

**ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE**

**Inquiry into Manufacturing in Victoria**

Melbourne — 18 August 2009

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Mr J. Osmelak, General Manager, Furnishing Industry Association of Australia.

**The CHAIR** — I welcome Mr John Osmelak to this parliamentary committee hearing on manufacturing in Victoria. All evidence taken at the hearing is protected by parliamentary privilege; comments made outside the hearing are not afforded such privilege. Could you please state your name, your business, your position within the business and your business address?

**Mr OSMELAK** — My name is John Osmelak. I represent and am the General Manager for the Furnishing Industry Association of Australia (Vic/Tas) Incorporated. The business address is suite 2, 600 Doncaster Road, Doncaster.

**The CHAIR** — Thank you. We will pass over to you to give whatever evidence you wish. We have received and, I am sure, read your submission. People are asked to give around 10 minutes of comment — if you want less, you can have less — and then we ask questions. Sometimes we interrupt your speech so I am sorry if that happens.

**Mr OSMELAK** — That is fine, feel free, because I might ramble on and you do not want to listen to that. I have been tossing up on how I would present today. Basically the submission we put in was formulated in the way it was because I figured people, other organisations and the like, would make comments about payroll tax and the cost of export and all those sorts of things. We tried to make our submission more specific to our industry alone. In that submission we were looking at continuity and the access to timber in order for the industry to survive. We built a few cases and put forward a few options or issues that were of concern to us.

I guess one thing we did not put in our submission was just a general comment — that is, probably one of the problems that manufacturing faces, not just in the state but also federally, is that with previous governments — not so much the current Federal Government but in the past — manufacturing does not seem to have been high on the agenda for various governments. We need to, as an industry, try to address that as well to make sure that manufacturing is seen to be a strong and viable option within the State.

Another thing that I would like to point out, particularly about here in Victoria in relation to the furnishing industry, is that many of the grants available to the industry are actually available through regional development grants, or the like. Most of the manufacturing for furniture is metropolitan based, not country based, so that is a bit of a problem for us.

In the submission I make comment particularly in relation to the VicForests price allocation model and the options system. That is of concern to us, because we believe the logs are going to the highest bidder, and we believe the formula for the highest price for logs does not take into account the value of and the contribution the industry makes to the community and the State as a whole.

We put those comments in our submission to the Sustainable Timber Industry Council at the time. It appears that even at the hearing for the draft public consultation model on the timber industry, our comments about processing and what constitutes a processed log were largely just ignored. One of the problems we have is that we know the government bureaucrats say, ‘But you’re not allowed to sell logs overseas unless they’re processed’, but when you ask them, ‘What do you mean by ‘processed’?’, there is a deafening silence. We have anecdotal evidence that you can run a razor blade down a log, and that constitutes being processed.

**The CHAIR** — Can you direct us to where you put that in your submission?

**Mr OSMELAK** — That is at the top paragraph of the second page of our submission. The comments about the allocation model are at the last paragraph on the first page of the submission.

**Ms THOMSON** — What would be the major timber that is stripped down?

**Mr OSMELAK** — Probably Victorian ash. They are our concerns with the price allocation model. A number of years ago we had some discussions with VicForests, where it was looking at a model whereby it would quantify the amounts of unique or specialised timbers in a coupe.

We were looking at a model whereby that could be then put out to the various manufacturers and the sawmills, and then we could match and say, 'Okay. We know there is X number of cubic metres of sassafras or something in this coupe; there is definite interest for this. We will sell it that way'. Another proposition that we put to VicForests a few years ago was that even though the industry did not want preferential treatment as far as price was concerned, it would pay the market rate, whatever the going rate was. We felt that maybe VicForests could at least have a guaranteed allocation for the timber industry for the furniture industry here in Victoria, but that did not seem to eventuate after that.

Basically, they were the comments I wanted to make in relation to accessibility and continuity of supply of timbers.

