

STRATEGIC PLAN

2013 – 2018

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

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 Architects: Francis-Jones Morehen Thorp (fmjt)
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Introduction

As the industry's service company, Forest and Wood Products Australia Limited (FWPA) is committed to working collaboratively to deliver programs that will help secure a better economic future for the forest and wood products sector.

Throughout 2012, there was a series of meetings with members and key stakeholders to identify priority activities for the company and to explore the business case for an expansion of activities.

The message received from this consultation is clear. While there is in-principle support for a number of collaborative programs across the value chain, the industry is not in a position to fund these programs in the current challenging economic climate.

As a consequence, FWPA will focus on activities that have a shorter payback period, such as market development or where cost savings can be realistically achieved. This means that some previously supported programs will be curtailed or deferred until levy income improves.

The expansion of activities will be revisited when industry is in a stronger position to make the appropriate funding investments.

The consultation process identified the need to urgently address the collection and analysis of industry statistics as the current arrangements were costly and an impediment to good decision-making. In response, FWPA has established a new program to provide improved coordination and build better systems for data collection and analysis. A key initiative will be the development of a secure, online portal for the consolidation of all key statistical data series.

Despite the challenges facing the industry, there are realistic grounds for optimism. Strong population growth trends, a substantial residential housing shortage, increasing recognition of the environmental and climate change abatement attributes of wood products, and the development of new engineered wood product applications for commercial high-rise construction all point to an exciting future for the forest and wood products sector.

To capture these opportunities in a timely and cost-effective manner, the industry will need to explore collaborative investments along the supply chain and pursue innovation in a range of key areas, including community engagement, market development, productivity improvements in growing and processing, as well as new product developments.

With scientifically robust R&D, community support and strengthened industry capability, the forest and wood products sector has a commercially bright future and the ability to contribute to key social, economic and environment policies of the nation.



Ron Adams
Chairman

Vision, mission and programs

Vision

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

Mission

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

Programs

During the period of the plan, FWPA will deliver its mission through five management 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 & 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 operating environment

FWPA is one of 15 Australian rural research and development corporations (RDCs). These RDCs are funded through compulsory levies on their industry sectors and receive matching funds from the Australian Government when they invest in R&D, technical transfer of R&D findings and other activities that are a Government priority.

The Australian Government released its Rural R&D Policy Statement in 2012. This Statement, which was in part a response to two independent inquiries into rural R&D, confirmed the Government's ongoing commitment and its support for the RDC model. However, the Statement also outlined a number of changes to improve transparency and accountability of corporate governance, improved coordination in line with the National Primary Industries RD&E Framework, and steps to improve effectiveness and efficiency of the RDC model.

The FWPA Board welcomed the Government's policy statement and is committed to working with the other RDCs and the Government to ensure a timely implementation of the proposed changes. In particular, the Government's commitment to amend legislation to allow for the matching of voluntary contributions from industry was viewed as pragmatic step towards increasing the pool of collaborative R&D funds.

FWPA's industry sectors consist of domestic forest and plantation growers (both government and private), domestic processors and importers. Currently, levies are not collected from domestic or imported pulp and paper or softwood woodchip exporters.

FWPA was established in September 2007 following widespread consultation and a poll of levy payers. The private company replaced an existing government statutory authority to create an organisation that could provide a broader range of services to industry in addition to its traditional role as an R&D investor.

The company has a statutory funding agreement (SFA) with the Australian Government that provides access to the compulsory levies collected by the Government and for Government matching payments and also establishes a number of obligations upon the company in terms of corporate governance, risk management and reporting. The current SFA was signed in August 2012 and will expire in 2017.

Industry dynamics

The Australian forest and wood products industry (including importers and exporters) has undergone considerable change over the past decade and faces a large number of challenges, including:

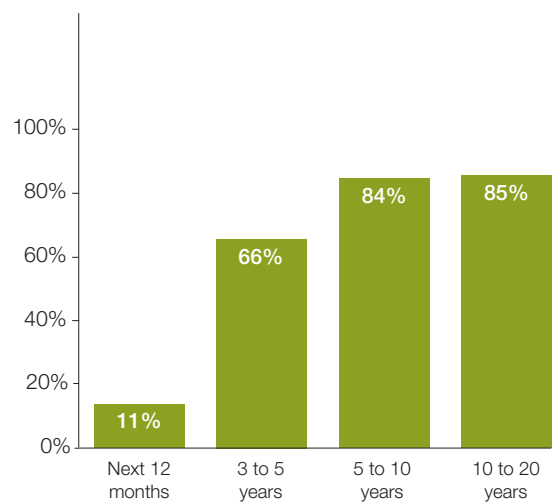
- low profitability and return on investment
- substantial increases in energy and other input costs
- impact of exchange rates on trade-exposed sectors
- low housing starts in Australia and key international markets
- increased competition from other nations supplying forest products
- changing ownership of the resource and manufacturing sectors
- reduced investment in R&D (and the resultant collapse in R&D capacity)
- reduced investment in industry associations (and the resultant reduction in capacity)
- continued concern about the industry's social licence to operate
- impact of adverse government policy settings
- reduced investment in capital equipment and adoption of new technologies.

The operating environment

Despite these pressures, the industry is generally positive about its collective longer-term future. There is a widely held view within the industry that its products will be the beneficiaries in a carbon-constrained economy. Other factors that often contribute to optimism in the longer term include the support of the industry's materials by consumers and specifiers, the growth in the Australian population and the belief that the scientific underpinnings of the sector will result in favourable government policy settings.

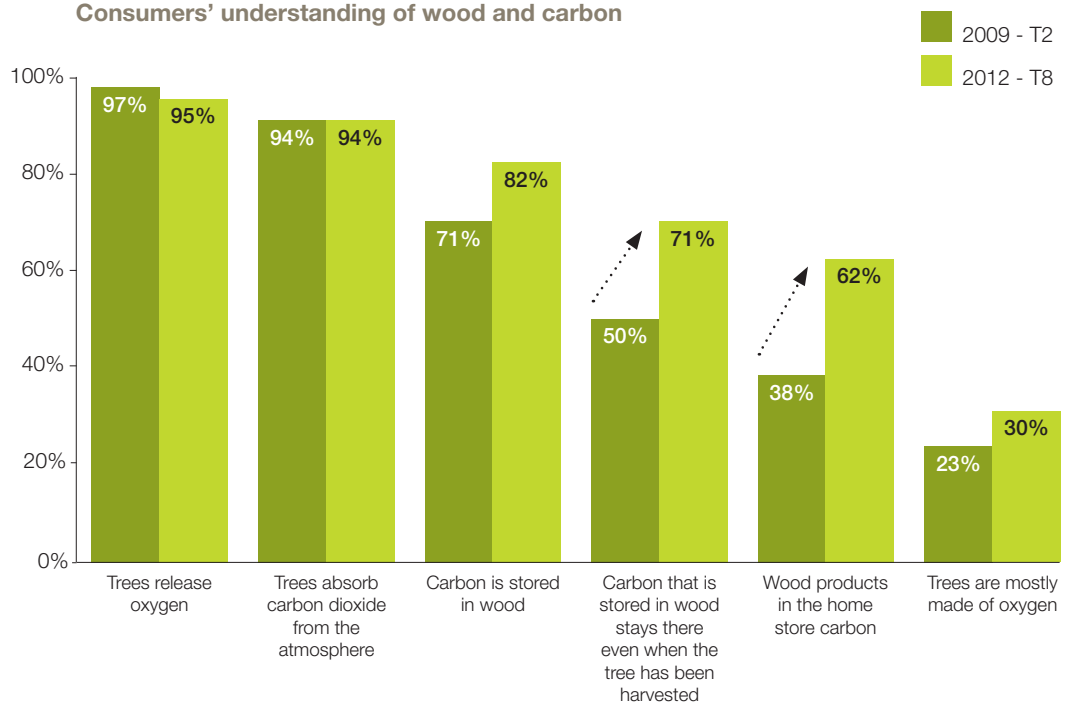
There is no doubt that Australian consumers view wood products as more environmentally benign than alternative building materials. FWPA's consumer tracking research has clearly demonstrated that the industry has strong environmental credentials, although there is a lack of knowledge about specific attributes such as carbon storage and independent certification of forest management.

