (**proposed subparagraph 37ZZC(1)(b)(i)**), or
- the exercise of insufficient care by the person operating the equipment (**proposed subparagraph 37ZZC(1)(b)(ii)**).

The Commonwealth is required to pay compensation as agreed upon with the owner of the equipment or user of the data (**proposed subsection 37ZZC(2)**). Where the owner or user and the Commonwealth fail to agree upon a reasonable amount, proceedings may be instituted in the Federal Court of Australia for such reasonable amount as the Court determines.

The Secretary must issue an identity card to an authorised officer (**proposed subsection 37ZZD(1)**) in the form prescribed by the regulations (**proposed paragraph 37ZZD(2)(a)**). It is also a requirement that the authorised officer must carry his or her identity card at all times when exercising powers as an authorised officer (**proposed subsection 37ZZD(6)**) and produce the card for inspection on request by the occupier of the premises (**subsection 37ZZD(7)**).

#### Division 8—Other matters relating to the scheme

**Proposed Division 8** of **new Part 3C** contains additional aspects of the Clothing and Household Textile (BIC) scheme. This includes, for example, that the scheme:

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- may provide for advances on account of innovation grants that may become payable (**proposed subsection 37ZZE(1)**),
- must provide for a review mechanism (**proposed section 37ZZF**) which
  - allows the affected entity to request the Secretary to reconsider the initial decision
  - requires the Secretary to reconsider the initial decision and either confirm, revoke or vary it, and
  - allows for independent review of the Secretary’s confirmation or variation of the initial decision by the Administrative Appeals Tribunal, and
- may confer administrative powers on the Secretary (**proposed section 37ZZK**).

#### Division 9—Publication of grant totals

Pursuant to **proposed section 37ZZN**, the Minister must publish at the end of each of the 2011–2012 to 2015–2016 financial years, the name of each entity paid an innovation grant during the financial year and the total of innovation grants paid to the entity during the financial year.

## Concluding comments

The Bill implements a key element of the review of the TCF industry by Professor Green. The review concluded that the TCF assistance measures in place were no longer suited to supporting the industry through the changing global trade environment. The industry’s sustainability depended on innovation and the commercialisation of innovative products and technologies to create growth. It recommended instead a competitive grants program to apply to clothing and household textile designers and manufacturers which invest in innovation. The new program would replace the current assistance measures and cost about the same as the expected expenditure under the TCF Post-2005 (SIP) Scheme and end in 2015 as under current arrangements. However, details of the new BIC scheme, with \$25 million additional funding, are yet to be finalised and implemented.

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