**Mr ATKINSON** — Does VicForests control a proportion of the timbers that you would use in the furnishing industry?

**Mr OSMELAK** — No, not at all. It simply sells the logs, and then it becomes a supply — —

**Mr ATKINSON** — Right, even from a private plantation maybe?

**Mr OSMELAK** — No.

**Mr ATKINSON** — It does not have anything to do with that? What proportion of logs does it control — that your industry would use for furniture-quality timbers?

**Mr OSMELAK** — The determination of furniture-quality timbers is made at the mill, not by VicForests. My understanding is that VicForests controls the state native forests. When they release coupes at various times the buyers are usually the mills and then the mills grade what they consider to be timbers for furniture.

**Mr ATKINSON** — So do you not have any farmed timber for furniture?

**Mr OSMELAK** — Not native timbers, no. It would take at least 30 years to get a decent timber.

The other issue that I raised in the submission is one of mandatory standards for the industry. The reason for raising that is twofold. One is there are virtually no mandatory standards within the furniture industry. There are a few in relation to bunk beds and things like that. We have been working on a standard for chests of drawers, wardrobes and bookcases, and the draft for public comment on that is out at the moment. We think that will go through, but we have doubts whether it will become a mandatory standard.

**The CHAIR** — This is being done by which government?

**Mr OSMELAK** — It is being done through Standards Australia. Standards Australia has changed the way in which it operates, as compared to many years ago, and that has largely been due to the fact that it has simply been swamped with various requests to develop standards. Very often, these standards are requested at a whim rather than due to real industry need.

What we are advocating is that we agree with the standard. I only have one copy of this but I am happy to leave it here, if you like — there is a new business model for Standards Australia, and basically what it is saying is that unless industry wants the standard, it is not going to work on it. It is also saying that if there is an existing international standard, why should we reinvent the wheel? We will just take on the existing international standard, which we do not disagree with.

The main reason for raising the issue of mandatory versus voluntary standards is that if it is not a mandatory standard, then imported furniture does not have to comply. That is why currently you will see things in the paper about high levels of formaldehyde, which should not be occurring.

There are high levels of fungicides in leather, and I believe there is a case currently before the courts here in Victoria where someone has had — and particularly in England — —

**The CHAIR** — If there is a case before the courts, let's not go there.

**Mr OSMELAK** — But I will say that in England, there have been numerous cases of skin lesions and skin problems directly because of the standard of the leather on imported furniture from China. But there is very little that we can do if we do not have mandatory standards. That then leads into the areas of quality and consistency. I gave a document to Yuki, who said that you would make the copies, regarding the Spanish paper that I put forward. There are a number of reasons why I forwarded that through, and that is because there are a number of what I believe are interrelated issues that can all fall into this model.

**The CHAIR** — For the benefit of those reading the transcript, would you care to outline the document you are referring to?

**Mr OSMELAK** — The document is an executive summary, called *The Furniture Industry in 2016 — Competitive Scenarios: Strategic Trends and Implications*, which was produced by the Furniture Foresight Centre, which is part of the Furniture, Wood and Packaging Technology Institute in Valencia, Spain.

This document, particularly on page 26, outlines what it regards as being the best solution for the furniture industry leading up to 2016. When you look at this document, it acknowledges Dr Barbara Ozarska from Melbourne University who was the project leader for this. Our organisation conducted a workshop here in Melbourne and our counterparts in Western Australia conducted a workshop in Perth about two to three years ago now, and from that an expert panel was created which continued to answer surveys from this institute. From that, they have now produced this executive summary.

The reason we cannot get the entire document is because we have been unable to meet the funding requirements of becoming part of the Furniture Foresight Centre. They were looking at approximately 90 000 Euros to do that. Even though we made some representations to Senator Kim Carr, whose office was very interested in this and also very interested in the institute model and how that works in supporting the industry in Spain, we were just not able to raise that sort of money, whereas the Canadian Government funded it without any question at all. I am being a bit simplistic — —

**Ms THOMSON** — I assume it is ongoing funding?

**Mr OSMELAK** — Yes, it is ongoing funding as well. In this scenario for the smart solution for 2016, the major issues that it puts forward are quality, design and innovation, all the things that I think you have heard from many manufacturing industries. They need to go down that path.