Industry leaders who rate the future period 'slightly better' or 'significantly better' compared to last year



Source: FWPA Summit - February 2012

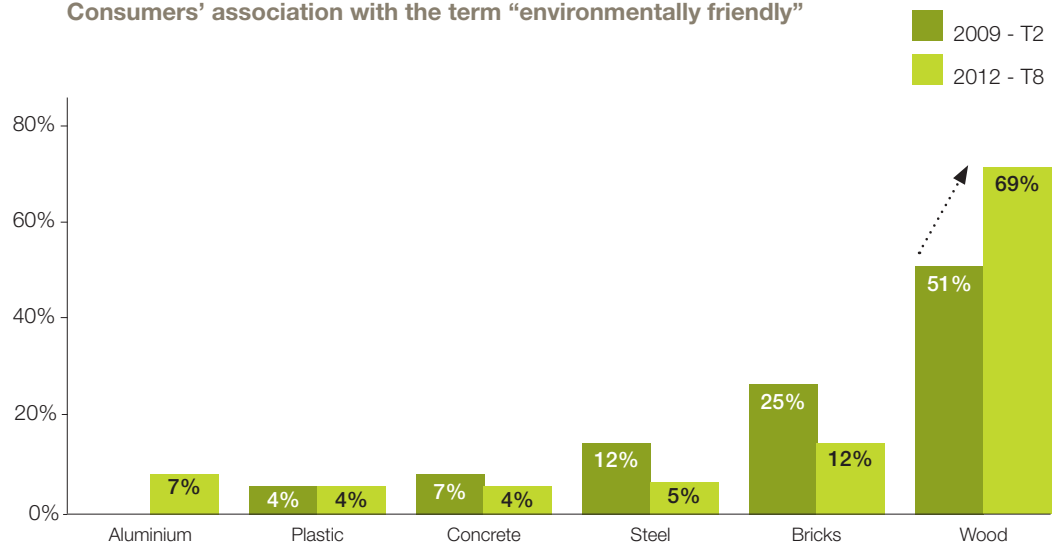
Consumers' understanding of wood and carbon



Source: FWPA consumer tracking studies

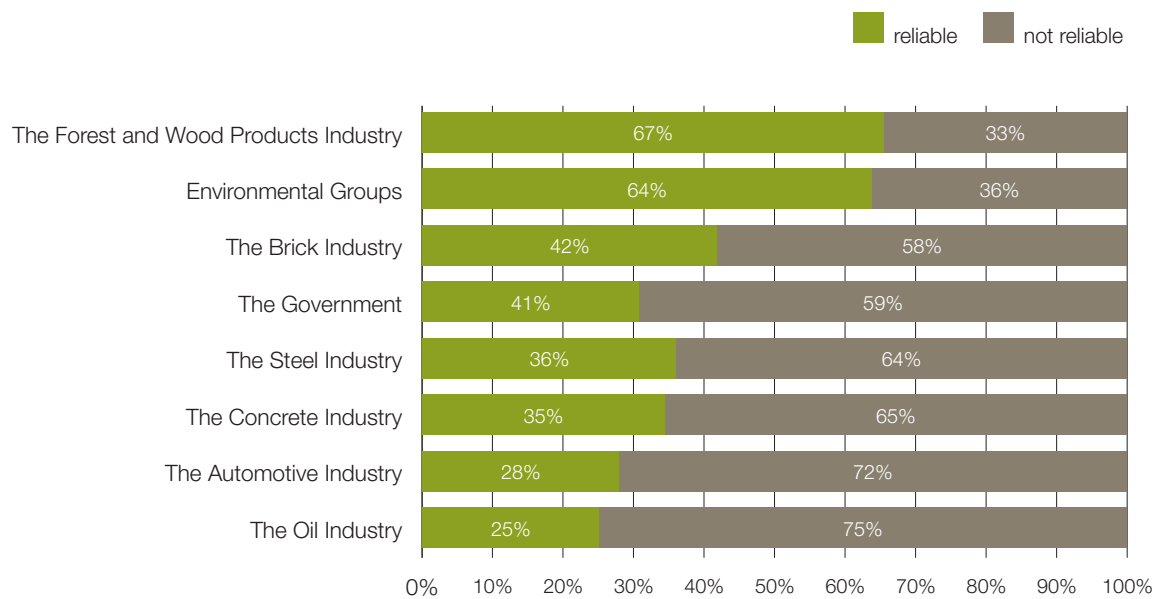
The operating environment

Consumers' association with the term "environmentally friendly"



Source: FWPA consumer tracking studies

Consumers' assessment on the credibility as a source of information about the environment



Source: FWPA consumer tracking studies

The operating environment

However, a positive future for the sector is not guaranteed. Other material groups, such as concrete, steel and plastic composites, are repositioning and redesigning their products to improve environment credentials and performance. The sector also has entrenched critics that continue to oppose industrial-scale forestry in native forests and the conversion of agricultural land to industrial plantations.

More recently, as a consequence of the historically high foreign exchange rates and low housing starts in North America and Europe, there is growing concern about the viability of the domestic manufacturing sector due to lower-priced imports.

Unlike other higher-profile manufacturing sectors (e.g., car manufacturing, aluminium smelting), the potential closure of forest and wood products manufacturing, as well

as the downstream secondary and tertiary manufacturing, has failed to gain widespread public recognition.

Forests provide society with a diversity of products and environmental services. The management of plantations and native forests to produce materials for human use, while protecting environmental values, is central to the development of a truly sustainable society.

In the next decade and beyond, the forest and wood products sector, which grows, harvests, processes, imports and markets wood and woodfibre products, has the potential to increase its already substantial contribution to Australia's economy and environmental sustainability. The sector also has opportunities to develop new tree crops for carbon storage, energy, and emerging new products.

