



Furnishing Industry Association of Australia (Vic/Tas) Inc.

ABN: 15 443 447 002

6th May 2011

Committee Secretary
Senate Standing Committee on Rural Affairs & Transport
PO Box 1600
Parliament house
Canberra ACT 2600
Email: rat.sen@aph.gov.au

Submission into the Inquiry into the exposure draft and explanatory memorandum of the Illegal Logging Prohibition Bill 2011

Dear Committee Secretary,

I refer to the abovementioned inquiry and make the following submission for consideration by the committee. It is our expectation that the Senate Committee will invite us to make face-to-face submissions when the hearings of that committee are convened in the coming months.

Furnishing Industry Association of Australia (Vic/Tas) Inc. is an industry association representing the furniture and furnishing industry in Victoria, and Tasmania. We also represent Furniture and Bedding Industry Association of Australia Queensland and the Furnishing Industry Association of Australia WA Inc. on this issue. For the sake of brevity we will refer ourselves as Furniture Australia in this submission.

We have also consulted FIAA Ltd who represents New South Wales, the ACT, and South Australia, and I understand that FIAA Ltd are also submitting to the enquiry. Furniture Australia has also been involved with the FCJ Alliance, a larger network of industry bodies involved in furniture, cabinetmaking and joinery within Australia.

Industry Background

The industry's value to the Australian economy is substantial, valued at \$AUS 27.4 billion, and employing approximately 100,000 employees throughout Australia. The manufacturing base of our industry has suffered enormously over the past ten years, as it has had to compete with imported product, the majority of which is sourced from China. As an example, our statistical analysis shows that the share of Australian made furniture in the retail market for free-standing household furniture has fallen below 50% since the reduction of import tariffs, the rise of China as a manufacturing powerhouse, and the cumulative saturation of indifference by Governments at political and administrative levels towards blue-collar industries and workers. Furniture Australia will never support the reintroduction of tariffs, notwithstanding Australian Federal and State Governments continued use of reverse tariffs to hobble Australian manufacturing. Furniture Australia will however emphatically support legislation and programs which protect our

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planet and our people. The proposed illegal logging legislation goes some way towards that goal.

We note that the POYRY report (2005) lists furniture as the most suspect source of imports by percentage at 22%, and the second highest by value. Given the continued penetration of imports from countries listed as moderate to high in terms of Value for Transparency International Corruption Perception Index 2004 (TCIPI) (POYRY report, 2005); we feel that the legislation must have real teeth in terms of importers having to prove that the timber in their product is from legal sources. We also note a high capacity to pay due to the current and likely future exchange rate.

Furniture Australia Position:

We fully support the Government's objective of restricting illegally logged timber. As the furniture importing sector has been identified as a major problem area, we believe that this should be reflected in the legislation and regulations. To fail in this regard would be to impose costs and complexity on industry without achieving the result intended. This should not be dismissed as an attempt to create a non-tariff barrier – it is the facts presented in the government's own reports which make this an imperative for effective action. We have a broad range of other concerns and opinions.

In particular, we advocate the following concepts:

1. That illegal logging is a major driver of global deforestation and that this responsible for approximately 20% of global emissions of greenhouse gases. To consider enacting a *carbon tax*, without concomitantly enacting this legislation and regulations, could only be considered negligent. Notwithstanding the enormously and hugely significant effects of our over-inflated \$AUS currency, the *carbon tax* on its own will inevitably lead to increased importing of furniture/cabinetry products and related componentry, with much of this likely to come from illegally logged sources.
2. It is estimated that 50% of timber that enters Australia comes in as *finished and semi-finished products*¹ such as flat-packed fit-outs and kitchens, complex composite products such as windows made of metal/glass/plastic/timber, outdoor furniture, wooden garden ornaments, firewood, wooden components, timber blinds, wood-plastic composites, coffins, upholstered furniture with wooden frames, pre-fabricated staircases, laminated floors and pre-fabricated house frames and kit-homes (refer to Figure 1). If such products are *not* regulated, illegal timber will likely just be re-routed into the country via such finished products. This would negate much of the effectiveness of The Bill and will result in Government-supported preferential treatment for overseas wood-products manufacturing over local manufacturers and jobs. For reasons of fair competition and regulatory-effectiveness, we call on the Government to regulate all imported finished products containing timber and wood-fibre. The Prohibition section of The Bill comes under criminal law (section 6 of the *Crimes Act 1914*; (b) Chapter 7 of the *Criminal Code*). It is not right to impose criminal law on some businesses or groups in society for doing something, whilst exempting others for an

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identical deed. We call on the Government to uphold the principle of consistent

application of, and equal treatment under the law, by ensuring that the Illegal Logging Prohibition Bill treats all importers in the same, way regardless of whether they bring in raw timber/wood, processed timber/wood-products or finished product containing timber/wood.

