

AOP

ANNUAL OPERATING PLAN 2013/14



CONTENTS

SECTION ONE	3	SECTION TWO	9	SECTION THREE	24
Introduction	3	Program 1:		Corporate governance	24
Vision	3	Generic Promotion	9	Compliance reporting	24
Mission	3	Overview	9	Proposed actions	25
Strategic Plan	4	Program themes of activity	9	Objectives	25
Programs	5	Stakeholder benefits	9	Measures of success	25
Commitment to transparency	5	Current position	10	Income forecast	26
2013/14 budget allocations	6	Objectives	12		
Accountability to members and levy payers	6	Targets	12	SECTION FOUR	27
Overview of priorities and programs 2013/14	7	Investment budget	13	Collaborative activities and investments	27
		Program 2:		Supporting the forest and wood products national research, development and extension framework	27
		Research, Development and Extension	14	Collaborative investment activities with research and development corporations	27
		Overview	14	Addressing rural research and national research priorities	27
		Stakeholder benefits	15		
		R&D project portfolio	15		
		New project investments	16		
		Objectives	17		
		Targets	17		
		Investment budget	17		
		Program 3:			
		Capacity and Education	18		
		Overview	18		
		Program themes of activity	18		
		Stakeholder benefits	18		
		Capacity and Education	19		
		Objectives	19		
		Targets	19		
		Investment budget	19		
		Program 4:			
		Standards Coordination	20		
		Overview	20		
		Program themes of activity	20		
		Stakeholder benefits	20		
		Objectives	20		
		Targets	21		
		Investment budget	21		
		Program 5:			
		Statistics and Economic Program Coordination	22		
		Overview	22		
		Program themes of activity	22		
		Stakeholder benefits	22		
		Objectives	23		
		Targets	23		
		Investment budget	23		

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VISION

To ensure that forest and wood products are the preferred, sustainable material that meets the Australian market needs.

MISSION

To work with stakeholders to identify and deliver collaborative programs that improve the competitiveness, and market and community acceptance, of forest and wood products.

INTRODUCTION

Forest and Wood Products Australia (FWPA) Limited is the industry-owned services company that:

- Invests in outcome-oriented research and development (R&D) and encourages the adoption of R&D findings
- Manages the generic promotion of the forest and wood products sector
- Plays a role in developing the capacity and skills of people in the industry, including the adoption of technologies
- Coordinates the sector's approach to timber standards and building codes
- Coordinates the collection and analysis of reporting of industry statistics and economic measures on behalf of its members and levy payers.

The Company is responsible to its members and levy payers, and to the Australian Government through a Statutory Funding Agreement (SFA) that allows for Commonwealth matching of appropriate expenditure on R&D.

The 2013/14 Annual Operating Plan (AOP) establishes the direction for services and solutions to be provided by the Company over the next 12 months to deliver on its commitments to stakeholders.



Strategic Plan

FWPA has consulted extensively with member companies, levy payers and industry associations over the past 12 months to review current and future R&D and other activities, and to set investment priorities. Consultation has included dialogue with the four national industry entities representing levy payers, namely:

- Australian Forest Products Association
- Australian Timber Importers Federation
- Engineered Wood Products Association of Australasia
- Australian Forest Growers.

Consultation has also involved dialogue with other stakeholders and one-on-one meetings with key industry executives.

An important formal element of this industry consultation involved two meetings of FWPA member company representatives, levy payers and industry association representatives. These meetings considered and made recommendations about existing FWPA R&D and other programs, desirable future R&D activity and investment priorities for existing and future programs.

These meetings, plus other consultations, acknowledged the prevailing economic climate the industry is operating in and the constraints this has placed on the capacity of levy payers to lift levels of investment in the short term. However, consultation also recognised the desirability of improving investment levels in the future when (it is hoped) trading conditions will strengthen.

The message for FWPA from the extensive consultation undertaken was clear: in the present economic conditions FWPA should focus on activities that have a shorter payback period, such as market acceptance and expansion, or where benefits to industry and cost savings could be realised. Further, longer-term programs should be deferred until the industry is in a stronger position to increase levels of investment in FWPA activity.

The 2013-2018 Strategic Plan identifies priorities for FWPA investment appropriate to the prevailing funding climate, as well as a series of reserve activities to be pursued should FWPA's resources increase. These reserve activities include genetics R&D; water R&D; performance and yield R&D; wood in residential house construction R&D; postgraduate scholarships; GrowingCareers; and mid-career programs.

Conversely, the Board has recognised that the current mechanisms for industry data collection and analysis are an ongoing source of frustration and uncertainty, which result in excessive direct and indirect costs to stakeholders. The new Strategic Plan and this Annual Operating Plan include a new program that aims to improve coordination and build better systems for data collection and analysis. A key initiative of this new program will be the development of a secure, online portal for the consolidation of all key statistical data series.

