

TCF SERVICES PTY LTD

Submission to DIIS&R in response to
the Consultation paper on the TCF Strategic
Capability Program (SCP), and the
C&HT Building Innovative Capability (BIC)
Program - September 2009

INDEX

A – Background to TCF Services Pty Ltd & Declaration of Interest (p 2)

B – Commentary on SCP-BIC Discussion Paper (p 3)

C – TCF Strategic Capability Program (p 4)

D – C&HT Building Innovative Capability Program (p 7)

E – Opportunities for Administrative Reform (p 10)

A – Background to TCF Services Pty Ltd & Declaration of Interest

This submission has been prepared by TCF Services Pty Ltd - Australia's largest private deliverer of advisory and technical support to firms participating in the TCF Strategic Investment Program (SIP), and the Automotive Competitiveness Incentives Scheme (ACIS).

Principal authors of this document were Gerry Frittmann, the Managing Director of TCF Services Pty Ltd, and Trevor J Thomas, a Research Director with the strategy development and publishing entity - Business Communications Group.

TCF Services has been involved in the delivery of Australian Government industry assistance programs for the Textiles, Clothing, Footwear & Leather (TCF&L) industries for over 30 years, beginning with tariff-based Quantitative Import Restrictions (ie: Quotas) in the 1970s, the creation of the TCF Import Credits Scheme in 1991, the introduction of the post-2000 & 2005 TCF&L assistance packages - particularly the Strategic Investment Program (SIP) – and latterly, debate over new measures to assist economy-wide innovation and new product development and genesis of the Rudd Government's \$401m post-2010 TCF assistance package announce on 12 May 2009.

In its 2007/08 Annual Report, the Department of Innovation, Industry, Science & Research (DIISR) reported some \$97.4 million of TCF post-2005 SIP assistance was administered to some 372 customers. A further \$2.31m was paid to 94 customers under the TCF Small Business Program (SBP), whilst \$5m in concessions was afforded to 59 customers under the TCF Product Diversification Scheme (PDS).

Over that same period of time, TCF Services Pty Ltd provided assistance and advice (including representation services to Government) to over 166 clients across the broad range of Australia's TCF&L sub-sectors, comprising large, medium and many small-to-medium sized enterprises (SMEs). In total, our clients are known to have received over \$25.6 million in TCF-SIP grant funds, that is, roughly 26% of total program funds administered to some 45% of all recipients. TCF Services also project managed 18 of the 94 SBP applications, and 35 of the 59 PDS applications.

TCF Services Pty Ltd maintains offices in Sydney and Melbourne, and is the only private service delivery agency to undertake regular visits to TCF-SIP claimants across all Australian States and Territories. Of a total corporate staff of 18 full- and part-time employees, three-quarters are focused on delivery of the TCF Strategic Investment Program. These staff are now gearing up for the provision of advice to clients on the TCF Strategic Capability Program (SCP), and Clothing & Household Textile Building Innovation Capability (BIC) Program. As part of the company's ongoing investment program to better service its clients:

- **We sustain a specialist 'clothing' cell** which assists SIP participants - mainly designers, particularly SMEs - to fully satisfy Scheme tests and documentation requirements for 'innovation' in the manner currently applied by AusIndustry.
- **Our internal 'engineering' group** works regularly with SIP participants to map out Scheme eligibility requirements, particularly in relation to technical textiles, footwear, printing, carpet and leather - essentially those businesses with in-house manufacturing capabilities.

- **We support an information and strategic advice program** through internal publications and our ‘TCF Industry Advisor’ e-Newsletter, which over the coming year will assume an important role in guiding SIP participants on their transition to the SCP and BIC. This work will be supplemented by face-to-face advisory activities designed to improve overall client understanding of program benefits, potential administrative efficiencies in relation to the preparation of applications, and the opportunity for more effective utilisation of government assistance programs offers in underpinning longer-term international competitiveness and sustainability.
- **All of the above-mentioned services are similarly provided by our independent automotive industry advisory unit**, which has been a lead player in servicing ACIS customers, and will next assume a key position in the Government’s new car plan for a greener future, and the shift to the grant-based Automotive Transformation Scheme (ATS) as replacement for ACIS Stage 3 duty credits.
- **TCF Services is further monitoring developments in terms of the Government’s assembly of a National Innovation Scheme**, and will be raising a specialist advisory capacity to advise all its clients on the interaction between the SCP and BIC, and the new Tax Credit-based research & development incentive.