Total Australian forest area	149.4 million hectares
Forest as a proportion of land area	19 per cent
Native forest area	147.4 million hectares
Forest area in nature conservation reserves	23.0 million hectares
Public native forests where timber production is permitted (gross area)	9.4 million hectares
Total carbon stored in forests	>12 billion tonnes
Plantation forest area	2.0 million hectares
Total logs harvested (2011)	26.5 million m ³
Total imports of wood products (2011)	\$4.4 billion
Total exports of wood products (2011)	\$2.3 billion
Number of people employed in ABS categories forestry, logging and wood manufacturing (2011)	66,000
Value of turnover in forest product industries (2010)	\$22.3 billion
Forestry and forest products industries contribution to GDP (2010)	0.6 per cent

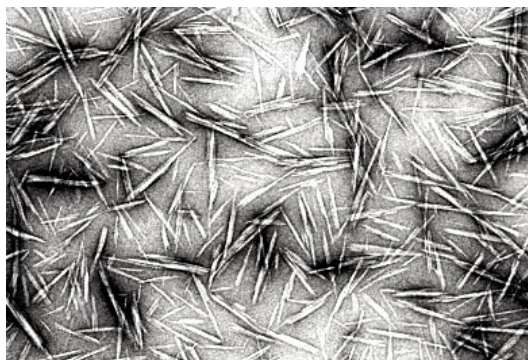
Source: Australia's forests at a glance 2012 - ABARES (2012)

The operating environment

Advantages of forest and wood products

The forest and wood products value chain ranges from the forests with their inherent environmental services through to wood processing, product development, consumer use, reuse, recycling and disposal.

The diverse properties of forest and wood products enable them to be used in a wide range of product types and applications, including building materials, landscaping, packaging, bio-energy, communication papers, sanitary and personal hygiene. This means that the industry affects all Australians, whether or not they are conscious of it.



Forest and wood products have some distinct advantages compared to alternates:

- people like trees and they like wood
- wood can be produced with a wide range of other co-products (i.e., catchment protection, biodiversity, carbon storage)
- wood can be stored ‘on the stump’ for extended periods
- the logistics are predictable
- it is relatively easy to assemble and dis-assemble
- there is opportunity to mix-and-match between different species and grades
- by-products from forest management or processing can be a valuable feedstock for other processes.

Increasingly, innovation in traditional building products and reconstituted products is creating market opportunities that were previously supplied by alternates. For example, cross-laminated timber and other ‘massive’ timber building systems are making timber high-rise buildings a commercial reality. Bio-plastics, wood-based precursor chemicals and new cellulose materials such as nano-crystalline cellulose have the potential to revolutionise the sector.

The operating environment

Drivers of Change

Social licence

Societal demographic changes are continuing to shift and create a gap between the industry and key sections of the community, which affects the industry's social licence to operate. Increasing urbanisation means that there is reduced understanding of the link between consumption and the factors of production. The rise of social media has amplified both the reach and speed of dissemination of campaigns directed against primary production industries. The domestic and international forest and wood products sector is dependent on community support for its continued access to both forested and non forested land to supply the community's growing need for sustainably sourced wood products. Balancing competing demands and understanding community attitudes regarding the place of forestry – whether plantation based or natural – will continue to require industry and community engagement. This will extend along the value chain to community views on the utilisation of forest products, environmental services and the contribution the forest and wood products sector offers to climate change abatement.

Product usage

To be successful, the forest and wood products industry will increasingly need a deeper understanding of traditional and new markets with a particular focus on the key decision makers, their material preferences and the growing importance of customer solutions. Many of the factors affecting traditional markets such as housing are extrinsic, for example: regulation, life cycle performance, housing development density, protection from threats, and affordability. Others depend upon intrinsic design, reuse and recyclability, reliability, utility and quality. Consumer demand for forest and wood products will remain strong provided the industry stays abreast of these trends. To do so, the industry will need to monitor and

understand these trends and undertake timely assessment, analysis and dissemination of market and product information, matched by effective engagement with regulators, standards bodies, specifiers, designers and product innovators.

Climate change

Climate change will have profound implications and create opportunities for Australia's forest and wood products industry. It resonates along the entire product chain, from genetics and ecology to end of product-life. Every facet of forestry, transport, manufacturing, marketing and end use application will be impacted by climate change and by emerging policies and regulations. It encompasses key issues such as water, carbon sequestration, storage and carbon off-set trading, energy and fuel sources, bushfire and biosecurity.

Competitiveness

The industry must compete in an increasingly broad and diverse marketplace that is affected by currency fluctuations, corporate consolidation, changing economies of scale, and innovation and competitiveness of alternative materials. The forest and wood products market is becoming increasingly internationalised; changes in supply and demand can ripple around the global market and the industry requires better and quicker market intelligence. There is growing competition for raw materials and other inputs such as water, land and energy. There is also a shift to new and alternative products and services. Within this business environment, Australia's forest and wood products industry must continue to deliver value for money for its customers, including new or unique products and services, while maintaining an internationally competitive cost structure in relation to alternative materials.

The operating environment

Sustainability

Society increasingly demands that its goods and services are provided from demonstrably environmentally sustainable sources. Within this context, the industry has demonstrable advantages and must be able to balance its inputs and product supply to meet market demands. Increasing forest resource flows are required to meet the economies of scale demanded by the modern market and population growth. The industry needs to continually demonstrate its sustainable management of ecological assets and processes, water, chemicals and energy, and the protection of forests from fire and other hazards. Customers are also seeking more certainty on the provenance of the goods they buy, with increasing preference for evidence of legality, sustainability, utility and re-usability. The demonstration of industry's sustainable forest management and supply chain security, through processes such as independent certification, will be critical in assisting to maintain market confidence and support.

Investment

The current investment climate in the sector is challenging, largely influenced by macro-economic conditions outside the industry's control. In prior years, plantation expansion has been mostly funded directly by governments or through tax-effective investment vehicles, although many of the resultant assets have now been transferred to timber investment management organisations. Plantation expansion has effectively ceased and some regions may undergo a decline in plantation area, which will impact on the attractiveness of investing in domestic processing. Competition for land access by competing broad acre industries, including new plantations established for carbon markets is placing increasing pressure on access to land and workforce

resources. Each regionally based supply chain will need to consider the appropriate economies of scale to maintain or improve its competitiveness. This may require new sources and means of funding and increased collaboration along the supply chain.

National and international collaboration

Changes in information technology, harmonisation of markets and corporate consolidation are driving industry dynamics and creating opportunities for improved national and international collaboration. While competitive tensions will continue to exist, there is a growing need to maximise the effectiveness and efficiency of investments and minimise duplication. In relation to R&D, the National RD&E Forum established under National Primary Industries RD&E Framework is aiming to identify national R&D priorities and to improve mechanisms for coordination. Other areas of national and international collaboration exist to support and leverage industry activities in generic marketing, standards coordination and statistics and economics coordination.

Industry capability

For an industry to be successful, it must be able to overcome its capability constraints in the context of an increasingly mobile workforce, competition for high-quality personnel and evolving expectations of a modern workplace. The forest and wood products industry will need to embrace more fully a culture of innovation, including knowledge generation and adoption, technical transfer, skill development, continuous improvement and international best practice, in a consistent, continuous and sustained manner.