Programs

1. Promote the benefits and usage of forests and wood products, in accord with changing community attitudes, environmental awareness, and market trends (Generic Promotion)
2. Invest in and coordinate research and development and technology transfer and adoption to improve the industry's competitiveness, inform its climate change response, enhance investment, increase usage, and ensure the sustainability of forests, wood products and services (Research, Development and Extension)
3. Grow the industry's capacity and capability through focused education activities that support the industry and its products (Capacity and Education)
4. Coordinate the industry's management of consensus-based standards and building codes to maintain or improve market acceptance of the industry's products (Standards Coordination)
5. Coordinate the collection and analysis of key industry statistics and other economic analyses to support commercial decision-making and policy development within the sector (Statistics and Economics Coordination).

The Australian Government is a major contributor to FWPA programs through matching R&D funding. The 5-year Strategic Plan demonstrates how the Company's investment priorities align with the Australian Government's Rural R&D Policy Statement and national and rural research priorities. These priorities include:

- Enhancing the sustainability and efficiency of production systems
- Improving competitiveness through a whole-of-industry approach
- Maintaining and extending markets for wood products
- Responding to climate change and creating an innovative culture

Reading the revised 5-year Strategic Plan in conjunction with this AOP will provide the strategic context in terms of drivers, programs, outputs and outcomes.

Commitment to transparency

The Board and management of FWPA are committed to the disciplined, transparent and efficient operation of the Company and its finances. To this end, each program will be managed in accordance with clear objectives and stringent financial controls.

The success of the Company's strategies will be tracked using appropriate key performance indicators (KPIs). However, it needs to be recognised that the measurable success of the Company's activities, especially outcomes from R&D programs, can only be evaluated over the long term.

This AOP will be available to all FWPA members and levy payers through the FWPA website.

2013/14 budget allocations

In accordance with the Company strategies, the AOP budget allocation is based on an expenditure of \$7.69 million over the 2013/14 financial year. This represents a 9% decrease on 2012/13 levels. This is based on the budget income levels for 2013/14 (see income forecast in Section 3 of this document) to achieve a balanced budget. Corporate costs are allocated into program budgets in accordance with the cost allocation policy implemented under the new Commonwealth Statutory Funding Agreement.

		% FWPA Expenditure	Budget (\$m)
Program 1	Generic Promotion	36%	2.72
Program 2	Research, Development and Extension	35%	2.71
Program 3	Capacity and Education	8%	0.62
Program 4	Standards Coordination	4%	0.31
Program 5	Statistics and Economic Program Coordination	17%	1.33
		100%	7.69

Note: Budgeted expenditure eligible for Commonwealth matching payments is \$5.38 million.

Accountability to members and levy payers

FWPA internally tracks and assigns sectoral benefits across projects and programs to allow monitoring against sector levy contributions.

FWPA will report the investment benefits to levy payers. For example, tree growers have a greater interest in project outcomes from the sustainability and resources program. Similarly, importers are primarily interested in the promotion and market access and development programs.

During 2013/14, FWPA will complete a series of benefit-cost evaluations of randomly selected completed R&D programs, in accordance with the 2009 protocols developed and endorsed by the Council of Chairs of Rural Research and Development Corporations. The evaluations will identify and measure the overall industry and community outcomes, quantified by social, environmental and economic measures, from FWPA sponsored programs. The outputs from this evaluation will be used in communication campaigns directed to all FWPA stakeholders to highlight the benefits and opportunities arising from investment in collaborative precompetitive R&D projects.

Overview of priorities and programs 2013/14

Program and funding	Strategic objectives
<p>Generic Promotion \$2.72m</p>	<p>Increase consumer awareness of advertising and/or brand awareness and improve perceptions of wood as an environmentally positive and suitable material.</p> <p>Increase building specifier awareness of activities and improve perceptions of wood as an environmentally positive and suitable material as determined through website tracking and periodic opinion surveys.</p> <p>Increase industry support of generic promotion activities through active participation and support of the partner sub-program.</p>
<p>Research, Development and Extension R&D project investments are managed and reported under three programs representing the industry value chain:</p> <ol style="list-style-type: none"> 1. Market Access and Development 2. Wood Products 3. Sustainability and Resources. <p>\$2.71m</p>	<p>Increase the acceptance and accuracy of periodic benefit-cost analyses (BCA) by industry and government stakeholders as measured from stakeholder feedback.</p> <p>Increase industry and researcher engagement with FWPA's R&D investment systems (i.e., investment priorities and plans) as measured by level of consultation, web downloads, and reduced number of ad hoc research requests.</p> <p>Increase industry and government awareness of iconic or 'hero' R&D projects as measured by periodic opinion surveys.</p> <p>Increase the amount of additional industry or Government R&D funding (non-levy and matching) that is invested or co-invested using FWPA's systems as measured by annual reporting.</p> <p>Deliver priority projects to produce R&D outputs aligned to member and levy payer needs and expectations as measured by percentage completion of active investment plans.</p> <p>Increase industry participation and support for FWPA technology transfer activities as measured through event attendance, website activity and technology adoption surveys.</p>