If we are going to go down the path of quality and design, then we really need a model or some sort of system whereby that can be coordinated, put forward and utilised by industry. I know there have been a number of attempts at doing this through various government grants and the like, but I would like to suggest to the Committee that maybe it could make time to look at this Valencia model in Spain, particularly as it relates to wood products and the furniture industry.

It is a model that is a partnership between government and industry, and major firms actually contribute funds to have research done. It is unique in the sense that a lot of the institute is actually a production factory. The R and D that they trial they can actually trial on a commercial basis as well, and that is why I believe it is supported by industry quite strongly.

In relation to AIDIMA, which is the institute in Spain, I believe that in relation to the issues of innovation and design and those types of things, we have a model here that is worth looking at.

When it comes to attracting businesses in the furniture industry here in Victoria, as I have said in my submission, I do not think that is the issue. The issue is keeping the industry alive here in Victoria. We cannot compete with low-labour-cost countries, nor should we, because it is just a downward spiral and if you keep on dropping your prices you will not win. That is why the smart solution scenario in this document has further credence, because it is saying that unless you differentiate your product on quality and design and the like and become more efficient in your production, you are not going to survive.

Another factor within this model is public awareness; that is very important. The public is becoming more aware of what is in a particular product they want to buy. As an association we have been running for the last 18 months — we have allocated \$250 000 towards it — a furnishing industry awareness campaign. That is designed directly at the public so that the public know what to ask for when they are buying a piece of furniture so they can differentiate between imported and Australian-made furniture. Some surveys have already shown that once people know what they are looking for and what they are asking about, they are prepared to pay that price differential between an Australian-made product and an imported product.

That then all fits into, I believe, this model as well — for instance, when it comes to offering businesses here in Victoria the opportunity to produce overseas. During Furnitex, which is the largest furniture trade show in Australia and which we own, we were approached by the Egyptian export council to see whether we could attract manufacturers into Egypt. It was very interesting looking at the stuff that they had to offer us. They also have a furniture fair which is similar to ours. One of the good things about the Egyptian model, though, is that at least Egypt gives an ironclad guarantee that they adhere to intellectual property rights, and they also have a standards testing laboratory through the British FIRA, so that is one up if you are going to compare it to China.

The other things that they were offering were things like no tariffs between Egypt, Europe and America. The cost of labour in China is the same, but land power and transport is a lot cheaper in China. They offer many tax advantages, and there is free trade between all the 18 Arab countries.

Here we have another country coming to Australia saying, ‘Why don’t you relocate over there?’. As an association we represent furniture manufacturers here in Victoria and Tasmania, so we are hardly going to say, ‘Hey, why don’t you go and manufacture in Egypt?’, but it is interesting to see the ways that various countries are looking at trying to attract business back into their countries.

**The CHAIR** — Would they allow manufacture in Egypt and Australia?

**Mr OSMELAK** — Yes, I think they would, because a lot of the examples that they gave us here were more along the lines of componentry making rather than entire furniture. It was interesting to see that the approach was made and the way that some other countries and governments are prepared to support industry in various ways.

I want to make one more comment which I think is of interest and I think will have an impact on the furniture industry — that is, the opening of Costco down on Docklands. The 15 per cent mark-up is seriously going to threaten the major retailers in this state. It is just part of the model for attracting manufacturing here and maintaining it here in Victoria.

**The CHAIR** — Thank you very much. What we will each do now is give you a question. I would like you to expand particularly on the issues you covered regarding access to suitable timber and the comment that you made in the part that I read where you referred to what are processed logs and what are not. Could you run us through the importance of access to suitable timber — I presume it is suitable price — for Victorian manufacturers of furniture? If you were writing the report, what would be the recommendations you would put under this heading?

