

VICTORIA'S FUTURE INDUSTRIES
Food and Fibre Sector - Discussion Paper
AFA Submission - 17 August 2015

Response from The Australian Furniture Association

OVERVIEW

The Australian Furniture Association aims to support its members through

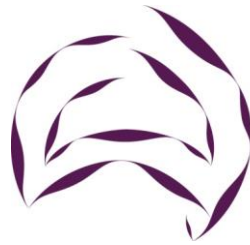
- Building the sustainability and competitiveness of the Australian furniture industry
- Engaging the whole value chain to stimulate discussion and knowledge sharing
- Improving Environmental Sustainability
- Identifying and showcasing distinctiveness in Australian design and materials
- Identifying opportunities to streamline practices
- Fostering cooperation through the supply chain
- Promoting design
- Encouraging greater environmental sustainability amongst the consolidated supply chain
- Collaborating and forming partnerships with key industry enablers

The AFA supports initiatives that involve forestry and fibre regions in the State of Victoria, both across Metropolitan and Regional areas with the appropriate equipment or technology and training facilities.

The AFA also sees great opportunity for the industry to work with the universities, to solve technical challenges that face the industry particularly relating to:

- Use of waste products
- Equipment / facility utilisation
- Logistics analysis
- Low cost / environmentally friendly materials
- Efficient ways to convert fibres into furniture
- Advanced manufacturing
- Design Innovation
- International Trade

The AFA looks forward to working with partner groups to improve the Victorian economy and deliver long-term sustainable growth for the furniture industry.



RESPONSES TO DISCUSSION PAPER QUESTIONS

QUESTION 1. Are the regional growth opportunities identified achievable and how can they be realised? What are the other opportunities?

AFA welcomes the opportunity to work closely with regions of Forestry and Fibre specialities to create value adding markets via furniture. The demand for quality, high end products, using Victorian timbers, particularly in the Asian marketplace, is growing at a rapid rate.

QUESTION 2. Are the metropolitan growth opportunities identified achievable and how can they be realised? What are the other opportunities?

Strengthening the fibre and timber handling facilities in the Western and Eastern Regions of Melbourne will aid furniture manufacturing and distribution opportunities.

QUESTION 3. How could access to government information, programs and services be improved?

Programs need to match the attributes of businesses within sectors.

Lower qualification thresholds and access to group programs will greatly assist development of small manufacturers and designers with the furniture industry and support the risk profile that small manufacturers and designers typically take on. The AFA works closely with other state governments to provide genuine access to information, programs and services across a range of topics.

QUESTION 4. What are the respective roles of industry and government in research and industry development?

The roles of industry and government are to create opportunities and collaboration within the industry and to other industries to create synergies and cross-fertilisation of ideas to create value-adding and innovative solutions to consumer, technical, supply chain and marketing issues.

Reducing red-tape is also a key role for industry and government as the gap between profitability and unviability of many small businesses is small.

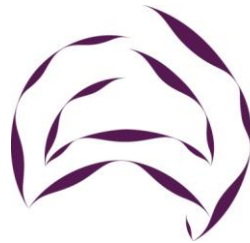
The value add role of the AFA in this scenario is to act as the 'centre' of industry related data for the express purpose of disseminating critical business information.

Together we can build the sustainability and competitiveness of the Australian furniture industry.

QUESTION 5. What are the key drivers and blockers of innovation in the food and fibre sector?

The key drivers of innovation are:

- *The naturally innovative minds and skills of designers and manufacturers*
- *Access to commercialisation and business growth expertise.*



Blockers of innovation are:

- *Lack of access to low cost equipment / manufacturing facilities / relevant training*
- *Competing against low cost imported timber furniture, often illegally logged.*

QUESTION 6. What more could be done to foster innovation, both at a 'system' and 'enterprise' level, for example, innovation clusters?

Communication with and between business owners and designers should be encouraged.

By reducing the time required by business owners and designers to perform non-core and administrative tasks, more time could be focussed on value-adding activities, such as marketing, collaboration and creative thinking.

Providing access to innovation hubs with shared resources for emerging businesses would be very beneficial.

QUESTION 7. How can we effectively build networks and foster relationships to support innovation and business growth in the sector; and what role should government play?

Co-locating industry association support, technology resources, business advisory expertise and equipment / facilities would greatly assist the building of networks to support innovation and growth. It would engage the whole value chain and stimulate discussion and knowledge sharing

Co-locating could include online co-location through online forums, networks etc

Industry associations are best placed to engage business officers to facilitate network development. Financial support from Government is required to support these business officers.

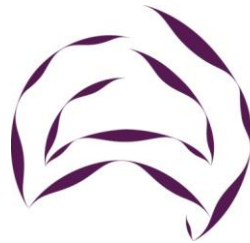
QUESTION 8. What are the key drivers and blockers of growth for SMEs?

Key Drivers are:

- *Access to opportunities and business growth expertise*
- *Relationships with complementary business owners*
- *The effectiveness of communicating lessons previously learned during the establishment of a business.*
- *Access to technical expertise*
- *Identifying opportunities to streamline practices*
- *Fostering cooperation through the supply chain*
- *International Trade*

Key Blockers are:

- *Ease of access to capital*



- *High costs of business start-up*
- *Lack of knowledge in relation to legislation and business fundamentals*

QUESTION 9. Where are the specific skills and training gaps and how best can we build, attract and retain the right skills in the food and fibre sector?