TCF Services Pty Ltd’s head office is located at: Suite 3, Level 4, 418A Elizabeth Street, Surry Hills, in New South Wales. Inquiries in relation to the contents of this submission should be first directed to Gerry Frittmann, at Gerry@tcf.net.au or by telephone to (02) 8219 4900.

B – Commentary on SCP-BIC Discussion Paper

TCF Services notes the Government’s intent to raise two new TCF industry incentive schemes post-2010: the TCF Strategic Capability Program (SCP) and Clothing & Household Textile Building Innovation Capability (BIC) Program. Further, we note the intention to re-target available incentives relating to the TCF industries post-2009/10 towards “innovation and renewal” of the Australian TCF industries. In particular, we note:

- The five-year, \$30 million SCP commencing in 2010/11 will be a competitive grants program aimed at supporting large strategic projects (ie: \$1 million and above) intended to build innovative capability at the enterprise and workplace level.
- The \$112m over five years BIC, to be aimed at fostering the development of a sustainable and internationally competitive clothing & household textile (CHT) manufacturing industry, and household textile design (HTD) industry in Australia.

TCF Services further notes the ‘Consultation Paper’ is not intended to constitute the final implementation arrangements for the SCP and BIC. A secondary opportunity has been flagged to provide for comment from TCF&L industry stakeholders over November 2009 to February 2010, once draft governance documentation for both new programs has been developed.

At that stage, TCF Services would look forward to having the opportunity of providing more comment on new assistance program proposals, and would welcome the opportunity for direct engagement with the Department.

C – TCF Strategic Capability Program

TCF Services has reviewed the Department's September 2009 TCF Consultation Paper (CP-09), and congratulates it on its communicative brevity and straight forward explanations. As the Department will be aware, in previous submissions, TCF Services has sought to highlight potential downside effects on local firms should there arise significant confusion within the TCF&L industries as to the change of assistance structures from the SIP Scheme, to the new SCP and BIC programs.

- Looking at the figures for SCP annual funding (CP-09, p3), we note the provision of more limited resources (\$4m) in the first year of the program (2010/11) is potentially reflective of our earlier observations in regard to the slower uptake generally associated with the introduction of new assistance programs. This appears to be addressed in the following two program years, with much higher funding (\$9m in each of 2011/12 & 2012/13). Overall, the funding profile is suggestive of Government intent to see the majority of activity funded over the next three financial years, albeit with firms being afforded adequate time to accumulate a thorough understanding of key criteria being applied to successful project approvals.
- TCF Services has also previously commented on the Government's reduction of funding to the TCF sector in moving from post-2005 assistance arrangements, to those proposed to apply post-2010. Comments are made later in the submission in terms of the impact of the funding profile on the need to implement modulation. In this respect, CP-09 (p3) reveals there were 23 SIP Type 2 (Innovation) expenditure claims of >\$1 million in 2007/08. Simply multiplying this figure by five, suggests an industry supply side capacity for 115 large firms to be assisted over any five year period.
- Yet CP-09 goes on to state that, post-2010, only 60 projects are likely to be funded under the program – and this number may well end up being less than that if a greater proportion of submissions involve investments of much greater amounts than \$1 million per project. TCF Services submits the raw quote (ie: 23 companies claimed Type 2 expenditure), could be more helpful in enlightening industry participants on the likely direction of future substantive TCF investments if details on successful SIP grantees for the subject grant year was publicly released.
 - **Accordingly, is it the Department's intention to release such information in time to inform discussion over November 2009-February 2010 on draft SCP governance documentation and legislation?**
 - **If not, it is nevertheless encouraging that provision is proposed to be made for projects to run over more than one year, as this will provide required flexibility in the roll out of larger projects, and the dissemination of information on developments likely to have considerable industry spill over impact in terms of opportunities for supply chain partners and smaller firms.**
- In these respects, we note that CP-09 (p3) expresses a desire for SCP projects to “generate significant and potentially wide ranging innovative capability outcomes for the TCF industry”. This appears to explain an allied predisposition towards consortium applications – as outlined in CP-09 (p4) - in particular, from Industry Associations upon