**Mr OSMELAK** — There is a twofold issue. The recommendation that I would give in relation to access and continuity would be to recommend to the Government that it seriously consider or reconsider this constant locking up of native timber forests. The amount that is available to industry is reducing constantly, and some people in our industry would argue it is for incorrect environmental reasons. I have heard it said that the environmental credentials used or the environmental parameters used to determine whether something should be locked up or not is at least scientifically 35 years out of date. That is a concern to us. But the concern is twofold. One concern is that we have a decreasing pool of native timber forests that we can access. The second thing is that once it is available, because of the VicForests price allocation model, it is not readily accessible to mills here in Victoria.

**The CHAIR** — You said that in your evidence. If you were writing the recommendations, what would you put to address that problem?

**Mr OSMELAK** — Two things: I would make sure that there is a realistic allocation of native forests, and I would recommend, as I said earlier, that the industry, through VicForests, is allowed an allocated amount of timber that has to go to the industry but not at a preferential price. We have got the market rate, but it has to be available to industry.

**The CHAIR** — So VicForests would not be losing anything?

**Mr OSMELAK** — That is right.

**The CHAIR** — Why is that not happening now?

**Mr OSMELAK** — Because the price allocation model, as it says in its consultation paper, is first and foremost to sell most efficiently to the highest bidder — end of story.

**The CHAIR** — Let us explore this a bit further. Are you arguing, then, it is inefficient to send the timber offshore?

**Mr OSMELAK** — It is dangerous for us, yes, because it goes overseas, is processed and comes back as value-added product. It can be value added here, but the issue there is more — —

**Ms THOMSON** — Furnishing timbers as opposed to — —

**Mr OSMELAK** — Yes. The issue here is more that the argument from government bureaucrats is that you cannot sell logs overseas unless they are processed, but we know the quality going overseas, and there is a minimal amount of process going on.

**Ms THOMSON** — But do you have actual evidence?

**The CHAIR** — You are protected by parliamentary privilege; you can give frank and fearless answers.

**Mr OSMELAK** — I personally do not have that evidence, though we know from product that is going out. If you go to China, you see the logs at a company that has eight factories a kilometre long that is totally vertically integrated with its own logs, kilns, sawmill into the factory and out to dispatch at the other end. When you look at those logs, they are not processed.

**Ms THOMSON** — And they are ash, are they?

**Mr OSMELAK** — Yes, they are Vic ash.

**The CHAIR** — If you have got evidence of that, then we need to know about it.

**Ms THOMSON** — Maybe you need to speak to the people who may have some evidence of it to see whether they are prepared to have it provided to the Committee.

**The CHAIR** — Because otherwise, with all due respect, we have to verify it.

**Mr OSMELAK** — That is right. I understand that, and that is one of the problems that the industry has.

**The CHAIR** — All right. Thank you.

**Ms THOMSON** — I have got a couple of questions to start off. I would like to get a better picture of the sector you actually cover. It is a broad umbrella, so I guess I would like to get an idea of the membership and where the bulk of that membership is as a starting point.

**Mr OSMELAK** — Firstly, we represent residential furniture manufacturers, not commercial. We do not represent manufacturers of offices and kitchens and bathrooms. Kitchens and bathrooms are represented through the Cabinet Makers Association here in Victoria. Up until recently commercial manufacturers were covered by the Commercial Furniture Industry Association of Australia, which is now defunct. We in fact have received some funding from that organisation, which has now collapsed, and have agreed to look after its membership as well. But first and foremost we look after residential furniture manufacturers.

**Ms THOMSON** — And the bulk of that would be?

**Mr OSMELAK** — The bulk of that is based in three major metropolitan areas: up around the Campbellfield, Glenroy and Epping area, down in the Bayswater area and then over in the Dandenong region as well. They are the three major manufacturing hubs.