Overview of priorities and programs 2013/14

Program and funding	Strategic objectives
<p>Capacity and Education <i>\$0.62m</i></p>	<p>Increase the industry and government support of education activities through program participation and stakeholder surveys.</p> <p>Increase the uptake of education program activities by the target user group through tracking of numbers of applicants, web activity and teacher requests for supporting materials.</p>
<p>Standards Coordination <i>\$0.31m</i></p>	<p>Increase industry stakeholder participation in FWPA standards activities through tracking of formal industry input into the standards reference group.</p> <p>Reduce the number of standards and codes and associated maintenance costs affecting the industry as tracked by reference group.</p> <p>Increase the awareness and uptake of standards by the industry stakeholder as measured by levels of participation at training sessions and purchases of revised standards.</p>
<p>Statistics and Economic Program Coordination <i>\$1.33m</i></p>	<p>Develop direct industry participation in the new statistics and economics program as measured by the number and seniority levels of reference group applicants.</p> <p>Foster the contribution of industry-generated data to the FWPA statistics program as measured by the percentage of national sales and production volumes.</p> <p>Increase industry and stakeholder awareness and utilisation of FWPA-generated products as tracked by web downloads and third-party citations.</p>

1

PROGRAM ONE: Generic Promotion

Overview

This program aims to promote the benefits and use of forest and wood products. Specifically, the program seeks to generate a positive disposition to the use of wood products and to have wood products used more widely in both decorative and construction situations. This will be achieved by promoting the positive benefits of wood and addressing any real or perceived impediments to the use of wood.

Activities within the promotion program will often incorporate the results arising from FWPA-funded R&D projects and technology transfer activities, especially in the specifier information program.

Priority themes of activity

- Promote benefits of forest and wood products, with emphasis on carbon storage, low embodied energy, renewability, reuse and demonstration of the sustainability of the forest resource
- Promote forest and wood products/applications over alternatives, and the use of new applications and services to meet emerging markets
- Engage with regulators, standards bodies, opinion leaders and specifiers to maximise the specification and use of wood products.

Stakeholder benefits

The Company's investments in generic promotion focus on delivering the following benefits to stakeholders:

- Improved market awareness of, and satisfaction with, forest and wood products
- Increased consumption of forest products and services, which can avoid carbon dioxide emissions by the substitution of more energy-intensive alternative materials
- Improved understanding that carbon is stored in wood products and there is avoided emissions from more energy-intensive alternative building materials.



1

PROGRAM ONE: Generic Promotion

Current position

The generic promotion program, Wood. Naturally Better.™, was derived from extensive industry and stakeholder engagement and launched in October 2008.

Initially, the campaign had a sole consumer focus and consisted of double-page advertising in weekend magazines and lifestyle magazines.

In 2010, the program was refined identifying three key activities:

1. Consumer sub-program
2. Specifier sub-program
3. Partner sub-program

Each sub-program has been reviewed and analysed to ensure activities integrate with the overall strategy for generic promotion and other corporate strategies.

Consumer sub-program

The Consumer sub-program aims to change the attitudes of consumers by increasing their awareness of the positive attributes of wood, in particular, that wood products help tackle climate change because wood stores carbon.

Attitudinal change will be driven largely through television commercials, trade show presence, internet advertising, public relations campaigns, and by building important alliances with like-minded organisations, such as Planet Ark.

The consumer advertising program, launched in October 2008, has gone through several evolutions in response to consumer research to hone the messages and improve consumer recall.

In March 2011, FWPA initiated a strategic promotional alliance with Planet Ark to promote the use of sustainably managed wood products as a way to help tackle climate change. The alliance offered the opportunity to move the consumer campaign from print to television advertising, using the Environmental Edge television 'infomercials' as well as a schools education program and stakeholder communication. The formal alliance was renewed under contract in March 2013 for a further three-year term.

The TV commercial campaign, launched in June 2011, features Grand Designs host Peter Maddison, and highlights the key message that because wood stores carbon, using more wood has environmental benefits.

Specifier program

The construction industry is the largest market for wood products and represents one of the best opportunities for growth in the use of wood products. The decision-making process for the choice of materials used in a construction project is complex, as there is a need to balance performance and appearance with cost and time.

The term 'specifier' refers to any professional involved in the building, design and construction process, including architects, engineers, building designers and other building professionals, such as quantity surveyors and sustainability assessors.



1

PROGRAM ONE: Generic Promotion

The Specifier program – branded WoodSolutions – aims to increase market consumption and industry returns for wood and wood products by improving the product knowledge and confidence of building specifiers for wood to be preferentially specified in building construction.

The Specifier sub-program focuses on three areas:

- Inspiration – providing inspirational examples of wood in both structural and decorative construction applications
- Education – supporting tertiary education and continuing professional development (CPD) with relevant information about the use of wood
- Information – consolidating industry knowledge on building and designing with wood, making it easy for specifiers to find information through the website www.WoodSolutions.com.au.

The information and education components of the Specifier sub-program draw on R&D project outputs from investments under the market access and development program. As this is a technology transfer and education activity, it is eligible for Commonwealth matchable payments under the SFA.

Partner sub-program

The wood and wood products industry is highly fragmented in comparison to other building material sectors. This creates barriers to an integrated approach for communication with the broad community and end-user markets. It has also inhibited generic promotion or branding in the markets, resulting in a proliferation of product and/or segment messages that have added to consumer and specifier confusion.