There should be no exemptions in relation to product which only has a small percentage of timber constituting its final value or its final volume or surface area. All timber must be verified as having been from legally logged sources. **No exceptions - all timber products.** Exceptions will only lead to the perception of corruption.

3. The laws should specify a requirement for importers to disclose specified information at the point of importation in a declaration form. Such information would include the species, country of origin, quantity and value and supporting documentation of legal verification or certification. No documented verification then no import clearance by customs.
4. Federal Government budgets must reflect some increased commitment to funding inspection, clearance and enforcement of the legislation and regulations. The presumption is that this will be through the Customs Department. No funding for enforcement and vigilance will only translate into this whole exercise being deemed as a PR/Spin exercise, and another insult to ordinary working Australians. **We think this is a critical element.**
5. The Government should ensure maximum business cost-efficiency and competitiveness by designing the regulatory compliance requirements to be the simplest, most practical and at the most efficient business-cost required to meet the regulatory Object. In making these decisions, the Government needs to take the following into account that the current proposed compliance procedures (“Legal Logging Requirements”) listed in the Bill (Part 3, Section 14) and associated documents (the Explanatory Memorandum Consultation Draft⁷ and the Draft Generic Code of Conduct) appear to be unnecessary numerous and complex. This is particularly so for domestic timber that has virtually no risk attached.
6. The Federal Government will need to speedily commission an independent assessment of the risk levels of timber and wood-based products from export countries to assist in providing guidance to risk of illegality. Product manufactured in any country but which contains high-risk protected rainforest species logged from high risk countries needs to be identified and subjected to more prudent scrutiny. Further to this, as Australia is deemed to have a statistically insignificant level of illegal logging the any compliance regime for Australian timber should be made to fit within existing structures – with no additional costs.

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7. The Federal Government must initiate an approved testing regime, whereby imported product, particularly furniture/cabinetry and related componentry is routinely tested by chemical, biological and other modern technology, in order to ascertain the component

species and country of origins of the components of the imported products. Such an ethical testing regime ought be financed by a small levy on all imported product based on a combination of volume, value and testing cost-recovery.

8. The Act and regulations need to include provisions allowing interested parties to take action against a breach under the Act/Regulations.
9. Where a retailer, builder or other supplier to a consumer (that is an individual citizen or other Australian resident) or to another business, company, association or other incorporated body or Government department later discovers that it has sold product on the basis that it was not from illegally logged sources, and it is subsequently discovered that the product does not qualify as being legally logged, then that retailer, builder or other supplier must undertake a full recall of that product to all purchasers of the said product. Where that product has been sold in larger volumes to the public and the individuals who purchased said product cannot be readily identified and contacted, then a public product recall must be conducted in the same format as specified currently though the ACCC.
10. The Bill establishes significant powers for Timber Industry Certifiers, but does not create corresponding governance mechanisms to ensure that these powers are properly exercised. The Government needs to insert appropriate Certifier governance and accountability requirements into The Bill. We also believe other approval mechanisms (besides Certifiers) should be available.
We submit that the role of Certifier need not exist, but instead that regulated businesses be required to register with the Government. That all timber and products containing timber/wood-fibre meet “point of entry” legality requirements (administered by Customs/Border Security/AQIS).
Alternatively, that the role of Certifier need not exist, but instead that regulated businesses be required to register with the Government, and then send yearly Legality Audit reports direct to the Government. We believe this Option would be just as effective at enabling businesses to detect the risk of illegally loaded timber in its supply.
The most effective control point is as the goods come across the wharf – regulation must focus on enforcing this as the being the best barrier to illegal timber.
11. The emphasis of the legislation and regulations must be that the timber constituted products must contain legally logged timber rather than not contain illegally logged timber.

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12. There should be periodic reviews to assess whether the law has been effective and cost-efficient at meeting its objective, and that is it not resulting in serious unintended economic, social and environmental consequences.

Our organization looks forward to making further presentations as soon as the Senate Committee convenes its first hearings later this year.

Rohan Wright

General Manager

Furnishing Industry Association of Australia (Vic/Tas) Inc.

On behalf of:

Furniture and Bedding Industry Association of Australia Queensland

Furnishing Industry Association of Australia WA Inc.