the assumption they offer a higher probability of ensuring the dissemination of economic/learning outcomes throughout each specific sector.

- **As such, we observe that stand alone applicants could end up being disadvantaged in this process. Practically, major sectoral players may not be enthusiastic to share either their Intellectual Property (IP) or economic benefits with competitors, even though at the same time there may exist very strong merit in their investment proposals.**
- **In structuring SCP governance documentation, therefore, TCF Services believes there needs to be a quite stringent validation process established in SCP governance documentation – as part of the application process - to validate that subject Industry Associations are actually capable, and possess the resources, to deliver on this expectation.**
- **In terms of the example cited above, TCF Services would inquire as to what weight is likely to be given to the ‘dissemination of learning outcomes’ in overall merit criteria, in those cases where projects offer highly worthwhile economic benefits, but for necessity’s sake, must also remain highly secretive?**
- Otherwise than for the Technical Textiles and Non-Woven Association (TTNA) – which did not exist ten years ago – the list of Industry Associations provided at page 5 of CP-09 reflects, perhaps disappointingly, essentially the same group that has existed for over 30 years. TCF Services observes that in terms of the calculation of ‘total project costs’, CP-09 expressed an expectation that firms will undertake the acquisition (for adaption in the project) “of new leading edge technologies.” Like all industries, we would submit that such ‘leading edge technologies may arise from yet unidentified (especially ‘green’ technologies) industry representative groups that are not listed on page 5.
 - **TCF Services would inquire as to what provisions are intended to be made in SCP governance documentation as to the criteria for recognition of a TCF Industry Association or industry body as leader of an SCP consortium. Strict adherence to the list of bodies provided in CP-09 - to the exclusion of any others – risks seeing the SCP ultimately being challenged on its bona fides if there is suspicion its administration acts as a restraint of trade.**
- Potentially undesirable elements of SCP governance, as raised above, also appear to be reflected in the close quarters applied to the appointment of members of the TCF Industries Innovation Council. This observation is also relevant to a point we make later in this submission, in terms of the desire for senior Departmental officials responsible for applying merit criteria to SCP submissions, to possess (or have access to) the widest possible range of knowledge on industry practices and trends in order to more effectively discharge their duties.
 - **Whilst unquestionably inclusive of representatives of extant TCF industry leaders, there appears a glaring lack of representatives on the Council from critical elements of the TCF supply chain – engineers, financiers, alternative energy technologists, environmentalists, logisticians, etc. This is surprising, given the Government and Minister’s emphasis - in advancing**

changes to post-2010 TCF assistance arrangements – of the need of the new programs to “drive innovation and renewal” in the Australian TCF industries (refer CD-09, pii).

