

Productivity Commission Hearing Submission

The FIAA appreciates the opportunity to address the hearing.

We felt it important to clarify our position to ensure there is no misunderstanding arising from the two brief references to our submission in the Review of Assistance position paper and that these references are not taken out of context.

The references in pages 71 and 73 of the paper refer to **‘redress’ of the effects of the ‘furniture tax’** (i.e. TCF Tariffs) on the furnishing industry.

Taken out of context our use of the phrase “redress of the tax” could be construed as a statement by the FIAA to the effect that we seek removal or reduction of TCF tariffs reductions or removal.

We wish to emphatically emphasize that the FIAA has no wish to become involved in debate regarding assistance arrangements or tariff levels provided to TCF industries or any other sectors.

We do however wish to restate our position that the special tariff regime that supports the TCF industry was poorly designed when it was initiated in that it fails to recognise the negative impact these arrangements have on manufacturing inputs in related sectors such as the furnishings industry.

According to our estimates TCF tariffs are conservatively negatively affecting the furnishings industry at a level of around \$22 million a year **in direct government revenue** in the difference between the general tariff rate and TCF tariffs.

To this should be added a further \$18 million a year **in ‘embedded duty’** being the effect above the global market level at which local products may compete as a direct consequence.

It is estimated that the combined effect of the tax of around \$40 million **per annum** is about 5 per cent of total raw material inputs on furniture and furnishings using textiles in manufacturing.

An additional cost of this magnitude reduces profit margins to points that are already being squeezed to marginal levels by the market penetration of low priced imported products.

This is causing a particularly serious affect on the viability of the upholstered furniture sector in which textiles are a major manufacturing input.

It is an anomaly that the 15 per cent tariff on textiles used in the manufacture of furniture compared with the general tariff rate of 5 per cent on complete imported furniture is handing imports an unfair advantage and is creating hardship on Australian manufacturers.

In stating that the furniture tax requires to be ‘redressed’ the FIAA wishes to make it clear that this does not refer to reduction or removal of TCF tariffs, but that **the consequences of TCF tariffs** should be recognised and at least partially offset through government compensation in the form of assistance in the implementation of a coordinated industry strategic plan, encompassing a number of identified programs that would enable the furnishings industry to grow and become world competitive.

The FIAA seeks the opportunity to present these plans to government with the recognition that the implications of the ‘furniture tax’ alone warrants this consideration.

The FIAA hopes these comments clarify any possible misinterpretation of the furnishings industry submission in relation to this matter.