**Ms THOMSON** — And most of that is relying on Australian timber for manufacturing or not?

**Mr OSMELAK** — Both; Australian timber and timber from elsewhere and that type of thing as well. But for the discerning product, those manufacturers who are remaining viable rely on the uniqueness of the native timbers. That is where the price differential is; that is where the quality is.

**Mr ATKINSON** — I actually had the same question. I guess I am also interested in the number of big players as compared to small players. I am particularly interested in the extent to which the industry exports furniture.

**Mr OSMELAK** — Virtually none. In Victoria there is virtually no export. There was a little bit a number of years ago, but most of that, I believe, has stopped.

**Mr ATKINSON** — What are the reasons for that?

**Mr OSMELAK** — I guess it does not pay; there is not enough margin in it.

**Mr ATKINSON** — And the big to small?

**Mr OSMELAK** — It is changing, but I would still say at the moment there would be about five major companies and the rest are SMEs — 50 or less.

**Ms THOMSON** — How many of those small ones would be members of your association?

**Mr OSMELAK** — That is difficult because it depends on what you classify as a small manufacturer. We may not classify some people as manufacturers, but they do classify themselves as manufacturers. We have, I think, all the five major companies.

**Ms THOMSON** — Who are they?

**Mr OSMELAK** — Moran, Wentworth, Coringle, Eagle Remac, Silver Lynx — that is probably not a big, big company, but it is getting there. Then we have about 200 small members. You will see stats that say there are about 400 to 600 manufacturers in Victoria, but I do not

believe that is correct. Certainly over the last 10 years, with Chinese imports, a lot of those have gone by the wayside.

**Ms THOMSON** — Where would the greatest competition be from and in what product line?

**Mr OSMELAK** — The greatest competition still comes from China, and it is across the board in residential furniture.

**The CHAIR** — They are only able to compete with Australian native timbers if they get access to our Australian native timbers. If we had our manufacturers getting first option on those timbers, what percentage would we be likely to buy and retain in Victoria for manufacturing as opposed to going offshore?

**Mr OSMELAK** — I honestly do not know.

**The CHAIR** — Have we got a strong enough manufacturing base here to pretty much purchase the bulk of it?

**Mr OSMELAK** — Yes, because if you have a look at the national figures — and I cannot remember them off the top of my head — we import a lot of wood.

**The CHAIR** — I ask that question because you mentioned Silver Lynx. I was up there a couple of weeks ago, and they are actually featured in my latest electorate report. They were commenting on having to go off and buy jarrah from China as opposed to WA. I think Ian Harrison made the comment that furnishing manufacturers here are buying from China when ideally we should be buying from WA. Why? That is the big question.

**Mr OSMELAK** — Again, that is very interesting because WA has much more stringent regulations in relation to the sale of timber. It is actually not allowed in Western Australia, so how do they get it?

**The CHAIR** — They are not allowed to sell out of Western Australia?

**Mr OSMELAK** — They are not allowed to sell it overseas. They are not allowed to sell jarrah overseas.

**The CHAIR** — Perhaps that was the point they were making. I had better double-check that; they might have been saying they had to buy the ash from overseas but could not get it from here. Anyway, I will double-check that.

**Ms THOMSON** — That is the same question, though. They should not be able to access it from overseas.

**Mr OSMELAK** — That is right.

**Ms THOMSON** — Can I ask you a question? In your submission you talk about the support of training providers, because this enterprise is for upskilling. If the future lies in that quality-end market for us, the question would be: where then do our major competitors lie? And, secondly, what are the sorts of areas that you would be looking at for training and skills to meet that competition?

**Mr OSMELAK** — Again, it is at two levels. One is ensuring that the registered training providers actually provide training in a manner that is acceptable to industry. A lot of the colleges now are beginning to do that rather than just doing their block allocations and what have you. So that is an improvement.