The operating environment

Strategic analysis of FWPA and its environment

Importance rankings

- A:** Critical to the future existence of the company
- B:** Important to longer-term stability and effectiveness of the company
- C:** Required as part of best practice and continuous improvement

STRENGTHS

	Importance (A/B/C)
Consistent and predictable revenue stream and confidence to make long-term commitments	A
Government has endorsed RDC model	A
Strong corporate governance	A
Industry services and R&D role provides credibility to external stakeholders	A
Good networks within industry	A
Co-investment and collaborative business model	A
Good relationship between Board and management	B
Strong strategic planning process and priority setting	B
Whole-of-industry approach (except pulp and paper)	B
Expanding capacity for information dissemination	B
Benefit-cost analyses demonstrate high ROI	C

WEAKNESSES

Industry's willingness/ability to pay for collaborative programs	A
Short-term focus pressure will lead to loss of capacity for long-term	A
Ability to provide regular communication with senior industry executives, as well as operational staff, in their preferred format	A
Time and cost involved in meeting statutory and other compliance requirements	B
Reliance on key suppliers	B
Speed of implementation	B

Ranking

- H(igh):**
High impact on FWPA
- M(edium):**
Moderate impact on FWPA
- L(ow):**
Low impact on FWPA

OPPORTUNITIES

	Rank (H/M/L)	Prob (H/M/L)
Potential to increased levy revenue (0.2% to 0.5%GVP)	H	L
Ability to get Government matching for voluntary contributions for R&D following legislative changes	H	H
Stronger partnerships with building specifiers	H	H
Greater adoption and use of research outputs	H	M
Demonstrate the benefits from collaboration innovation and increase industry support	H	M
Plantation volumes increasing revenue in short term	M	H
Increasing linkages between researchers and industry	M	M
Developing cooperative R&D partnerships within Australia and internationally	M	M
Engagement with key stakeholders and industry associations	M	M

Probability of occurrence

- H(igh):**
High likelihood to occur over the five-year plan
- M(edium):**
May occur over the five-year plan
- L(ow):**
Unlikely to occur over the five-year plan

THREATS

Capacity/capability of research providers is declining	H	H
Skills base in industry/demographics changing	H	M
Reduction in forest plantation estate	H	H
Low industry financial returns	H	H
Lack of appreciation of R&D and innovation in industry	M	H
Industry's social licence to operate under threat	M	M
No or low growth in productivity of forest resources and processing	M	H
International ownership of industry may reduce domestic investment in R&D and collaboration	L	M

The operating environment

Consultation process and key messages

The overall sentiment from the Summit was:

There was clear support for the continued role of FWPA. It was acknowledged that the company was performing well with high levels of governance and credibility ... There was also conditional support for increased levies if a business case showed the benefits to levy payers based upon the quantum of increase and the overall benefit to industry from key program investment.

Australian Business Class (2012)

As the forest and wood products industry's national service company, FWPA has consulted (and will continue to regularly consult) with member companies, levy players and industry associations and other stakeholders about its operating environment, investment priorities and desired outcomes.

In February 2012, the company convened a Summit of the boards of the four national representative bodies recognised under the company constitution, as well as other key company members and levy payers. The Summit sought specifically to answer the following questions:

- Are collaborative programs important for the industry's future?
- If so, what programs are the highest priority?
- What programs should be managed by FWPA on the industry's behalf?
- What programs is the industry prepared to fund?

A subsequent meeting was held in July to review a comprehensive business case for an expansion of FWPA's activities.

These meetings, plus other consultations, acknowledged the prevailing economic climate within which the industry is operating and the constraints that this has placed upon the capacity of levy players to lift levels of investment in the short term. However, consultation also recognised the desirability of improving investment levels in the future when trading conditions strengthened.

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 FWPA Board views industry consultation and the key messages from members and stakeholders as critical considerations in the formulation of R&D and other program priorities and investment decisions. Such consultation is vital to maintain the forest and wood products sector's confidence in, and enthusiasm for, the activities of FWPA. It is also vital to the ability of these activities to contribute in a substantial way to both the future commercial prospects on the industry and the broader social and environment goals of the country.

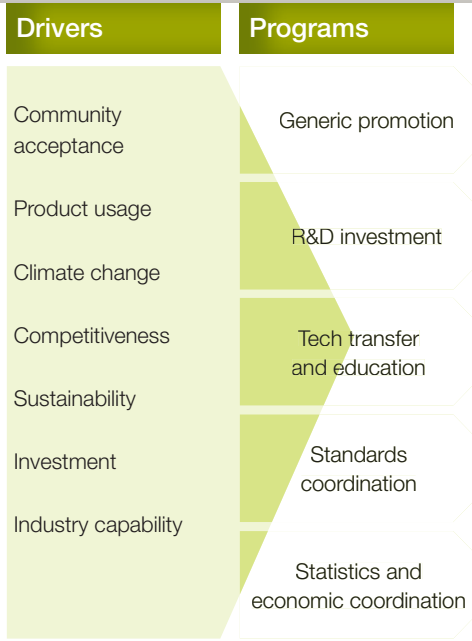
The Australian Government is an important contributor to FWPA through matching payments for eligible R&D activities. The Government's priorities and the Rural R&D Policy Statement have been explicitly considered in the development of this plan.

As required by the Statutory Funding Agreement, formal consultation is required for the development of this plan with the Australian Government and 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.

The final version of this plan, as adopted by the FWPA Board by resolution, incorporates the feedback from this formal consultation.

Outcomes and programs 2013/2018



- ### Outputs
- Structured promotion campaigns
 - Assessment reports of customer needs and market trends
 - Concise value proposition of forest and wood products for key audiences
 - Trend analysis of community attitudes
 - Engagement with and informing key regulators that impact the industry and its markets
 - Investment plans for each of the R&D priorities
 - Research outputs that align to the objectives of the investment plans and can be easily used by all stakeholders
 - Research providers that understand the industry and its needs
 - Clear management of intellectual property
 - Easy access to R&D findings via website, publications, seminars and conference presentations
 - Gap analyses, reports and databases on professional skills and capabilities
 - Targeted educational and development programs that focus on the industry and its products
 - Expanded knowledge base and ability to access professional human resources
 - Identification and analysis of the industry's priorities for building codes and standards
 - Regular communication with industry about the key standards and building codes and their impact on market access
 - Effective and efficient management of the standards development process, including the adoption of alternative development pathways
 - Training resources for the key standards and codes with industry and building specifiers
 - Improved coordination and building better systems for data collection and analysis
 - Development of a secure, online portal for the consolidation of and access to key statistical data series
 - More efficient working relations with ABARES and other statistical data gathering and analysing agencies
 - Enhanced appreciation of industry's statistical data and analysis needs

- ### Outcomes
- Increased consumption of forest and wood products, including in the commercial construction sector
 - Improved community and market awareness of, and satisfaction with, forest and wood products
 - Improved community understanding of the socio-economic and environmental benefits of the industry
 - Enhanced relationship with architects, specifiers and builders and with environmental non-government organisations
 - Improved and new products matched to market needs
 - Increased industry productivity and competitiveness
 - Increased adoption of R&D findings
 - Improved industry investment confidence through reduced risk
 - Improved industry understanding and support for R&D
 - Enhanced sustainability as measured in economic, social and environmental terms
 - Increased availability of skilled personnel
 - Development and uptake of new and existing industry-oriented educational programs or resources
 - Improved interest and awareness of the industry as a career choice
 - 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
 - Increased confidence in statistics and economic data
 - Provision of timely and useful statistical-based information to assist business planning and decision-making
 - Improved recognition of the value of statistical and economic data sets for industry applications
 - Reduced direct and indirect business costs arising from the reduction of uncertainty associated with present mechanisms for data collection and analysis



Outcomes and programs 2013/2018

Program 1 Generic Promotion

Rationale

Forest and wood products are sustainable and desirable materials with many competitive advantages

FWPA plays an important cost-effective role promoting the benefits of forest and wood products generically, underpinning the more specific promotional efforts of individual sectors and producers in the industry

Priorities

- Consumer advertising and Planet Ark alliance
- Building specifier marketing strategy – WoodSolutions
- Trade and industry marketing – Wood. Naturally Better.™

Objectives (Years 1 – 2)

- Delivery of updated consumer advertising program in partnership with Planet Ark
- Ongoing support of WoodSolutions program including website lectures, conferences and in house/onsite delivery of training and reference materials to architects, engineers and builders.