Skills can be improved in the following areas

- *Product commercialisation process*
- *Market Evaluation and Positioning*
- *International Trade/Export*

QUESTION 10. What specific actions could help increase investment in the sector, with a particular focus on SMEs?

Improve communication to industry via specific targeted industry led media channels

Reductions in cost of doing business in Victoria.

Improving Government Procurement and educate procurement officers about the 'real-value' of locally manufactured products.

Undertake more investment readiness evaluations of companies in the sector. These evaluations should be readily accessible and be potentially funded via Government Programs, as could implementation assistance.

QUESTION 11. How can greater intensification of production be best enabled in Victoria?

No comment.

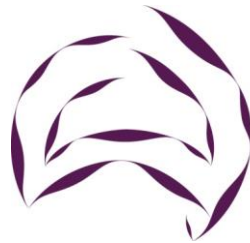
QUESTION 12. What impacts will climate change have on the food and fibre sector and how are you planning for it in your business?

Alternate application of fibres for furniture development needs to be encouraged to offset the impact of climate change initiatives on the industry. Additive manufacturing and environmentally sound processes, including government subsidised 'green' initiatives adopted in other countries should be introduced. EG: insurance premiums reduced for manufacturers not storing flammable chemicals.

QUESTION 13. What more needs to be done to optimise our water resources?

Government to subsidise water capture/recycling systems in manufacturing environments.

QUESTION 14. What are the big food and fibre value adding opportunities, and how can producers and manufacturers capture these while staying competitive?



For the furniture industry, fibre producers need to work with furniture manufacturers more closely to identify, assess and implement value-adding opportunities for fibre to be used throughout the industry. This will involve collaboration, access to equipment, facilities and technical knowledge.

QUESTION 15. How could the state government and industry best support and influence the resolution of technical barriers to trade?

At a local level, State Government and Industry could support the resolution of technical barriers by facilitating forums at which new ideas could be discussed. These could be online forums available only to industry members.

Easy access to university research groups and funding for research and commercialisation would assist immensely by removing the barriers of time, cost and knowledge.

QUESTION 16. Does, or could, regional branding add value to your business; and is a more coherent approach to international positioning and promotion of 'Brand Australia' required? If so, what will make a tangible difference?

Promotion of products made from legally-logged Australian Timber adds value to Australian manufacturers, within Australia. The value of "Brand Australia" is in helping to identify and showcase distinctiveness in Australian design and materials. The value of Australia as a brand is aligned with our lifestyle, which is represented by quality design, high standards, clean and green and unique materials. The AFA is leading two delegations in September 2015 (Shanghai & London) as the Australian International Pavilions.

QUESTION 17. What is the food and fibre sector's unique selling proposition in international markets? How strongly does 'clean and green' still resonate?

Australian furniture from legally-logged timber is a key selling proposition in international markets.

Clean and Green does still resonates with consumers but it is under increasing competition as other countries and regions also embrace this positioning, thus reducing our uniqueness. Action needs to be taken swiftly in order for Australia to secure its position as the 'clean and green' lifestyle leader.

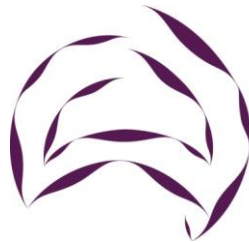
QUESTION 18. How can Victorian businesses best access new sales channels and emerging markets?

e-commerce platforms are the most effective and efficient way to access new sales channels and emerging markets, especially for the small furniture manufacturer and designer.

The cost to export furniture can often be uncompetitive and high and thus larger scale and flat-pack techniques are required. Exporting of fibre for conversion to furniture at overseas locations may be more viable.

Collaborating and forming partnerships with key industry enablers will assist in establishing new sales channels and markets.

Serious investment in relevant and appropriate international arenas is required.



QUESTION 19. What and where are the most important freight and logistics, utilities and information and communication technology (ICT) infrastructure needs in Victoria?

A Cost effective supply chain is essential to delivering Victorian product to local and international consumers. 43% of the Australian furniture industry manufacturing is based in Victoria/Tasmania, across metropolitan and regional centres. Many are located in close proximity to the natural sources of timber. Investment needs to occur in these centres, particularly in Education.

QUESTION 20. What are the most important regulatory and reform priorities for your business?

Increasing the vigilance on stopping importation of illegally-logged timber and timber products is the most important regulatory function required by the industry at the moment.

Workplace health and safety regulations often restrict business establishment by adding additional setup costs.

QUESTION 21. Is the presented scenario to optimise growth and job creation in the sector plausible? What is your vision of success for the food and fibre sector?

In 2025, we envisage that there will be many small manufacturers producing bespoke furniture and designs of high value-adding products that are being sold in Victoria, Australia and overseas.

Larger manufacturers will have a multi-faceted business models, either designing, producing and selling in the domestic market, designing in Australia and producing for third party markets off shore, or designing in Australia and producing both in Australia and off shore.

The designers will be tertiary educated and passionate about good innovative design and eager to translate their knowledge and passion into highly sort after and useful products.

The opportunity will be to identify and/or create sufficient markets for all the products being made by the designers and manufacturers in a business efficient manner and leveraging the value of the products either via the design, standard, unique sustainable properties or innovation.

The AFA thanks you for the consideration of this submission. Please do not hesitate to contact me if you have any queries.

Yours Sincerely,

Patrizia Torelli
Chief Executive Officer

Reference:

http://data.daff.gov.au/data/warehouse/9aaf/9aafe/2013/ClientReports/ilracd9abfe20131104/IllegalLoggingRegs_AffectedCommunity_LR_V1.0.0.pdf