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# ANNUAL REPORT

# 2012/1

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Program 2

Program 3

Program 4

Program 5

Financial statements

### Research projects

< Page 🕨

# CONTENTS

HIGHLIGHTS
CHAIRMAN'S REPORT
MANAGING DIRECTOR'S REPORT
COMPANY OVERVIEW
Industry services company
Accountability to stakeholders
Corporate governance
The 2013 –18 Strategic Plan
Financial summary
Statutory Funding Agreement
Aligning with national priorities
PEOPLE
The Board
FWPA staff
FWPA members
PROGRAM 1: GENERIC PROMOTION
Objective
Stakeholder benefits
Background
Targeting audiences with branded communication channels
Key activities
Looking ahead
PROGRAM 2: RESEARCH, DEVELOPMENT AND EXTENSION (RD&E)
Objective
Stakeholder benefits
Background
Identifying and quantifying returns on investment
FWPA investment priorities realignment
R&D planning and investment priorities
R&D projects
Looking ahead

PROGRAM 3: CAPACITY AND EDUCATION	48
Objectives	49
Stakeholder benefits	49
Background	49
Key activities	49
Looking ahead	54
PROGRAM 4: STANDARDS COORDINATION	55
Objective	56
Stakeholder benefits	56
Background	56
Key activities	57
Looking ahead	59
PROGRAM 5: STATISTICS AND ECONOMICS PROGRAM COORDINATION	60
Objective	61
Stakeholder benefits	61
Background	61
Key activities	61
Looking ahead	62
FINANCIAL STATEMENTS AND CORPORATE GOVERNANCE	63
Directors' report	64
Auditor's independence report	70
Statement of comprehensive income	71
Statement of financial position	72
Statement of changes in equity	73
Statement of cash flow	74
Notes to the financial statements	75
Directors' declaration	89
Independent audit report	90
RESEARCH PROJECTS	92



FWPA 2013 –18 STRATEGIC PLAN The revised 5-year strategic plan is based on revised priorities and a new statistics and economics program in accordance with industry wishes. The plan was approved by the FWPA Board in May 2013
NEW STATUTORY FUNDING AGREEMENT A new agreement, covering until August 2017, was negotiated with the Australian Government
CONSUMER RESEARCH SHOWS EFFECTIVE MESSAGING People's awareness of the environmental advantages of wood is growing
PLANET ARK MAKE IT WOOD ACTIVITY CONTINUES Consumer competitions, community service announcement (CSA) TV advertisement and more
WOODSOLUTIONS REACHES 8,300 REGISTERED USERS & An 80%+ increase shows the growing awareness of the website
WOODSOLUTIONS TECHNICAL DESIGN GUIDES DOWNLOADED MORE THAN 7,300 TIMES Illustrates the need for information among design and building professionals
R&D INVESTMENT PRIORITIES REALIGNED &
STIC DEVELOPS COMMERCIAL APPLICATIONS & EXPAN and Quick-Connect set to increase LVL and Glulam use
ALTERNATIVE SOLUTIONS FIRE COMPLIANCE DEVELOPED Making it easier for designers to specify wood in larger buildings
PREFABRICATED LIGHTWEIGHT TIMBER GROUND FLOOR SYSTEMS PRODUCED A cost effective alternative to concrete slab flooring
FOREST PRODUCTIVITY OPTIMISATION SYSTEM & A new web-based tool for more informed forest management decision making
R&D WORKS WEBINARS LAUNCHED A new information dissemination channel complements R&D Works newsletters
FOREST LEARNING PILOT PROGRAM & More than 100 teachers are trialling new learning resources
SOCIAL LICENCE WORKSHOP A multi-sector workshop organised by FWPA and CSIRO

SOFTWOODS TIMBER SURVEY & Available from FWPA website

Financial

statements



Program 1

Program 2

Program 3

Program 4

Program 5

Research projects

Page

### CHAIRMAN'S REPORT



Overview

In my last three Chairman's reports, I have noted that the current economic conditions in the sector were grim although the longer-term future remains bright. This year, I can report the situation remains unchanged.

Some statistics can help paint the picture.

**CHAIRMAN** Ron Adams

In the 2012 calendar year, the number of detached houses that were commenced was 88,997. This was the lowest number of new detached house commencements started during a calendar year since 1996. It is the third lowest number of detached house commencements since 1970.

The detached house market is extremely important for domestic sawn wood manufacturers, importers and distributors.

The situation for multi-residential construction is far less grim. The number of commencements in the 2012 calendar year was 56,794, which was the third highest since 1970. The record years for multi-residential construction were in fact the years 2010, 2011 and 2012.

While multi-residential construction is dominated by steel and concrete, wood products are used for formwork, props, and finishing.

However, there is no doubt there is an opportunity to increase the use of wood in multi-residential, commercial and industrial construction. This has been amply proven by Lend Lease's construction of the Forte building in Melbourne using cross-laminated timber and the research work undertaken by the Structural Timber Innovation Company.

The importance of understanding statistics and market opportunities reinforces the renewed focus of FWPA over the last 12 months.

The introduction of a new Statistics and Economics program is about building systems to ensure that the industry and other stakeholders have ready access to relevant, accurate and timely statistics to support investment decisions.

Likewise, the members' desire to see increased focus on market development activities through R&D investments, tech transfer and generic promotion build upon the Company's existing successful programs such as WoodSolutions.