Additional objectives (Year 3 onwards)

- Expansion of ongoing programs as permitted by available funding resources

Potential future activities (dependent on additional funding):

- Fieldforce with a focus on commercial building sector to expand the application of new building solutions
- Promotion of independent certification and other environmental credentials of the forests and wood products sector
- Engagement with a broader cross section of stakeholders, including climate change advocates and market influencers, to improve the industry's social licence to operate
- Assisting building and procurement programs to place improved emphasis on the use of wood products

Inputs	Outputs	Outcomes
<ul style="list-style-type: none"> • About 40% of FWPA's investment budget • Sponsorship and partnerships with industry associations, professional bodies and environmental non-government groups • Professional and cost effective suppliers • Domestic and international experience with promotional activities • Verifiable facts about the industry and its products • Existing and continually updated information on community attitudes consumer preference and markets. 	<ul style="list-style-type: none"> • Structured promotion campaigns • Assessment reports of customer needs and market trends • Concise value proposition of forest and wood products for key audiences • Trend analysis of community attitudes • Engagement with and informing key regulators that impact the industry and its markets 	<ul style="list-style-type: none"> • Increased consumption of forest and wood products, including in the commercial construction sector • Improved community and market awareness of, and satisfaction with, forest and wood products • Improved community understanding of the socio-economic and environmental benefits of the industry • Enhanced relationship with architects, specifiers and builders and with environmental non-government organisations

Outcomes and programs 2013/2018

Program 2 Research, Development and Extension

Rationale

Innovation drives ongoing prosperity in any industry and well-focussed R&D can be a major driver of innovation

FWPA plays a vital role delivering R&D on behalf of the forest and wood products industry, especially in areas where individual players do not have the scale to support such R&D and where outcomes can be broadly captured across the industry

FWPA can ensure effective investment of Government matching funds in projects delivering industry and community benefits

Priorities		
<ul style="list-style-type: none"> Market access RD&E: <ul style="list-style-type: none"> – Timber in commercial construction – Wood as a sustainable material 	<ul style="list-style-type: none"> Forest growing RD&E: <ul style="list-style-type: none"> – Quality, yield and tools for estate management – Maximising product yields and values of current forest resources – Climate change and adaption – Forest biosecurity and preparedness 	<ul style="list-style-type: none"> Technology transfer and extension support
Objectives (Years 1 – 2)		
<ul style="list-style-type: none"> Industry-focused RD&E outputs targeted towards improved resource utilisation, improved profitability and market growth Support and coordination of regional technology transfer seminars and workshops highlighting the results of recently completed projects and the associated stakeholder opportunities 		
Additional objectives (Year 3 onwards)		
<ul style="list-style-type: none"> Reactivation of currently stalled RD&E investment plans subject to available funding resources Co-investment in future research consortiums and programs targeting stakeholder research priorities 		
Potential future activities (dependent on additional funding):		
<ul style="list-style-type: none"> Market access RD&E: <ul style="list-style-type: none"> – Timber in residential construction 	<ul style="list-style-type: none"> Wood processing RD&E 	<ul style="list-style-type: none"> Forest growing RD&E: <ul style="list-style-type: none"> – Genetics and tree improvement – Water use and access
Inputs	Outputs	Outcomes
<ul style="list-style-type: none"> About 40% of FWPA's investment budget National and rural research priorities and other Government priorities as required National RD&E Strategy and cross-sector strategies where appropriate Existing and new research partnerships, both domestically and internationally Information on best practice for knowledge dissemination and adoption 	<ul style="list-style-type: none"> Investment plans for each of the R&D priorities Research outputs that align to the objectives of the investment plans and can be easily used by all stakeholders Research providers that understand the industry and its needs Clear management of intellectual property Easy access to R&D findings via website, publications, seminars and conference presentations 	<ul style="list-style-type: none"> Improved and new products matched to market needs Increased industry productivity and competitiveness Increased adoption of R&D findings Improved industry investment confidence through reduced risk Improved industry understanding and support for R&D Enhanced sustainability as measured in economic, social and environmental terms

Outcomes and programs 2013/2018

Program 3 Capacity and Education

Rationale

The forest and wood products industry – and the Australian economy generally – rely on a continued supply of skilled participants at all levels

The current industry downturn means that it is not actively recruiting but can be expected to do so in future due improved conditions and changing demographics

There is a need to focus on ensuring that future school leavers are aware of the sector and its economic and environmental contribution

The industry focus of FWPA and its role as a manager of R&D make it ideally placed to coordinate the industry's support for the development of syllabus content and to target it to the areas of greatest need

Priorities

- Development and distribution of relevant forest and wood product content in education programs – ForestLearning

Objectives (Years 1 – 2)

- Delivery of appropriate teaching resources to primary and secondary schools

Additional objectives (Year 3 onwards)

- Funding of postgraduate scholarships and career development fellowships
- Support for industry workforce promotion programs

Potential future activities (dependent on additional funding):

- | | | |
|-----------------------------|------------------|-----------------------|
| • Postgraduate scholarships | • GrowingCareers | • Mid-career programs |
|-----------------------------|------------------|-----------------------|

Inputs	Outputs	Outcomes
<ul style="list-style-type: none"> • About 5% of FWPA's investment budget, to include existing targeted funds for post-graduate and fellowship programs • Analyses of the industry's professional skills resources • Outputs from R&D investment plans • Information on best practice for curricula and other program development • Strong relationships with education providers, Industry skills councils and other key organisations 	<ul style="list-style-type: none"> • Gap analyses, reports and databases on professional skills and capabilities • Targeted educational and development programs that focus on the industry and its products • Expanded knowledge base and ability to access professional human resources 	<ul style="list-style-type: none"> • Increased availability of skilled personnel • Development and uptake of new and existing industry-oriented educational programs or resources • Improved interest and awareness of the industry as a career choice

Outcomes and programs 2013/2018

Program 4 Standards coordination

Rationale

Effective management of building codes and standards is critical for forest and wood products to maintain or improve their market access

This function is most efficiently and effectively addressed at the level of industry rather than individual firms

FWPA is a knowledgeable, efficient and cost-effective standards coordinator because of its whole-of-industry perspective

Priorities

- Material standards and building codes

Objectives (Years 1 – 2)

- Coordination of industry input and engagement to proposed standards changes of relevance to the National Construction Code

Additional objectives (Year 3 onwards)

- Subject to available resources, program activities will be expanded to further codes and standards impacting timber product market access

Potential future activities (dependent on additional funding):

- Nil

Inputs	Outputs	Outcomes
<ul style="list-style-type: none"> • About 5% of FWPA's investment budget • Prior industry experience with building codes and standards • Consultation within industry and with similar organisations involved in building codes and standards • Strong relationship with Standards Australia, the Australian Building Codes Board and State regulators 	<ul style="list-style-type: none"> • Identification and analysis of the industry's priorities for building codes and standards • Regular communication with industry about the key standards and building codes and their impact on market access • Effective and efficient management of the standards development process, including the adoption of alternative development pathways • Training resources for the key standards and codes with industry and building specifiers 	<ul style="list-style-type: none"> • 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

