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

Submission No. 41

Committee Secretary
House of Representatives Standing Committee on
Agriculture, Resources, Fisheries and Forestry
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Reference: Submission - Inquiry into the Australian forestry industry

Dear Sir/Madam

We submit to this inquiry with regard to the terms of reference involving economic benefits, and value adding.

We are a significant downstream industry, which relies on Australia having a forestry industry of a world class. We need industry capable of delivering product of a high quality and affordable price. Substantial sectors of our own industry further rely on access at a competitive price to Australia's unique native hardwoods. These are a major point of difference to import substitutes and help underpin the industries survival. The death of a thousand cuts suffered by the native forestry industry over the past 30 years has impacted our industry and any further cuts threaten the existence of the solid timber sector.

We also represent a key customer of the sawmilling industry as we provide a market for their highest value product. We see ourselves as a significant and vital part of a forest products industry supply chain, capable of prospering in a global environment. We do not believe the needs of our industry are being satisfactorily taken into account in the decision-making process at federal level.

The broader furnishing industry is a major manufacturing sector employing over 103,000 people across the whole industry Australia wide (FurnitureTrend 2010). The domestic freestanding area of the industry represents almost half the total. This part of the industry is under severe pressure, with over 50 business closures (Vic/Tas alone) in the past five years. Profit margins as a percentage of sales are around 5% (FurnitureTrend 2010), which is very low by manufacturing benchmarks.

Approximately a third of our membership manufactures using hardwood as a significant raw material, and this is around 25-35% of their manufactured cost (including labour). A survey of members taken in the recently shows a very high sensitivity to timber costs increases, due to the inability to pass on cost increases. The threat of import substitution is the obvious issue. Simple arithmetic will show that an increase of 10% wipes out most of their profit, and 20% threatens their existence. This is consistent with the responses given by members in the survey.

The key points we want to make to the enquiry are as follows:

1. Native forestry has a high level of support in the states that have substantial industries. We recently conducted a Galaxy poll in Tasmania, that was quoted in the State Parliament by Premier Giddings. This showed 79% of Tasmanian's supported a local native and plantation based forestry industry, over imports. 70% wanted to increase or maintain the current level of native forestry, and 66% (vs 29%) opposed the Greens forestry policy. These results are similar to those obtained in Victoria from a poll run during the Victorian elections. The visible cries of anguish from the green NGO's are those of a minority of voters.

2. We have already locked up more than enough old growth native forest to preserve biodiversity, and support an eco-tourism industry. It is time to say enough is enough, and enshrine that in legislation, that has a major disincentive for further cuts.

3. The government should be spending money on promoting the sustainability of the current forestry industry; this would be far cheaper than bailing out an industry that failed in part due to misleading green propaganda. It is far harder for an obviously self-interested (and demonised) forestry industry to correct the misinformation continuously put out by extremist green groups, and supported by an often compliant media.

4. The calculation should now be – what area is required to support a globally competitive hardwood industry in each state – and make that a key decision line. We point to the current Tasmanian negotiations where a huge proportion of the available resource is under threat, and this kind of calculation should be at the forefront of government's considerations on the matter.

5. Any decisions made as a result of the enquiry, should contain an assessment of the impact on all downstream industries. The downstream industries should be carefully consulted with. While they are more fragmented and less cohesive than the peak forestry bodies – they represent many more jobs and businesses – and hence must be taken into factored into policy making.

6. Any pricing signals that the government creates throughout the forest products supply chain should be tilted to ensuring the high value adding industries are at least as equally supported as any other.

7. Effective support for the forest products supply chain would include enforcement of regulations applied to locally made product, that are allowed into the country unchecked in finished imports. Board products with formaldehyde levels deemed unsafe would be a prime example of this kind of issue. These come in in furniture and kitchen products in high volumes, and the government ends up picking up the health bill, while sacrificing local employment.

8. Plantation timber is not an option for much of our industry. Firstly there are not commercial quantities of trees in the ground that have had an appropriate silviculture regime applied, in order to produce furniture grade timber. Thus there would be a 25 year minimum wait. More importantly we would lose our main point of difference to imports, and hence competitiveness. Sixty years in the minimum regrowth period that produces furniture quality native timber.

9. Some access to even more mature timber makes a big difference to the furniture industry. The difference in quality with more mature trees is substantial and allows the making of furniture that cannot be substituted for by imports – if this resource is kept for local manufacturers. The volume of trees required is not huge, and with the right decision-making could help sustain many Australian jobs. This must be done sustainably or market access may be an issue.

10. The current proliferation of “green” trademarks and compliance checks that are around are a major source of unnecessary cost to business. Examples are Chain of Custody, GECA, GBCA etc. The government should step in and show leadership by choosing one simple low cost means of demonstrating adherence to sustainable sourcing and practice. The introduction of the Illegal Logging legislation could be an opportunity to resolve this issue.

We appreciate the opportunity to put our point of view, and we hope to see policy that supports the entire forest products supply chain equally.

Yours sincerely

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