The Partner sub-program aims to address this by encouraging industry members to become licensed users of the Wood. Naturally Better.™ brand. Partners are encouraged to use the logo in their communication with customers to create broader market awareness and a consolidated image for the industry. Promotional materials are provided to partners to support communication of the Wood. Naturally Better.™ brand and messages.

The program creates a communication channel to industry as the generic promotion program needs to engage a wider audience than just FWPA members.

There has been enthusiastic support for the program with more than 800 industry organisations and individuals signing up.



1

PROGRAM ONE: Generic Promotion

Objectives

1. Increase consumer awareness of advertising and/or brand awareness and improved perceptions of wood as an environmentally positive and suitable material
2. Increase building specifier awareness of activities and improved perceptions of wood as an environmentally positive and suitable material
3. Increase industry support of generic promotion activities.

Targets

Consumer sub-program marketing plan

- Strengthen and continue to support the consumer advertising campaign operated in partnership with Planet Ark by television and other media channels
- Undertake tracking research to measure attitudinal change to wood as a building material
- Sponsor relevant consumer-focused events
- Distribute promotional materials that support the advertising campaign
- Continue the development and support of the Consumer sub-program via the www.naturallybetter.com.au website.

Specifier program marketing plan

- Create at least 15 case studies of inspirational designs and construction solutions featuring wood and publish them on WoodSolutions.com.au
- Provide speakers on the use of timber in the built environment through the timber tutorials program and guest speaker opportunities at specifier events
- Continue to recruit inspirational architects and engineers well versed in timber properties and applications to speak at events for specifiers and other building professionals
- Sponsor events that inform, educate or inspire building specifiers on how to use of wood in building and infrastructure projects
- Support the education of specifiers through the provision of education materials for tertiary institutes teaching architects, engineers and building professionals from the education micro-site (education.WoodSolutions.com.au). The target for traffic to the WoodSolutions website is 300 downloads of education resources and 1,000 registered users
- Grow the audience for the WoodSolutions internet-based knowledge database to provide information on timber and wood-based products to building specifiers – target 15% growth (equates to 410,000 unique visitors for the financial year)
- Promote the availability of the suite of timber design guides for specifiers to achieve 5,000 downloads of technical guides for the financial year
- Build the supplier listings of the website and grow industry engagement with the website.



1

PROGRAM ONE: **Generic Promotion**

Partner program marketing plan

- Continue to inform partners of the Wood. Naturally Better.™ program activities through regular issues of the newsletter
- Provide information and promotional materials for partner's customers
- Sponsor National Carpenters Day and Carpenter of the Year Awards.

Investment budget

Investment program	Budget allocation (\$m)	Existing commitments at 30/6/13 (\$m)	Available expenditure for new projects (\$m)
Generic promotion	2.72	0.50	2.22



2

PROGRAM TWO: Research, Development and Extension

Overview

Activities within this program account for one-third of the forecast Company expenditure for 2013/14. R&D project investments are managed and reported through three sub-programs that represent the industry value chain:

1. Market Access and Development
2. Wood Products
3. Sustainability and Resources

Each sub-program is administered in collaboration with a Board-appointed industry advisory group made up of senior executives from FWPA member organisations.

Project selection and prioritisation decisions within each advisory group are guided and informed by a series of investment plans. These describe the industry outcomes and benefits sought through the delivery of successful research projects. Individual investment plans are developed by independent industry consultants through a broad consultation process covering industry, research providers and other key stakeholders to assist in the definition and prioritisation of preferred R&D outcomes.

Industry and Government priorities

The principal outcome from the Market Access and Development sub-program is continued and expanded industry access to key forest and wood products markets.

Priority research areas include increased understanding of market attitudes to – and perceptions of – wood products, as well as quantification and reporting of key environmental and design attributes of timber building products. Industry uses the results of projects funded under this program to support the expansion of current product markets. The results also assist in removing regulatory and market barriers to using timber products in domestic and commercial building applications.

Projects funded under the Wood Products sub-program aim to identify and develop improvements to existing manufacturing processes to generate maximum value recovery from available resources. Priority areas include optimisation and reporting of the material properties of timber products, optimisation of process energy, chemical and water use, waste stream use and the development of new products, including hybrid materials, in response to market demands and opportunities.

The Sustainability and Resources sub-program supports the generation of knowledge about the impacts of management decisions on the functional processes of forests principally managed for wood production. Industry objectives sought from this program include decision



2

PROGRAM TWO: Research, Development and Extension

support systems for forest management, economically efficient and low environmental impact forest operations, and provision of new environmental services. Other priorities include: applied knowledge of the wood properties of the forest resource; development and adoption of improved techniques for the segregation of standing trees, logs, timber and fibre to the most appropriate use; and identification of methods to improve wood properties.

Stakeholder benefits

The Company's R&D investments are required to deliver clear benefits to stakeholders (members, levy payers and the Australian Government) through:

- Improved new products matched to market needs
- Increased industry profitability and efficient use of inputs throughout the industry's value chain
- Improved industry investment confidence through reduced risk
- Enhanced sustainability as measured in economic, social and environmental terms.