**Ms THOMSON** — That is the new scheme.



**Mr OSMELAK** — The other areas would definitely be in the areas of middle management and higher, and then also — as is happening a bit at RMIT with its new precinct — obviously design capabilities and matching that to industry. There is always this conflicting argument between design and being commercially ready. If we had a few more product development managers in between, it might help.

**Ms THOMSON** — Where are our major competitors at that higher order end?

**Mr OSMELAK** — Vietnam, Philippines, basically South-East Asia — Singapore. Singapore has got a very strongly supported design area through the government.

**The CHAIR** — The Australia Made Council, as well as you, have suggested that the recent global economic conditions have resulted in furniture retailers shifting away from imports and back to locally made products. For the benefit of evidence, could you give us the reasons for that?

**Mr OSMELAK** — I believe the main reason for it is that the price differential has gone; it is cheaper to buy now in Victoria than it is to bring it in from overseas.

**The CHAIR** — And taking into account the price differential, what would be the components you would suggest?

**Mr OSMELAK** — For starters, in China the labour costs have gone up. They have withdrawn, I believe, their export subsidy now from China. Container costs have gone up. Transport costs have gone up. And if you buy from China, you have to pay up-front, and you do not when you buy locally.

**The CHAIR** — Yes, and those reasons are consistent. People were saying that you can ring — let us, for example, mention one I am familiar with — Silver Lynx and you can get a one-bedroom suite and it is delivered within a matter of weeks, whereas if you get a container from overseas, it is a whole container.

**Mr OSMELAK** — That is right.

**Ms THOMSON** — Can I ask you another question that Bruce normally asks — I will jump in on him — and that relates to where you have got manufacturers who are quite innovative and are out there doing innovative design work and product development work and trying to expand the business and gain access to capital. Is there any feeling out there that there has been a tightening in the capital market and that that is due to the global financial crisis and other issues? Is it specifically being felt by manufacturers?

**Mr OSMELAK** — I have not had any comments made by my members in relation to access to capital, so I really cannot answer that question for you. I am not aware of any of my members complaining about that issue. It does not mean it is not there; it is just that I am not aware of it.

**Mr ATKINSON** — I got into trouble the other week because I called the furniture industry a bit of a cottage industry, which is essentially how you describe yourselves, I think, so I should not have gotten into trouble!

**The CHAIR** — I will find something else.

**Mr ATKINSON** — I think that relates to the funding profile of this industry as distinct from some of the other industries. You mentioned Costco, which was an interesting throwaway. I am interested in the extent to which restructuring and change in the retail industry is impacting your members more broadly. Costco does not have a lot of furniture — not wooden furniture.

**Mr OSMELAK** — Some of our members are supplying them.

**Mr ATKINSON** — But it does not have a lot. Other retailers like Harvey Norman and some of the — —

**Ms THOMSON** — They are into the Buy Australia campaign, have you noticed? ‘Australian made’ is all over their brochures now.

**Mr ATKINSON** — So they say.

**Ms THOMSON** — So they say, yes.

**The CHAIR** — We have got that in evidence too.

**Mr ATKINSON** — Woolworths is the worst. They have a handful of products, and they are off trying to direct source overseas. Harvey Norman and some of the bedding chains, for instance, are particularly now starting — —

**The CHAIR** — Bev Marks.

**Mr ATKINSON** — Bev Marks is Australian, but some of the others are trying to direct source overseas as well: Forty Winks and Capt’n Snooze and so on.

**Mr OSMELAK** — Yes, all of them.

**Mr ATKINSON** — Because of the way the retail market is structured and because of the dominance of chains not just in terms of their own sales but almost in being opinion setters and so forth — they influence consumer decisions in other ways besides actually getting the purchases themselves — how does that retail market interplay with your manufacturers? Is the competitive dynamic there? Are you comfortable that you are getting your own share of markets and opportunities?