Outcomes and programs 2013/2018

Program 5 Statistics and economic program coordination

Rationale

Industry statistics and economic analysis are vital for sound decision-making by individual firms in any industry

FWPA's understanding of the forest and wood products industry makes it uniquely placed to manage the provision of relevant, insightful market intelligence

Priorities

- Reduce existing frustration and uncertainty related to statistical data collection and analysis
- Produce statistical data sets that assist industry business performance, including a dedicated on-line portal
- Identify data sets and related analysis that will support timely and enhanced business planning and decision-making
- Engage with data providers to improve the utility of statistical information for industry
- Review statistics availability to identify additional data sets that will improve industry business performance

Objectives (Years 1 – 2)

- Establishment of industry reference group
- Development and launch of industry statistics portal
- Incorporation of current sawn softwood timber programs into FWPA-managed program
- Initiation of national production and inventory reports, import and export trade volume and product pricing indices
- Initiation of market demand forecasting reports

Additional objectives (Year 3 onwards)

- Benchmarking of industry competitiveness against trading partners
- Monitoring and reporting of trends and indicators in competitor markets both national and international

Potential future activities (dependent on additional funding):

- Enhance the content of the on-line statistics portal and its utility for industry applications
- Initiate an industry training program to assist in statistics interpretation and use in business planning and decision-making

Inputs	Outputs	Outcomes
<ul style="list-style-type: none"> • About 10% of FWPA's investment budget • Experience and knowledge of statistics and economic data sets, their availability, analysis and utility • Coordinated input across forest and wood product activities in relation to statistical and economic data capture, interpretation and application 	<ul style="list-style-type: none"> • Improved coordination and building better systems for data collection and analysis • Development of a secure, online portal for the consolidation of and access to key statistical data series • More efficient working relations with ABARES and other statistical data gathering and analysing agencies • Enhanced appreciation of industry's statistical data and analysis needs 	<ul style="list-style-type: none"> • Increased confidence in statistics and economic data • Timely and useful statistical-based information to assist business planning and decision-making • Improved recognition of the value of statistical and economic data sets for industry applications • Reduced direct and indirect business costs arising from the reduction of uncertainty associated with present mechanisms for data collection and analysis

Outcomes and programs 2013/2018

Measures of success

Program	Measures of success	How measured
1 Generic Promotion	1. Increased consumer awareness of advertising and/or brand awareness and improved perceptions of wood as environmentally positive and suitable material	Periodic consumer tracking surveys
	2. Increased building specifier awareness of activities and improved perceptions of wood as environmentally positive and suitable material	Website tracking, participation in seminars and periodic opinion surveys
	3. Greater understanding of the role of wood products in future construction applications	Market share statistics
	4. Industry support of generic promotion activities	Participation in the partner program (and use of logos and materials) and promotional activities, periodic opinion surveys and invitations to present the program at industry events
	5. Delivery of promotional activities in accordance with the annual operations plan, marketing plans and budget.	Reviewed and reported in the annual report
2 Research, Development and Extension	1. Increase in the acceptance and accuracy of periodic benefit-cost analyses (BCA) by industry and government stakeholders and BCA ratios equal or better than other comparable R&D investors	Assessed via stakeholder feedback
	2. Industry and researcher engagement with FWPA's R&D investment priorities and plans	Level of consultation, web downloads and reduced number of <i>ad hoc</i> research requests
	3. Increase industry adoption and Government awareness of iconic or 'hero' R&D project outcomes	Periodic opinion surveys
	4. The amount of additional industry or Government R&D funding (non-levy and matching) that is invested or co-invested utilising FWPA's systems	Tracked by financial year summaries
	5. Participation in FWPA tech transfer activities	Numbers of attendees, subscribers and web downloads

Outcomes and programs 2013/2018

Program	Measures of success	How measured
3 Capacity and Education	1. Industry and Government support of education activities	Participation in programs, formal consultation and <i>ad hoc</i> surveys
	2. Uptake of education program activities by the target user group	Numbers of applicants, web downloads, and requested materials and/or presentations
4 Standards coordination	1. Increased participation in FWPA standards activities	Number of applicants to join the advisory group and on the communications network
	2. A reduction in the number of Australian Standards and codes that directly impact on the industry and its access to markets	Reported changes to relevant Australian Standards each financial year
	3. The amount of support (or lack of dissent) on proposed changes to standards and building codes	Assessed via member and stakeholder feedback
	4. Increased uptake of standards	Number of attendees at training sessions, downloads of revised standards
5 Statistics and economic program coordination	1. Increased participation in FWPA statistics and economics programs	Number and seniority level of industry and stakeholder participation
	2. Contributions of industry data to statistics portal	Measured by percentage of national volumes
	3. Increased industry and stakeholder awareness and utilisation of FWPA generated industry statistics products	As measured by recorded web site downloads and third party citations

Outcomes and programs 2013/2018

Program	Measures of success	How measured
Corporate	1. Superior corporate governance as measured by compliance with all legal, constitutional and contractual obligations	Internal and external audits and the periodic independent review as required under the Statutory Funding Agreement
	2. Positive stakeholder relationships as measured by number of company members, feedback form 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	Assessed through tracking of number of relevant applications and responses to informal stakeholder surveys
	3. A corporate culture focused on continuous improvement and alignment with stakeholder needs	Assessed via formal and informal stakeholder feedback
	4. Robust systems with appropriate disaster recovery mechanisms as measured via the risk management plan and internal audit reviews	Assessed by internal and external audit programs
	5. Timely and cost-effective implementation of the five-year strategy plan, annual operations plans and investment plans	Assessed via external company review at completion of Statutory Funding Agreement

RD&E portfolio profile

Alignment with Rural R&D Policy Statement

This plan is consistent with the Government's Rural R&D Policy Statement and its guidelines for implementing national research priorities. In particular, the plan aims to be:

- **Flexible, collaborative and coordinated:** adopts a flexible approach to explore innovative ways to increase scale of effort in priority areas through enhanced collaboration and coordination mechanisms
- **Output and outcomes focused:** focuses on what is to be achieved, with high level guidance on how it is to be achieved

- **Based upon its mandate from industry and Government:** seeks to understand, work with and respond to the needs of the Australian forest and wood products industry
- **Efficient and transparent:** promotes efficiency and transparency, seeking to utilise existing structures, planning processes and reporting arrangements, where appropriate

The linkage between Government investment priorities and FWPA programs is shown below:

National Research Priority	Rural Research Priority	FWPA programs
An environmentally sustainable Australia	Natural resource management	Invest in and coordinate R&D 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
	Climate variability and climate change	
Safeguarding Australia	Biosecurity	
Frontier technologies for building and transforming Australian industries		Grow the industry's capacity and capability, in knowledge generation and adoption, and promotion, to facilitate expansion
		Increase FWPA's capacity and scope to provide services for the industry's benefit
Promoting and maintaining good health	Productivity and adding value	Promote the benefits and usage of forest and wood products, in accord with changing community attitudes, environmental awareness, and market trends
	Supply chain and markets	
		Coordinate the collection and analysis of key industry statistics and other economic analyses to support commercial decision-making and policy development within the sector

Notice has been provided that the Chief Scientist is reviewing the national research priorities and any adopted changes will be considered by the Board in a timely manner.