R&D project portfolio

During 2013/14, a total of 12 current contracted research projects are scheduled for completion and delivery to stakeholders and FWPA levy payers. In addition, seven postgraduate scholarships will be completed during the year.

Current FWPA funding priorities in the Market Access and Development (MAD) sub-program are grouped around two priority areas identified by the MAD advisory group:

- Timber construction in commercial and industrial buildings
- Wood products in sustainable buildings.

Ongoing projects within the Wood Products program focus on the overall performance and yield of timber products. For 2013/14, these will be primarily delivered through FWPA's ongoing investment in the joint Australia-New Zealand Solid Wood Innovations research consortia. In light of the current market conditions and member feedback, future R&D investment in this sub-program has been deferred until trading conditions improve and sufficient levies can be secured to fully resource this program.

Project investments within the Sustainability and Resources sub-program are aligned to the following active FWPA investment priorities:

- Maximising product yields and values from current resources
- Improving wood quality and yield, and tools for forest management
- Forest biosecurity and preparedness
- Mitigation of and adaptation to climate change and the management of the carbon cycle in plantations and native forests.



2

PROGRAM TWO: Research, Development and Extension

A further four R&D investment plans have been completed and approved for publication. These investment plans describe R&D priorities in the areas of genetics and tree improvement; product performance and yield; forest water use and efficiency and access to water resources; and the use of wood in residential construction. In light of the current market conditions, a decision has been made to defer further investment in these R&D priorities until such time as industry profitability recovers to a point where levy increases can be supported.

In practice, FWPA also accepts project funding proposals not implicitly linked to the endorsed R&D priorities on a case-by-case basis. To secure FWPA support, these projects must demonstrate direct relevance to industry needs and deliver sufficient public good benefit to be approved by exception. However, in view of the current industry and market conditions, FWPA will focus its 2013/14 investments towards the delivery of identified industry R&D priorities and maintenance of other company programs using available levy resources.

Each year a subset of R&D projects completed over the previous five years are randomly selected for benefit-cost assessment in accordance with the evaluation protocol developed by the Council of Rural Research and Development Corporations. The assessments are undertaken by independent economists in close consultation with research providers and industry collaborators to determine the net social, environmental and economic impacts of FWPA-funded projects to both the industry and broader community.

New project investments

During 2013/14, FWPA intends to spend \$2.71 million in support of research and development projects and programs targeted towards delivering the industry outcomes identified within the investment plans for its identified R&D priorities. Of this funding, about \$0.36 million remains unallocated and will be prioritised towards projects demonstrating alignment to the current R&D investment priorities, as well as substantial industry support via cash and in-kind contributions .

The R&D investment plans describe the priority industry outcomes sought from each investment area as well as the recommended levels of FWPA funding to be committed to each R&D area. These funds are set on the basis that additional industry and/or collaborator funding and in-kind support would be pledged to proposals focused on the delivery of tangible industry benefits.

Company funding policy is that all intellectual property (IP) created with FWPA funding is owned by the research provider, with FWPA maintaining an equity position in future IP commercialisation income. One of the conditions of FWPA funding for R&D projects is that levy payers have a beneficial right of access to final commercialised IP, through either reduced or waived royalty structures or other such arrangements that reflect the value of the levy funds provided to FWPA by the industry.

Where project outcomes are of value to the broader primary industry community, FWPA seeks to actively collaborate with other relevant RDCs and funding bodies to leverage the value of the levy funds invested.



2

PROGRAM TWO: Research, Development and Extension

Objectives

1. Delivery of priority projects to produce R&D outputs aligned to member and levy payer needs and expectations
2. Increase industry and researcher engagement with FWPA's R&D investment systems (i.e. investment priorities and plans) as measured by level of consultation, web downloads, and reduced number of ad hoc research requests
3. Increase the acceptance and accuracy of periodic benefit-cost analyses (BCA) by industry and government stakeholders as measured from stakeholder feedback
4. Increase industry adoption and government awareness of iconic or 'hero' R&D project outcomes as measured by periodic opinion surveys
5. Increase the amount of additional industry or Government R&D funding (non-levy and matching) that is invested or co-invested using FWPA's systems.

Targets

1. Participation by industry research and technology managers in the development of project proposals by research providers
2. Increases in the number of contracted and completed R&D projects as described in current active investment plans as measured by percentage completion of active investment plans
3. Senior industry participation on project steering committees
4. Increases in levy leverage ratios for FWPA contracted projects as measured by external cash and in-kind co-contributions
5. Increased industry participation and support for FWPA technology transfer activities as measured through newsletter subscriptions, event attendance, website activity and technology adoption surveys.

R&D Investment budget

Investment program	Budget allocation (\$m)	Existing commitments at 30/6/13 (\$m)	Available expenditure for new projects (\$m)
R&D Investment	2.71	2.35	0.36

3

PROGRAM THREE: Capacity and Education

Overview

This program aims to grow the industry's capacity and capability by investing in technical transfer of R&D findings and targeted educational activities.

In 2013/14, FWPA will continue to build on initiatives launched in 2011/12 in response to two separate independent reviews that highlighted the need for FWPA to play a greater role in technology transfer and education. These include the *R&DWorks* newsletter and seminar series, the *ForWood* corporate newsletter, continuing to improve the FWPA website and continuing to support the Forest Learning and school curriculum initiatives.