- CP-09 (p5) indicates consortium applications are to be encouraged “within a specific TCF industry, the broader TCF industries or the wider business, research and educational communities.” This approach, we perceive, caters to the broader definition of the TCF Industry formerly canvassed in Professor Roy Green’s ‘Review of the Australian TCF Industries’. Yet apparently, SCP assessment criteria will require that only the lead applicant of a consortium needs to be carrying on an eligible TCF activity - as is currently understood under the SIP - (or be a TCF industry body), and only the lead applicant is legally bound by the rules of the program.
 - **For the purposes of assuring policy intent in the roll out of the SCP, TCF Services believes that all members of the consortium parties must be bound to the agreement with the Commonwealth if they are receiving a benefit. This requires something more than just being signatures on a sponsoring document.**
- CP-09 (p6) states SCP applicants must demonstrate ... “it can fund the costs of the proposed project ... it has access to, or the beneficial use of the IP necessary to carry out and commercialise the project ... (and) not have any significant outstanding breaches of environmental, ethical or OH&S regulations at Commonwealth, State or Territory levels.”
 - **TCF Services believes that in developing governance documentation for the SCP, the resulting guidance should make clear that requirements placed upon the lead will also legally apply to consortium members. To illustrate this point further, what action would the Government propose to take (ie: withhold funding, thus affecting all consortium members?) if one or other of the listed breaches is found to have been made by a consortium member during the active term of an SCP project?**
- CP-09 (p7) proposes that SCP activities funded by the grantee using non cash resources (ie: in-kind) will not be regarded as eligible expenditure, whilst the use of resources provided into the project ‘at cost’, will generally be allowed as eligible.
 - **TCF Services would inquire as to what thinking the Department has advanced in terms of the valuation of such salaries and raw materials? Will these funding determinations be made on a nett cost basis, or will uplift factors (ie: similar to the SIP) be applied for the recovery of on-costs and overheads?**
- CP-09 (p7) proposes that AusIndustry will provide a Customer Service Manager (CSM) to provide guidance on the application process and, if successful, provide additional support throughout the life of the project. TCF Services would question whether this was a productive use of the CSM’s time. In addition, we would also query whether CSMs might ever be trained to the level necessary to provide such advice, in satisfaction of Government expectations for the program to drive innovation and renewal.

- TCF Services considers that CSMs deliver most value when focused on their compliance role. Unless recruitment practices are to be changed for post-2010 TCF program administration, our interactions with the majority of CSMs over the ten years of SIP suggests such individuals are not generally strategically-minded, in terms of broad TCF industry understanding, and the comparative economics that govern viability and sustainability.
 - **TCF Services submits SCP governance documentation must be mindful of the need to keep in-confidence the sensitive material and secrets of individual applicants. As always, individuals will find there is a difficult path to be trod when at first primarily charged with minding the Treasury, they are next expected to switch hats and cross the bridge of actively developing a firm's application for a competitive grant.**
- CP-09 goes on (p7&8) to canvass a scenario whereby AusIndustry's role in SCP delivery will be to basically help facilitate compilation of the grant submission, and assess prima facie eligibility. Next, CP-09 indicates that it will be senior officers of the Department that will assess submissions against the merit criteria. Perhaps this provision is reflective of the point raised above – of the very real tension AusIndustry CSMs face in carrying out their roles.
 - **The question remains, however. To what extent will external resources be brought to the aid of senior departmental officers, in terms of their critical role in the application of merit criteria to SCP submission? Further, will there be specific SCP governance documentation developed to ensure that in the wash up of the submission review process, one TCF sector does not end up being treated more favourably than any other?**
- Cross-referencing to CP-09s Point 13 (p10) BIC discussion - relating to the mutuality of obligations between the Government and program participants - and querying that “if an entity was to cease to undertake an eligible TCF activity in Australia, should it pay back grants previously received and should it be denied new grants prior to the cessation of that activity?” - TCF Services is most firmly of the view that such firms should pay back their grants.

D – C&HT Building Innovative Capability Program

TCF Services has extensively reviewed - with reference to its accumulated corporate knowledge of ten years of SIP program administration - the proposed key elements proposed in CP-09 in regard to the post-2010 Clothing & Household Textiles Building Innovative Capability (BIC) program.