**Mr OSMELAK** — I think this is one of the problems in the industry. One of the problems in the industry and as an association is the future scenario that you see in the AIDIMA report. Those manufacturers here in Victoria who are remaining viable and who will remain successful do not necessarily supply the major retailers. The needs and requirements of the manufacturers who supply major retailers are quite different to those of the manufacturers who do not sell to major retailers. I believe the problem with this industry is that many years ago — about 30 years ago — the industry abdicated its marketing responsibilities to the retailers and now the retailers control the market. In my view — and this is a personal view — if I were a manufacturer, I would not supply a major retailer in a pink fit. Their supply agreements — and particularly Harvey Norman’s supply agreement — are horrendous.

We have taken their agreement to the ACCC, which has said, ‘Yes. It is a real hard agreement, but it is not illegal. If you sign it, you have agreed to it.’ We have great difficulty in getting that message across to our members. We say, ‘There is no point in complaining about their supply agreement. If you want to supply them, they are the conditions, so make up your mind’. That is partly why I threw in the Costco line; if Costco is successful with its mark-up of only 15 per cent, that is seriously going to challenge the likes of the big chains.

**Mr ATKINSON** — And they will change their marketing mix and do other things in furniture because they are not getting their mark-up in electronics.

**Mr OSMELAK** — Yes, that is right.

**Mr ATKINSON** — One of the issues that we have been talking about a lot in manufacturing is its attractiveness to young people which encourages young people into the industry. In some ways it would occur to me that your industry might well be an exception to the rule in manufacturing in the sense that you give vent to creativity, people are able to make fantastic things and there is a real sense of accomplishment in what people are producing when working with

wood and producing furniture. I wonder what your perceptions are or what trends you are seeing in terms of the attractiveness of your industry, your ability to recruit people into the industry and the retention rate of young people in your industry.

**Mr OSMELAK** — It is not good. One would think that what you have just said would attract a lot of people, but unfortunately the wage levels and that are too low, so they are attracted into other industries. Another problem is that the industry itself has not marketed itself well to the youth of today, and that is something that our association is trying to address more and more. We believe that the model of career expos and things like that is not the way to go.

**Ms THOMSON** — You have a young design award with Furnitex, don't you?

**Mr OSMELAK** — We have VIVID within Furnitex, but we also run the Victorian Furnishing Industry Training Awards.

**Ms THOMSON** — I saw some of the kids' work one year.

**Mr OSMELAK** — We took it over about two years ago, and as late as last Friday we had our first steering committee meeting for next year's training awards. The reason for doing that is because the training awards encompass all sectors of the furnishing industry under the training package; they include glass and glazing, drapes, carpets and floor coverings, not just furniture making. It emanated from the defunct Victorian Furnishing Industry Training Board. When that ceased to exist the association agreed to take on the awards because it felt there was great value in keeping the awards going. We have since co-hosted the awards with the new training board, which is FURNITAC. There is an agreement between both organisations that we will underwrite the event. The event has not lost any money, so there are no problems from that point of view. Since taking it on we have realised that there were many within the industry who considered those awards to be a closed shop. We have absolutely changed how the awards are presented to the various training organisations and how the judging is conducted. We are now getting much stronger representations from the other sectors of the industry, who are all interested in making sure the awards are held and that they put people into the awards. We are also attempting to nominate the winner of the training awards into the state government training awards.

**The CHAIR** — How big a display area? Do you display their works, the ones that are nominated?

**Mr OSMELAK** — At the moment we display their works at the dinner where the winners are announced, which will be at the Plaza Ballroom at the Regent Theatre next year; that is where it was this year. Then we display the furniture at Furnitex itself.

**The CHAIR** — How big an area do you need?

**Mr OSMELAK** — Usually for Furnitex we allow between 18 and 36 square metres, depending on what we take. It changes every year depending on the winners.