FWPA is a member and the major funder of the National Forum of the Research, Development and Extension (RD&E) Strategy, which was developed under the auspices of the National Primary Industries RD&E Framework. The Forum is developing national RD&E priorities for the sector and mechanisms for improved coordination

Program themes of activity

- Assist industry to access knowledge and technologies developed elsewhere
- Enable industry's continuous improvement and adoption of best practice
- Develop educational new and improved resource materials for educators to better understand the role of sustainable forest management and wood products.

Stakeholder benefits

- The Company's investments in this program are required to deliver clear benefits to stakeholders (members, levy payers and the Australian Government) through:
- Increased awareness and adoption of R&D findings
- Development and uptake of new and existing industry-oriented educational programs or resources.



3

PROGRAM THREE: Capacity and Education

Capacity and Education

FWPA will continue to invest in targeted education and professional skills development activities through 2013/14. However, following feedback from the Industry Summit, the Growing Careers program will be scaled back and will move to a maintenance regime.

Focus on the Forest Learning program and activities relating to introducing forestry and wood product topics into the curriculum will continue.

Objectives

1. Increase industry and government support of education activities
2. Increase the uptake of education program activities by the target user group.

Targets

1. Increase industry and government support of education activities through recorded program participation levels and stakeholder surveys
2. Increase the uptake of education program activities by target user groups through tracking of numbers of applicants, web activity and teacher requests for supporting materials.

Investment budget

Investment program	Budget allocation (\$m)	Existing commitments at 30/6/13 (\$m)	Available expenditure for new projects (\$m)
Capacity and Education	0.62	0.07	0.55

4

PROGRAM FOUR: Standards Coordination

Overview

The development and maintenance of national timber product standards and linkages with building codes and standards has evolved in a disjointed, ad hoc way, using various inputs from industry, research agencies and professional associations.

FWPA is taking a strategic and coordinated leadership role in the future development of industry codes and standards. This will be done with close consultation and engagement with FWPA members who expressed interest in being involved with the standards network.

Program themes of activity

- Analyse and prioritise standards and codes based on importance to, and impact on, industry
- Ensure effective consultation and engagement within industry on standards and codes
- Use cost effective and efficient mechanisms for the development and maintenance of standards and codes
- Facilitate the uptake and adoption of standards and codes in a timely manner.

Stakeholder benefits

The Company's investments in this program are required to deliver:

- Improved market access and/or reduced barriers to the use of wood products
- Increased understanding and adoption of relevant standards and codes within the industry and building professionals
- Reduced cost of delivery of standards development.

Objectives

1. Increased industry and stakeholder participation in FWPA standards activities
2. A reduction in the number of Australian Standards and codes that have a direct impact on the industry and its access to markets
3. Increased levels of support (or lack of dissent) on proposed changes to Australian standards and building codes
4. Increased uptake and utilisation of standards.



4

PROGRAM FOUR: **Standards Coordination**

Targets

1. Increased levels of engagement with senior industry and member representatives by the standards reference group and broader standards communication network
2. Reported changes to Australian Standards affecting the use of timber each financial year
3. Support or dissent to be assessed via member and stakeholder feedback
4. Standards uptake to be tracked via numbers of attendees at training sessions and standards purchases.

Investment budget

Investment program	Budget allocation (\$m)	Existing commitments at 30/6/13 (\$m)	Available expenditure for new projects (\$m)
Standards Coordination	0.31	0.20	0.11

5

PROGRAM FIVE: Statistics and Economic Program Coordination

Overview

This is a new program established to address industry and key stakeholder concerns regarding the timeliness and accuracy of information available to the sector. In addition, the consultation process identified gaps in the data.

Much of the information needed to address these issues resides at the individual company level. The challenge is therefore to aggregate this information in a confidential manner and then provide it to participants in the following period (month).

Improving the base line data that is available will also complement the work undertaken by ABARES in producing the current 6-monthly Forest and Wood Products Statistics. It is expected the monthly data collected and aggregated by this program will be used to support ABARES broader data collection and verification process.

Program themes of activity

The program will focus on aggregating and generating data to support decision making in two key areas:

1. Information to support/improve commercial operations
 - Production measures
 - Trade measures
 - Market activity measures
 - Operational competitiveness.
2. Information to support investment decisions
 - Forest base
 - Local and regional wood flows
 - Market trends
 - Emerging products.

Stakeholder benefits

The Company's investments in this program are designed and resourced to deliver:

- Improved industry competitiveness through better company-level knowledge of production, trade and operational costs
- Increased industry capacity and capability to facilitate expansion through a more extensive and reliable knowledge base.

5

PROGRAM FIVE: Statistics and Economic Program Coordination

Objectives

The program will focus on aggregating and generating data to support decision making in two key areas:

1. Develop direct industry participation and support for the new statistics and economics program
2. Secure the contribution of industry-generated data to FWPA statistics program
3. Increase industry and stakeholder awareness and utilisation of FWPA generated statistics products.

