



SUBMISSION

TO THE

Economic Development and Infrastructure Committee
Parliament of Victoria

ON THE

INQUIRY INTO MANUFACTURING IN VICTORIA

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INTRODUCTION

The Furnishing Industry Association of Australia (Vic/Tas) Inc. [FIAA (Vic/Tas)], is the state, peak representative body established to promote the profitable growth, competitiveness, innovation and export readiness of all Furnishing and Allied Industry participants.

The FIAA (Vic/Tas) wishes to present a submission to the Economic Development and Infrastructure Committee (EDIC), Parliament of Victoria, on the Inquiry into Manufacturing in Victoria.

SUBMISSION

The Committee's ToRs are

1. explore the necessary criteria used by businesses to transfer offshore manufacturing to Victoria; and
2. identify and report on factors which influence businesses in determining whether to manufacture in Australia or overseas including consideration of:
 - a. the retention of intellectual property rights;
 - b. maintaining consistent quality standards in line with both federal and state laws;
 - c. probity matters;
 - d. assistance and incentives provided by governments; and
 - e. the impact that the global deterioration in economic conditions in recent months will have on the future decisions regarding manufacturing locations.

FIAA (Vic/Tas) suggests that the single most important factor that determines whether a furniture manufacturer transfers operations overseas is one of cheap labour. As it is unlikely that this factor can be addressed by the Victorian Government it is equally unlikely that ToR 1 can be addressed by the Committee in terms of transferring businesses from offshore to Victoria for the furniture manufacturing industry.

However, there are a number of issues that the Victorian Government and the EDIC can identify and act upon to ensure that Victoria remains the largest furniture manufacturing State in the country.

Although there are a myriad of issues that could be addressed, this submission will offer three areas for consideration by the EDIC to ensure the future viability of furniture manufacturing in Victoria. These issues include:

- a. access to suitable timber;
- b. guaranteed continuity of supply of suitable timber; and
- c. mandatory furniture standards

Access to and guaranteed continuity of supply suitable timber has been an issue that has been considered by the Victorian Government through the Sustainable Timber Industry Council (STIC) and more recently through the 2009 Timber Industry Strategy Public Consultation Draft. FIAA (Vic/Tas) provided submissions to both STIC and the Public Consultation Draft. A copy of the latter submission is attached with this submission.

Our concern with the 2009 Timber Industry Strategy is that it virtually ignores the furniture industry and does not adequately recognise the value of the industry to the economy and community of Victoria. The Strategy clearly indicates that VicForests Price Allocation Model has been designed to **“efficiently allocate timber by distributing to the highest bidder.”**

This means that much of the timber will go offshore and then return as valued added product. FIAA (Vic/Tas) is aware of the arguments put forward by the bureaucrats that no unprocessed logs are allowed to go overseas. However, our concern lies with what the definition is of a processed log.

One of the problems with furniture imports is that they very often are not of the quality and standard of the locally made product. However, industry equally has a problem in that there are very few mandatory standards for the industry. Imported product does not have to comply with voluntary standards but it must comply with mandatory standards.

FIAA (Vic/Tas) is actively involved with Standards Australia (SA) in developing standards for the industry. The most recent was a standard for chests of drawers. Recent changes in the way that SA operates means that funding is critical for the development of standards. FIAA (Vic/Tas) also feels that any development of standards for the industry is a waste of time unless those standards are legislated to be mandatory. Government assistance by way of funding for the development and implementation of mandatory standards is required by the furniture industry.

Victorian furniture manufacturers cannot compete with low labour costs countries. However, the industry can compete in the areas of well designed, high quality product offering unique Australian timbers, but only if strategies are in place to ensure that the timbers remain available to the industry and do not go offshore.

The recent deterioration in global economic conditions has seen a shift by retailers in the furniture industry away from imports and back to locally made product. How long this trend will continue is not clear. However, unless strategies are in place along the supply chain to ensure the future economic viability of the furniture industry, the issue will not be how to stop manufacturing from going offshore or for attracting offshore manufacturing back to Victoria. The issue will be the survival of the furniture manufacturing industry in this country.

We will be more than happy to discuss any issues in more detail if required.



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