RD&E portfolio profile

Risk/return balance

As an industry owned company and reflecting the outcomes of recent stakeholder consultation and reported market trading conditions as per the Chair's preface to this strategic plan, the large majority of FWPA's investments will be focussed on projects designed to deliver tangible stakeholder outcomes within the H1 growth horizon (to defend and extend current core business). A small level of investment activity (<10%) would focus on benefits delivered within the H2 horizon (building momentum of emerging new industry) with strategic leveraged investments into H3 activities (options for future businesses) driven primarily by industry support and the availability of external funding resources. This risk/return balance will be reconsidered if additional funding becomes available over the life of this plan.

Investment process

FWPA will ensure its investments in projects and promotional activities align with industry's short and longer term objectives and Government priorities consistent with its mission and funding agreements.

This will be achieved by ensuring investment in a portfolio of projects that address the FWPA priority themes within each of the five programs described in this strategic plan.

The funding allocation for investment in projects addressing the FWPA priorities will be adjusted annually to reflect shifts in industry's and Government's priorities, policies and opportunities.

Investment decisions regarding specific projects and activities will:

- Address FWPA's priorities
- Be informed by the advice and recommendations of relevant industry advisory groups
- Welcome and encourage input on priorities from industry's executives, technical and representative bodies
- Recognise levy payer contributions and interests.

Plan development and implementation

Context

Under the Statutory Funding Agreement (SFA) signed with the Australian Government, FWPA is the designated Industry Service Body as required by the *Forestry Marketing and Research and Development Act 2007*.

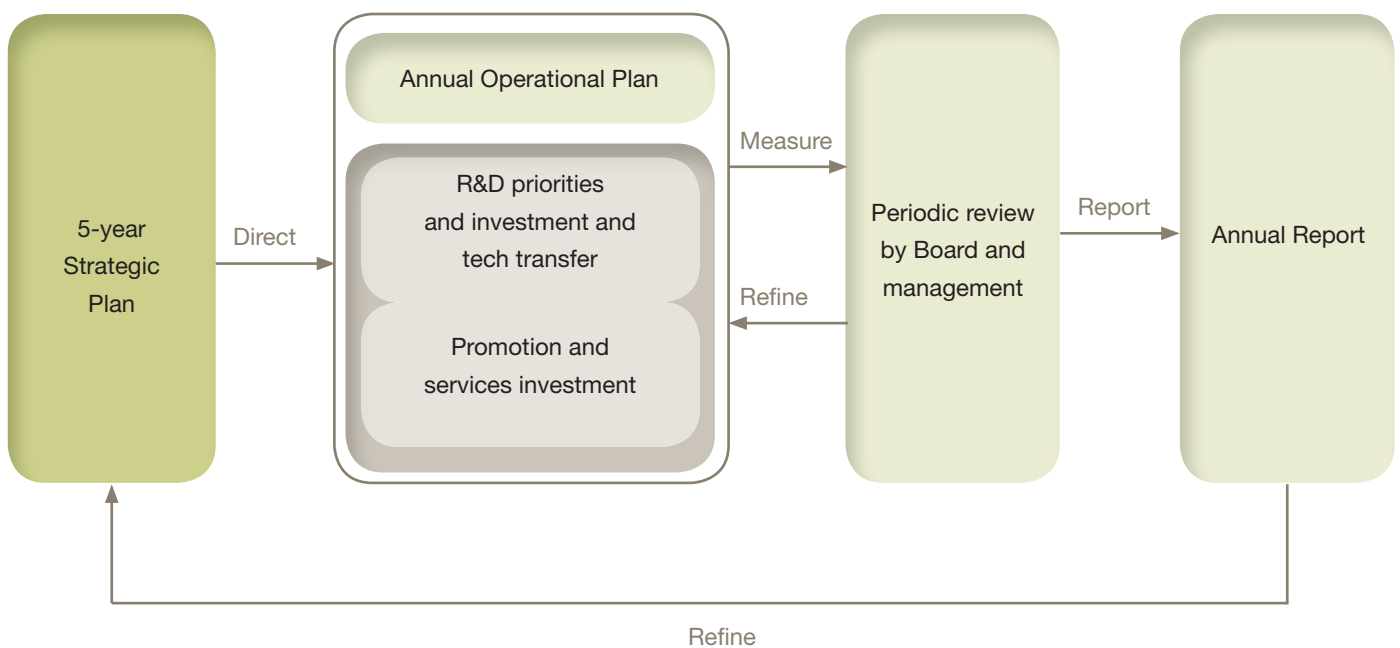
The current SFA covers the five years from 2012 to 2017. Among the obligations of FWPA set out in the SFA are several provisions in relation to the development, review and content of a strategic plan.

This strategic plan has been structured to address government's requirements and to communicate to members and levy payers about the strategic intent of the company.

This strategic plan sets out why FWPA exists, what it aims to achieve, and how it will do

so. It is cast at a strategic, five-year level, and directs the annual planning, report and review process. The content of the plan was developed in close consultation with the FWPA membership (see 'Consultation process and key messages' above).

The strategic plan provides direction for Annual Operations Plans (AOP) that set annual priorities and expenditure and income budgets. The AOP is periodically reviewed by the Board and management, who are also responsible for providing the FWPA Annual Report. The strategic plan will be reviewed as part of each year's planning process, and following adoption by the Board, it will be distributed to company members and made publicly available on the corporate website.



Plan development and implementation

Monitoring and evaluation

FWPA recognises the critical importance of monitoring and evaluating all of its activities, so that:

- Stakeholders can readily discern the value delivered by FWPA
- The organisation is continuously learning and improving what it does.

FWPA's monitoring and evaluation framework includes:

- The WoodBase system for managing R&D projects and programs. The system allows the ready monitoring of all R&D projects, against technical deliverables, time and budget, by management
- A schedule of milestones for each projects, thrice-yearly in the case of large, multi-year projects. Standard templates assist the reporting process
- The appointment of a steering committee, made up of funders, research providers and other stakeholders, including users of the project outcomes, to oversee each R&D project. Project steering committees play a role in monitoring the project and endorsing (or otherwise) milestone reports, as well as advising on the commercialisation or extension of project outcomes
- Performance reviews of each project at completion. This process examines aspects of the project's management, delivery and levy payer engagement. The reviews are completed internally by FWPA staff and are used to inform the selection and management of future projects
- Detailed benefit/cost analyses of a selection of projects each year. The results of these analyses are reported in the annual report and inform the selection and management of future projects

- Three industry advisory groups (Market Access and Development, Solid Wood Processing and Sustainability and Resources) and two reference groups (Standards Coordination and Statistics and Economics) play an important role in monitoring and evaluation at program level.

Communication, extension and adoption

FWPA is committed to ensuring effective communication with all stakeholders as an essential prerequisite for the success of this strategic plan, and structured targeted communication activities will support all strategies.

Existing channels of communication will be utilised wherever possible to secure FWPA's natural positioning within the industry it serves, with Government and with service providers. Beyond these immediate stakeholders, FWPA will ensure there is timely and accessible information flow between it and the wider community, the market and linked industry groups.

Organisational structure

FWPA is structured to most efficiently deliver this plan and thereby attain its vision. Strong links with the industry are essential, and are achieved through representation on the Board and industry advisory groups. This ensures that priority themes benefit all parts of the industry.