Targets

1. Industry engagement will be assessed by the number and seniority of industry participants on the industry reference group
2. Industry contributions of data will be measured in terms of the percentage of national production data made available by members and stakeholders
3. Awareness and utilisation of FWPA originated material will be tracked by numbers of web downloads and third party citations.

Investment budget

Investment program	Budget allocation (\$m)	Existing commitments at 30/6/13 (\$m)	Available expenditure for new projects (\$m)
Statistics and Economic Program Coordination	1.33	0.26	1.07

Corporate governance

Under the company constitution, FWPA's Board comprises between five and nine directors, including the managing director, at least two of whom are independent directors. At present, the Board consists of seven directors.

FWPA management is accountable to the Board and aims to provide accurate, timely and meaningful information to the Board, as well as to key stakeholders. All key company functions are undertaken by FWPA staff, although additional resources may be contracted on an 'as needed' basis.

The Board oversees and determines policies consistent with the Strategic Plan and emerging industry needs, and has direction over resources and the way in which strategies are implemented in accordance with the Company's delegation authority.

The Board is expected to meet at least four times during the year. At least one meeting will be in a regional location that is important to the forest and wood products industry.

For 2013/14, the Board will:

- Initiate a director selection process leading to the election of two directors by FWPA members in October 2013
- Present proposed amendments to the Company Constitution to align with the new Statutory Funding Agreement and improve management of the member register
- Oversee the implementation of FWPA responses to the initiatives identified in the Government's Rural R&D Policy Statement released in July 2012.

The Board has also instituted a remuneration and human resources committee comprising three non-executive directors with the committee secretariat support being provided by an external HR consultant. The committee is responsible for the company's remuneration policy that includes suitable benchmarking measures and relativities to benchmarks for the managing director and the MD's direct reports.

Compliance reporting

For 2013/14, FWPA will meet all obligations and compliance requirements as set out in the following:

- The Constitution of Forest and Wood Products Australia Ltd
- The Statutory Funding Agreement between FWPA and the Commonwealth of Australia, represented by the Department of Agriculture, Fisheries and Forestry
- Enabling legislation in the form of the *Forestry Marketing and Research and Development Services Act 2007 (Cth)*
- *The Corporations Act 2001 (Cth)* as amended from time to time
- The Australian Security and Investments Commission requirements.

Proposed actions

- Continue development of a staff training plan with appropriate use of the training budget, improve staff skill and maintain staff numbers as appropriate within the current revenue constraint
- Continue interactions with DAFF Levies to ensure full coverage and efficient collection of revenue
- Continue to develop and maintain the FWPA member base and develop a policy for recruiting and approval of associate members
- Support FWPA industry and member liaison groups: R&D Advisory Groups, Codes and Standards Coordination Group, Statistics and Economics Reference Group and other stakeholder forums to assist in priority identification, project development and knowledge dissemination
- Continue to participate in Council of Rural Research and Development Corporations activities, including implementation of the Government's Rural R&D policy and ongoing participation in the Council's project and program evaluation program.

Objectives

1. Superior corporate governance as measured by compliance with all legal, constitutional and contractual obligations
2. Positive stakeholder relationships as measured by number of company members, feedback from regular liaison with the Government and the number and/or quality of applicants that apply to be company directors and members of company advisory groups
3. A corporate culture focused on continuous improvement and alignment with stakeholder needs
4. Robust systems with appropriate disaster recovery mechanisms as measured by the risk management plan and internal audit reviews
5. Timely and cost-effective implementation of the 5-year Strategic Plan, Annual Operating Plans and investment plans.

Measures of success

The corporate performance indicators for the whole organisation will be determined primarily by the findings of its internal and external audit programs and the independent review of company performance, as mandated under the Statutory Funding Agreement. Further measures of performance can be determined from the number of industry and member applications for directorship positions and engagement with FWPA reference and advisory groups.

Income forecast

Projected FWPA income for 2013/14 is \$7.71 million, a decrease of \$0.56 million on forecast income for 2012/13 of \$8.27 million.

FWPA's income depends on economic activity, especially construction and level of imports and levels of R&D expenditure. Total levy income for 2013/14 is expected to increase 2% over the 2012/13 forecast. Government matching of \$2.69 million is based on half the budgeted eligible matchable activities as defined in the SFA of \$5.38 million.

		Income	
Types		2012/13 Forecast (\$m)	2013/14 Budget (\$m)
Processor levy	Cypress	0.04	0.04
	Woodchip	0.19	0.20
	Hardwood	0.48	0.49
	Ply Veneer	0.08	0.08
	Softwood Sawlog	1.58	1.61
	Wood Panel	0.07	0.07
	Softwood LG & RW	0.27	0.28
Compulsory grower levy		0.59	0.60
Voluntary grower levy		0.51	0.52
Importer charge		0.91	0.93
Total levy		4.72	4.82
Interest		0.20	0.19
Others (Including penalties)		0.36	0.01
Government matching		2.99	2.69
Total income		8.27	7.71

COLLABORATIVE ACTIVITIES AND INVESTMENTS

Supporting the forest and wood products national research, development and extension framework

FWPA provides and coordinates resources committed towards the development of the national forest industries research, development and extension (RD&E) framework. Operating under the Primary Industries Standing Committee (PISC), the RD&E framework seeks to identify and implement a coordinated collaborative approach to research development and extension activities undertaken by the research community. The forest industry RD&E forum comprises senior representatives of the forest products industry, government and research stakeholders and seeks to develop a national level research, state scale development and regional area extension approach encompassing all PISC-affiliated agencies. This includes the CSIRO, universities and state departments of primary industries.