**Mr ATKINSON** — You should talk to us about Queen's Hall in Parliament House.

**The CHAIR** — I was thinking Queen's Hall, and that was the reason for the question.

**Ms THOMSON** — Why? It is such a boring audience!

**Mr ATKINSON** — No, but they need to be influenced.

**The CHAIR** — What I did not know was how big Queen's Hall is.

**Ms THOMSON** — It is big enough to display. It is certainly big enough.

**Mr ATKINSON** — It is big enough.

The other issue is that apart from timber and access to a good resource, which I understand, and maybe also the skills side, given that we have touched on that a bit too, what are the major constraints that you see to growth or even sustainability — hopefully growth, and I would be interested in your perception as to whether it is sustainability or growth, even under this longer-term plan — and what actions might government take to actually address any of those constraints?

**Mr OSMELAK** — When you say ‘sustainability’, you are referring to environmental sustainability?

**Mr ATKINSON** — Not necessarily, although that might well be one of the issues that you are dealing with.

**Mr OSMELAK** — It is an issue, and we believe the industry can comfortably address that issue.

**Mr ATKINSON** — In terms of sustainability, I meant perhaps viability and particularly, as I said, I would hope growth. What are the constraints to that and what can we do about them, if anything?

**The CHAIR** — You can give some answers now, and you can take the rest on notice if you wish.

**Mr OSMELAK** — I would like to take most of that on notice to get some direct input from our manufacturers. Many of them would argue that it would help if you could lower some of the tax imposts. I mentioned payroll tax right at the start. I am not 100 per cent sure on this because it is not really my area, but I think there are some implications now with superannuation and workers compensation and how that is calculated, and things like that. I know that is an issue for our members. Then I would say it would be issues of how best to generate and expand the partnership between training providers in the areas of design and innovation, and how we move that forward.

**Mr ATKINSON** — I will just come back to one other thing. In terms of some of the discussion we have touched on, something like Moran is a renowned brand and has established a brand in its own right — it is a marketer. It occurs to me, though, that most of your members would be dealing with products where people would have absolutely no idea of the brand and probably no idea of the maker. They are retail pulled rather than marketing driven.

**Mr OSMELAK** — That is right, which is why I said before that the industry abdicated its marketing responsibilities to the retailers. One of the issues that we are working on in conjunction with Australian Made, Australian Grown and retailers in relation to our furnishing industry awareness campaign is that we would like to see Australian Made, Australian Grown put some pressure on its campaign partners in the furniture area to say that if a manufacturer is registered with Australian Made, Australian Grown and it also sells to one of the major retailers, the major retailers allow that company to brand its product. I know for instance that Silver Lynx already does and is getting support for being able to do that, but in the past that was disallowed.

**Ms THOMSON** — Moran stopped its individual marketing.

**The CHAIR** — But your point is that for those that for argument’s sake sell to Harvey Norman, the condition upon which they sell to Harvey Norman is that they have the Australian Made, Australian Grown logo on there.

**Mr OSMELAK** — If they have the Australian Made, Australian Grown logo, then they are allowed to badge it as their product. It does not just become a generic buy from Harvey Norman or whatever. There is a retail outlet here in Nunawading whose showroom is designed to display the various companies that it buys from. You will get company A set up here, company B set up there

and company C, so when people come in they know immediately that that product is from that company. It is not the retailer's product.

**The CHAIR** — Are they all Australian made?

**Mr OSMELAK** — They are all Australian made, yes.

**The CHAIR** — Are you allowed to mention the name of the — —

**Mr OSMELAK** — Berkowitz. They also import, but when they have their Australian-made displays they actually allow the company to name their products — or brand their products, if you like.

**The CHAIR** — Just as you are providing extra information to us with a couple of items that you took on notice, we might get back to you, too, with some questions that might need further clarification. Thank you.

**Mr OSMELAK** — I am happy to.

**The CHAIR** — We appreciate the fact that you have given evidence today and you have prepared a submission. Within about a fortnight Hansard, via Vaughn, will be circulating a copy of transcript. You are free to correct typographical errors but you cannot change the substance. Thank you very much.

**Mr OSMELAK** — Thank you.

**Witness withdrew.**