Because of the crucial role of Government in the plan, Government liaison will be a regular activity to manage statutory compliance requirements and communication to ensure FWPA's R&D activities align with Government priorities.

The structure of FWPA is directly defined by the mission and operational programs of the organisation.

Plan development and implementation

Cross-sectoral, cross-organisational collaboration

Wherever possible, FWPA seeks to invest resources into collaborative activities and where relevant cross sectoral in order to maximise the return on levy funds expended and to access specific skills and resources to address key industry priorities. FWPA will seek to engage with Cooperative Research Centres (CRCs), CSIRO flagship initiatives and, where relevant to its industry stakeholders, the range of Council of Rural Research and Development Corporation (CRRDC) cross sectoral initiatives, such as the climate change research strategy for primary industries (CCRSP).)

FWPA provides and coordinates resources committed to 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.

Financials

FWPA's revenue arises from a levy contribution from industry and a co-contribution from the Australian Government.

The industry's financial contribution is a fixed levy rate based on each company's volume of activity for each of the industry sectors. In addition, FWPA receives monies collected under the *Primary Industries (Customs) Charges Act 1999* from imported timber products. The rate varies dependent on the product type and related Ministerial determination.

The Government's contribution matches industry's levy contributions where these are invested specifically in R&D activity, up to a maximum of 0.5% of the industry's gross value of production.

The industry levy rate assumed in this plan is shown below:

Industry levy rates

Levy class	Levy category	Unit	Current levy rate
Private grower levy	Grower	m ³ round log	\$0.05
Government grower levy	Grower	m ³ round log	\$0.05
Hardwood sawlog	Solid wood processor	m ³ round log	\$0.29
Softwood sawlog	Solid wood processor	m ³ round log	\$0.29
Softwood low grade/roundwood	Solid wood processor	m ³ round log	\$0.08
Cypress	Solid wood processor	m ³ round log	\$0.22
Hardwood woodchip	Exporter	m ³ round log	\$0.035
Softwood woodchip	Exporter	m ³ round log	\$0.00
Wood panel	Engineered wood processor	m ³ round log	\$0.10
Plywood & veneer	Solid wood processor	m ³ round log	\$0.15
Importer charge	Importer	m ³ finished product	\$0.725
Pulp and paper	Pulp and paper	m ³ round log	\$0.00

Note: importer charge will vary based on product and is set at a nominal conversion rate to match the equivalent domestic log levy.

Financials

Two of the original FWPA levies have been held at a zero rate since the establishment of the FWPRDC: exports of softwood logs and woodchips plus domestic pulp and paper manufacturing. Given the current market pressures being experienced by FWPA levy payers, it is proposed that discussion will be initiated with non-levied sectors to determine their willingness to develop and participate in future collaborative industry activities.

The forecast of levy income for the period 2013/14 through 2017/18 based on expected volumes and the current levies is shown below:

Production volumes and levy income

Levy type	Forecast 2013/14	Forecast 2014/15	Forecast 2015/16	Forecast 2016/17	Forecast 2017/18
	\$'000	\$'000	\$'000	\$'000	\$'000
Grower levy	\$663	\$675	\$687	\$700	\$713
Voluntary grower levy	\$463	\$474	\$485	\$495	\$507
Woodchip	\$198	\$202	\$206	\$210	\$214
Wood panel	\$71	\$72	\$74	\$75	\$77
Ply and veneer	\$84	\$85	\$87	\$89	\$90
Cypress	\$36	\$36	\$37	\$38	\$39
Hardwood	\$489	\$498	\$508	\$518	\$529
Softwood sawlog	\$1,609	\$1,641	\$1,674	\$1,707	\$1,741
Softwood low grade/roundwood	\$277	\$283	\$288	\$294	\$300
Importer charge	\$926	\$945	\$964	\$983	\$1,003
TOTAL	\$4,816	\$4,911	\$5,010	\$5,109	\$5,213

Note: The voluntary grower levy forecast assumes that all State agencies continue to participate and there are no further privatisation over the period of the plan.

Financials

The amount of income received from the Australian Government in matching payments will vary in accordance to the company's investment allocation into matched and non-matched activities. This is conservatively estimated to be the following:

Estimated Government matching

	Forecast 2013/14 \$'000	Forecast 2014/15 \$'000	Forecast 2015/16 \$'000	Forecast 2016/17 \$'000	Forecast 2017/18 \$'000
Government matching	\$2,692	\$2,739	\$2,786	\$2,835	\$2,884

In previous years, and in response to stakeholder support, FWPA funded a number of new initiatives from its cash reserves as a means of commencing pilot programs and demonstrating the benefits of collaborative programs. With the current cash reserves now approaching the company's prudential limits, the company will adjust annual expenditure to ensure a balance between

expected revenues and adequate cash reserves. If economic conditions improve, the Board will consider reactivating discussions with industry about funding an expanded program, as previously identified in the business case.

The expected expenditure by program for the period of the plan is shown below:

Estimated expenditure by program

Program expenditure	Forecast 2013/14 \$'000	Forecast 2014/15 \$'000	Forecast 2015/16 \$'000	Forecast 2016/17 \$'000	Forecast 2017/18 \$'000
Generic Promotion	\$2,723	\$2,777	\$2,833	\$2,890	\$2,947
Research, Development and Extension	\$2,711	\$2,765	\$2,821	\$2,877	\$2,934
Capacity and Education	\$621	\$633	\$646	\$659	\$672
Standards Coordination	\$307	\$313	\$319	\$326	\$332
Statistics and Economics Coordination	\$1,334	\$1,361	\$1,388	\$1,416	\$1,444
TOTAL	\$7,696	\$7,849	\$8,007	\$8,168	\$8,329

Corporate governance statement

FWPA's formation, activities, reporting and operational protocols are governed by the *Corporations Act 2001*, the FWPA Constitution, the Statutory Funding Agreement and associated legislation that enabled FWPA to be declared the industry services body for the forest and wood products industry. These provide FWPA's overarching corporate governance requirements.

FWPA's governance systems are designed to ensure the disciplined, transparent and efficient operation of FWPA and its finances. They aim to protect and steward the committed assets of the industry and of government, including reputation. They seek to instil an overall culture and operating environment of continuous improvement, where the industry and the community will receive the optimum return on the investment of the funds under FWPA direction.

FWPA will be proactive in identifying the priorities of all stakeholders, particularly industry and government. The company will work cooperatively with the Australian Government to ensure timely adoption of any additional corporate governance requirements identified within the Government's Rural R&D Policy Statement.

Under its constitution FWPA's Board comprises between five and nine Directors, including the Managing Director, at least two of which are Independent Directors. At present, the Board has seven Directors.

The Board's governance responsibilities include:

- establishing FWPA's vision, goals and strategic direction
- commissioning the preparation of, and approving, a five year strategic plan (this plan), annual operations plans, investment plans and annual reports
- ensuring the appropriate allocation of resources to strategies and priorities
- formulating and promulgating policies for the efficient operation of FWPA
- implementing business risk, and fraud management and intellectual property policies and frameworks
- overseeing audit procedures (internal and external)
- monitoring, assessing and reporting on FWPA's performance, including that of its staff and the Board.

Although independent of the Australian Government, FWPA recognises the crucial role of government in providing public resources, advice on priorities, access to Service Providers, and the benefits of a wider community view to inform FWPA's operations.