- In particular, we welcome the emphasis given in ‘Issue 1’ concerning the need to minimise BIC administrative and compliance costs, in particular, by basing as much as practicable of new BIC program provisions on those of TCF post-2005 SIP Scheme.
 - **First, on ‘seamlessness’ (p9) in the transition between the old and new programs, TCF Services submits that carry forward grants should apply and be carried over from SIP to BIC so participants do not lose their existing grants based upon prior investments.**

- **Second, in terms of the BIC drawing off SIP legislation, this does not change the practical effect that under new legislation all legal precedents established under SIP will be made redundant, and appeals cases won (or lost) will be expunged. In the shift to BIC, therefore, TCF Services submits some attention may need to be given in the development of governance documentation for program administrators, so the advent of the new program does not herald a campaign to re-work old ground.**
- CP-09 states under Point 7 (p9) that “BIC is to provide a greater emphasis on Innovation.” TCF Services has previously submitted that, from a review of the applications handled by the company over recent years, most grants paid under the existing SIP scheme already relate to Type 2 ‘Innovation’ activities. Further, most Type 1 Capital investment activity within Clothing firms relates to investments in computer hardware and systems software. When the SIP scheme commenced in 2000, the cost of taking up such technology was considered an impediment to the achievement of long-term sustainability. Such systems were rudimentary and unfriendly to users, while hardware was relatively quite expensive.
- This is no longer the case today. Such expenditures might now more appropriately be regarded as mandatory (ie: routine) for any company looking to find commercial success within any industry. Accordingly, they are no longer ‘innovative’, and when proposed as a standalone business case, would not be considered material in assisting the enterprise to achieve long-term sustainability. In addition, currency shifts and volume global production has meant the Capex spend on such equipment these days is small, given most clothing companies are not major capital intensive businesses.
- CP-09 states (refer Point 8, p10), that if Type 1 SIP grants ended up not being available under the BIC program, “a modulation factor of .87 could be expected if the headline grant rate was 50%,” and expenditure, claim behaviour and sales remained as they were in 2007/08.
 - **TCF Services does not agree with this view.**
- As duty rates fall to 10%, there are many factors that will influence the volume of local manufacturing activity. These range from the increased regulation of outworker activities driving up costs, to exchange rate movements and historically low freight rates ex-China, and the ability of firms to increasingly source smaller quantities off-shore in a timely manner, and at more competitive prices. All these will have the effect of eroding the domestic production base, meaning TER sales are likely to continue to fall each year.
- This is already apparent from our preview of current TCF Services SIP client registration figures. We handle over 70% of all clothing clients participating in the Scheme, so are confident that we are tapping a representative sample. Secondly, and most importantly, CP-09 does not appear to consider the onset of modulation in the existing SIP Scheme was principally driven by the former Government’s decision to increase the ‘labour on-cost uplift’ factor from 60% (to 110%), whilst at the same time reducing Scheme funding from \$135m per annum, to \$97.5m per annum.
 - **TCF Services suggests that - if in the Department’s modeling of future BIC costs - the salary on-cost uplift factor was reduced to 75%, the**

results would confirm modulation could be avoided in the BIC. Such an outcome would be desirable for all participants seeking to improved certainty from program participation, whilst also helping to achieve a more rapid transformation of the TCF industries by underpinning confidence in future returns on investment.