During 2013/14, FWPA will continue to fund secretariat support to the RD&E forum and support its established workplan to identify national research priorities and coordination of national, state and regional resources to advance the RD&E agenda.

Collaborative investment activities with research and development corporations

FWPA is an active participant on the Council of Rural Research and Development Corporations (CRRDC) program and seeks to leverage its levy and Government matching funds wherever possible by co-investing in programs of mutual benefit to other RDCs. During 2013/14, FWPA will maintain its investment in the cross-sectoral climate change research strategy for primary industries program and evaluate investment opportunities in other cross-sectoral R&D programs where relevant.

In addition, FWPA recently hosted a joint RDC workshop to identify commonalities and support for the development of a cross-sectoral R&D program to investigate the drivers and solutions to issues affecting the social licence of the primary industries to operate within the broader community. As evidenced by a number of recent events, failure of a specific industry to secure and maintain its social licence can undermine any existing policy or regulatory support. If endorsed by the workshop attendees, FWPA will take the lead in the development and securing of co-funding of the subsequent cross-sectoral R&D program.

Addressing rural research and national research priorities

The new rural R&D priorities complement, and are informed by, the Australian Government's national research priorities, which highlight areas of particular social, economic and environmental importance to Australia, and where a whole-of-government focus has the potential to improve research and broader policy outcomes.

National research priorities address areas of strength, opportunity or need in Australian research. The alignment of FWPA R&D strategies and investment programs against rural R&D priorities and corresponding national research priorities are shown in Table 1 and Table 2.

Most FWPA investment programs deliver outcomes across a number of national and rural priorities and, for the purpose of forecasting, R&D expenditure benefits have been attributed uniformly across the relevant priorities.

Table 1:
R&D expenditure estimates across rural research priorities – 2013/14

Rural R&D Priorities (RRDP)	Productivity and Adding Value (\$m)	Supply Chain and Markets (\$m)	Natural Resource M'gement (\$m)	Climate Variability and Climate Change (\$m)	Biosecurity (\$m)	Supporting the Priorities		Other Research (\$m)	Total (\$m)
						Innovation Skills (\$m)	Technology (\$m)		
Generic industry promotion	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.47	0.67
Market access and development	0.30	0.30	0.00	0.00	0.00	0.00	0.00	0.00	0.60
Solid wood products and processing	0.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.11
Sustainability and resources	1.10	0.30	.30	0.20	0.00	0.00	0.00	0.00	2.00
Capacity and education	0.09	0.09	0.09	0.09	0.09	0.09	0.00	0.09	0.67
Statistics and economics coordination	0.00	1.33	0.00	0.00	0.00	0	0.00	0.00	1.33
Total Expenditure	1.60	2.22	0.39	0.29	0.09	0.09	0.00	0.56	5.38

Table 2:
R&D expenditure estimates across NRP Goals – 2013/14

National Research Priorities (NRP)	An Environmentally Sustainable Australia (\$m)							Promoting and Maintaining Good Health (\$m)				Frontier Technologies for Building and Transforming Australian Industries (\$m)					Safeguarding Australia (\$m)					Total (\$m)
	A1	A2	A3	A4	A5	A6	A7	B1	B2	B3	B4	C1	C2	C3	C4	C5	D1	D2	D3	D4	D5	
NRP Priority Goals	A1	A2	A3	A4	A5	A6	A7	B1	B2	B3	B4	C1	C2	C3	C4	C5	D1	D2	D3	D4	D5	
Generic industry promotion	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.10	0.00	0.67	0.00	0.00	0.00	0.00	0.00	0.67
Market access and development	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.04	0.04	0.04	0.04	0.04	0.00	0.00	0.20	0.00	0.00	0.60
Wood processing and products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.37	0.06	0.06	0.06	0.06	0.06	0.18	0.00	0.18	0.00	0.00	0.11
Sustainability and resources	0.11	0.11	0.11	0.11	0.11	0.00	0.11	0.00	0.00	0.00	0.00	0.13	0.13	0.13	0.13	0.13	0.33	0.00	0.33	0.00	0.00	2.00
Technical transfer and education	0.03	0.03	0.03	0.03	0.03	0.00	0.03	0.00	0.00	0.00	0.14	0.03	0.03	0.03	0.03	0.03	0.09	0.00	0.09	0.00	0.00	0.67
Statistics and economics coordination	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.33	0.00	0.00	0.00	0.00	0.00	1.33
Total	0.14	0.14	0.14	0.14	0.14	0.00	0.14	0.00	0.00	0.00	0.71	0.26	0.26	0.26	0.26	0.26	0.60	0.00	0.80	0.00	0.00	5.38

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