- **We further suggest that if the quantum of TERs or numbers of claimants dropped off to the point where the Scheme became undersubscribed in any particular year, then provision in BIC governance documentation might be made that a modulation rate of greater than one could be paid, given the 5% cap would still apply as the ultimate form of ensuring Scheme funding remained within anticipated limits.**
- In terms of the intention that other elements of the BIC will graft onto the existing SIP legislation base, TCF Services notes - under Point 9 (p10) – no mention appears to be made of the ongoing eligibility of Type 1 Trade Shows and In-Store promotional activities, as remaining eligible in the BIC for assistance. TCF Services considers such assistance still to be very relevant in terms of boosting brand awareness and achieving incremental sales increases, especially in export markets.
 - **TCF Services submits that consideration should be given to extending eligibility to off-shore trade shows or local trade shows that include off-shore buyers, if activities are based upon Type 2 ‘innovative product’ provisions formerly supported in the original (2000-2005) SIP scheme.**
- We also note, and agree with, CP-09’s reference - under Issue 2 (p10) – that the BIC will be structured “to provide assistance ... in the same way, and subject to same conditions” as the current SIP, except that the grant rate would be capped to 50%.
- We further note CP-09’s discussion - under Points 11, 12 & 13 (p10) - as to the desirability of sustaining from the SIP to the BIC the balancing of mutual obligations for activities generated under assistance programs. Our firm view is that once an entity announces or makes substantive plans to shift its eligible TCF activities off-shore, then participation in sectoral assistance plans like SIP or BIC should immediately cease. As a case in point, we would cite the recent behaviour of Pacific Brands, who despite publicly declaring their decision to move manufacturing off-shore, appear to be continuing to receive SIP benefits. This is a wider issue of public policy the Department should address.
- It is incongruous that Australian taxpayers should be expected to subsidise firms for the costs of their activities to move local manufacturing operations offshore. In the case cited above, why should Pacific Brands be entitled to make a current year SIP claim in parallel with its declared corporate policy to exit active local manufacturing entity?
- Similarly, for private companies anticipating ceasing local production (ie: given they are not required to make public statements equivalent to those of listed firms), then each annual grant application form should include a section that requires them to certify that - subject to extraordinary developments - their business intent is not to exit local manufacture over the next two financial years. Firms unable to undertake such a declaration would still be able to participate in the SIP Scheme, but would be subject to

more regular inquiry by AusIndustry as to their local manufacturing intent. If it ultimately transpired the subject company closed its substantive local manufacturing operations, BIC governance documentation would require any funding received to be immediately returned.

- **TCF Services believes that all firms participating in the BIC - and ultimately anticipating the receipt of public monies - should be required in their applications for grants to certify over a two financial year period they would return to the Department any grant funds received should they cease eligible manufacturing operations in Australia within the following two year period.**
- TCF Services further notes CP-09's discussion - Point 13 (p10) – that if Type 1 Capital investment is no longer to be eligible in the BIC scheme, then should Clothing companies exiting local manufacture be required to pay back recent grants? More specifically, should firms ceasing local activity after 2012 need to pay back SIP grants received in 2007, if the useable life of SIP-assisted machinery has exceeded the current scheme requirements of 70%.
 - **TCF Services submits that such a construct presents as one almost impossible to manage – particularly in terms of the relatively low value of most Clothing firm capital expenditure outlays. As such, we suggest any proposals for benefit repayments might alternatively be based upon declarations of the ‘useable life’ of equipment made at grant application time.**
 - **We further observe various Government statements that the broad rationale for the provision of financial assistance to industry is to underpin ‘long-term sustainable activity’ within Australia. It is questionable that firms should receive SIP or BIC benefits, and then – a short period of time thereafter - withdraw from local manufacturing activity. Perhaps it would be more equitable that the Government seek to recover such monies, and then re-apply the funds to the pool supporting firms undertaking more sustainable investments.**

E – Opportunities for Administrative Reform

TCF Services absolutely disagrees with CP-09's Issue 4 (p11) proposal to reduce the time for BIC requests for reconsideration of decisions to 15 days. We view such propositions as demonstrating an inward perspective unsympathetic to the situation of industry, and an early practical example of an unwelcome willingness to undermine the declared SIP to BIC transition principles outlined at Issue 1 (p9), and the balancing of mutual obligations principle outlined at Issue 3 (p10).

- Accordingly, we believe that if the reconsideration period under BIC is reduced to 15 days, BIC applicants will be denied a fair opportunity to remake their case after having it questioned, thus potentially forcing renewed recourse to the Administrative Appeals Tribunal in terms of seeking a fairer hearing of their grievances. No administrative savings would accrue to Government in such a scenario. BIC administration would end up being more expensive and time consuming for both parties.

- TCF Services retains internal corporate knowledge of literally hundreds of interactions with AusIndustry over the past ten years in relation to both TCF - and for SIP comparison and benchmarking purposes - Automotive industry grants. From AusIndustry's perspective, we find it hard to conceive they would yield additional days for the assessment of claims if the timeframe for requests for consideration of a decision under BIC were reduced.
- Practically, the workload in dealing with reconsiderations in tandem with claims assessment is the same either way. AusIndustry is totally focused on grant administration, while firms have many issues – primarily, running the business – to deal with on a daily basis. In such circumstances, 15 days is not a sufficient period for resources to be gathered, and time allowed for the client to reasonably assemble and make their case.
- Further, TCF Services' experience is that reconsideration activity normally revolves around debate over the constitution of the claimed 'innovation', as opposed to capturing data in support of the expenditure claim. As debate over the concept of 'innovation' is more intellectual, it requires a deep understanding of technical matters associated with the project. On many occasions, we have found that it is AusIndustry which needs the time to become better informed and cognisant with the merits of the case.
- If, as is evident its industry policy declarations, the Government is intent on continuing to push upwards the level of achievement in terms of the definition of 'innovation' under assistance programs, then, the eve of the BIC's introduction is not the time to be cutting back established norms in terms of processes for the consideration of grant applications. Allowing adequate time for suitable interaction between the applicant and AusIndustry, is also much more preferable than the applicant, having been once refused, having to go back and re-write the project.
- We also suspect that if 15 days became the norm for the treatment of reconsideration requests, it would be AusIndustry which ended up finding it more difficult to satisfy the more compressed schedule. It is our practical experience that when a number of cases are running in parallel, both the private service deliverer and AusIndustry would end up having less time to execute claims, as they would be working almost exclusively on reconsiderations. This would be especially so if a spike in decision reconsideration requests were to occur over the busy October – February period. Unless AusIndustry was able to bring additional resources to the task, service delivery in other related program areas would no doubt suffer.
- In terms of the above discussion, and reflecting on the adage - 'what is good for the goose is also good for the gander' - perhaps in seeking BIC productivity gains the Department might alternatively consider affording AusIndustry a reduced allocation of time (ie: from the current 60 days) it is afforded to process BIC claims. TCF Services believes this might be more appropriately reduced to between 30 and 45 days. In support of this point, we are aware of many cases where a claim is lodged, and little is heard from AusIndustry for an extended period of time. Then, substantive questions in regard to eligibility often turn up on the applicant's desk on the 45th day. In order to not jeopardize the application, clients are left with little choice but to abandon regular business activities to ensure they meet response timelines.

- TCF Services has an alternative suggestion to the proposition of Issue 4 (p11). Perhaps by way of internal Departmental instruction, AusIndustry would act to re-order its claim handling processes around a benchmark of responding inside of 14 days of the registered receipt of an application. Accepting that much of the initial work load relates to compliance verification, implementing by way of administrative instruction a 14 day benchmark for AusIndustry's initial response, might have the following benefits. First, more time might be freed for both sides - should it be necessary - to inquire much deeper into the technical case supporting the claim. Second, assuming this process would resolve outstanding difficulties, it might also yield additional benefits in terms of reducing the need to resort to requests for reconsideration.
 - **TCF Services believes that if Departmental management is looking to garner efficiencies out of the BIC administrative process, then such benchmarks might initially be more appropriately pursued by internally re-setting AusIndustry performance measures by way of administrative instructions.**
 - **This would overcome Government risk in that, with the introduction of a new program in the form of BIC – legislated changes in performance benchmarks might ultimately work to undermine a smooth transition between SIP and BIC if applicants encountered substantive difficulties.**
 - **Experience over the ensuing grant rounds would no doubt prove out (whether true or false) assumptions about the extent for such productivity gains. In the meantime – and given the intentions outlined at Issue 1 (p9), existing timings for critical activities should remain unchanged in BIC governance documentation.**
 - **TCF Services submits that the provision of a 30 day period for the entertainment of requests for re-consideration decisions should remain at 30 days within new BIC governance documentation.**

[END]