FWPA's consultation with members and stakeholders over the last 12 months has culminated in a new 5-year Strategic Plan & that has been approved by the Board and sent to Members and published on the corporate website. The Strategic Plan is underpinned by the new 5-year Statutory Funding Agreement <sup>®</sup>, with the Australian Government and the Government's Rural R&D Policy Statement. These arrangements will continue until the next review period during 2018

The Strategic Plan has also been structured to allow an expansion of FWPA activities, as identified in the Business Case  $\otimes$ , when there is a willingness and capacity for industry to increase its investment in collaborative activities through the Company.

I would like to acknowledge the significant contribution that the Australian Government has made to the Company and its renewed commitment to the rural RDC model through its Rural R&D Policy Statement. In particular, FWPA welcomes the opportunity to get Government matching payments for voluntary contributions from industry for R&D and other eligible activities.

I would like to take this opportunity to thank all my fellow directors for their commitment and contribution in their diligent oversight of the Company as it refocused its activities over the 2012/13 financial year. I would especially acknowledge the service of Mark Grey, who retired from the Board in October 2012, and Dr Michele Allan, who has decided not to re-stand for election this year.

I also thank the management of FWPA, members of our advisory groups, our research providers and marketing suppliers.



Program 1

Program 2

Program 3

Program 4

Program 5

Financial statements Research projects

Page

### MANAGING DIRECTOR'S REPORT



Overview

From a financial perspective, I am pleased to report that FWPA has delivered a small operating surplus for the year. This result was achieved by reducing expenditure by 34% compared to the prior financial year.

This major expenditure reduction occurred in response to stakeholder meetings, which indicated that market conditions were not conducive to an increase in compulsory levies to fund the company's expanded works program.

MANAGING DIRECTOR **Ric Sinclair** 

In previous years, the company has used its cash reserves to fund a number of new initiatives 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 had to ensure a balance between expected revenues and adequate cash reserves.

Obviously, this expenditure reduction has had an impact on the reach and effect of existing programs. To help ameliorate this, we continually explore how to best leverage our activities through collaborative programs and partnerships and more cost effective delivery mechanisms. Costs have been trimmed across all elements of the company including a reduction in the number of Board Directors, a reallocation of some staff positions to a part time basis, and an increased reliance on electronic communication and delivery mechanisms.

The new R&DWorks Wednesday Webinar program is a case in point. This program maintains an important focus on tech transfer - making the research findings more accessible to potential users. While face-to-face seminars are important, they are also expensive and time consuming to run. Using web-based presentation technology, the seminar is provided to a national audience and a recording of the seminar is subsequently made available for stakeholder viewing via the FWPA website.

In the built environment, FWPA is leveraging its growing relationship with professional associations to provide tech transfer to building specifiers through online programs, seminars and tutorials. FWPA's delivery partners are usually the state-based industry associations and private consultants.

This is a win-win-win arrangement where building professionals are able to secure continuous professional development (CPD) points, professional associations can help keep their members up-to-date, and FWPA can deliver critical technical information on how to better use wood.

While FWPA will focus on delivering the best outcomes within its available budget, technical and R&D capacity in the sector continues to decline. Over the last 12 months, we have seen two major collaborative research programs, the CRC for Forestry and the Structural Timber Innovation Company, come to an end. The Solid Wood Initiative will finish next year.

For the last 20 to 30 years, the sector has enjoyed strong research and technical support from government institutions like the CSIRO and State forest agencies and collaborative research consortia within Australia and across the Tasman. This has been slowly unwinding over the last five years and poses a significant operating risk to the industry, especially as key researchers are now moving into permanent retirement.

In this troubling environment, it is encouraging that the Australian Government has renewed its commitment to the rural RDC model through its Rural R&D Policy Statement. In particular, the Policy Statement supported the recommendations from the Productivity Commission to allow Government matching payments for voluntary contributions from industry for R&D and other eligible activities. In June 2013, the House of Representatives supported changes to the Forestry Marketing and Research and Development Services Act 2007 that would enable this to occur. Currently, the legislation package, which includes changes to a number of pieces of RDC legislation, is the subject of a Senate committee review.

The Australian Government has also renewed its commitment to FWPA by signing another five year statutory funding agreement, which provides some surety to the company as long as we continue to maintain our commitments to the Government, company members and other key stakeholders.



### COMPANY OVERVIEW

#### Industry services company

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

- Invests in outcome-oriented research and development and encourages the adoption of R&D findings (RD&E)
- > Manages the generic promotion of the forest and wood products sector
- Plays a role in education and industry skills and capacity
- > Coordinates the sector's approach to timber standards and building codes
- Coordinates the collection and analysis of reporting of industry statistics and economic measures

FWPA 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 RD&E and other eligible activities.

The 2012/13 Annual Report provides a summary of the company's operations over the past 12 months, the company's financial position and its statutory and contractual reporting requirements.

#### 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.

#### ACCOUNTABILITY TO STAKEHOLDERS

The Board and management of FWPA are committed to delivering outcomes to stakeholders through strong corporate governance and efficient and transparent company operations. To this end, each program has a strategic focus and performance measures that are outlined within the 5-year strategic plan, annual operating plan and other key planning documents (e.g., R&D investment plans). The corporate plans are developed in close consultation and ongoing dialogue with key stakeholders and are regularly reviewed by the Board. The planning documents are publicly available on the corporate website and communicated directly to company members and other stakeholders through a range of communication channels.

#### CORPORATE GOVERNANCE

An independent review of FWPA's corporate performance conducted in January 2012 by SED Consulting concluded that the company is well run and has met all of its obligations.

The review was commissioned as part of FWPA's obligations under its 5-year Statutory Funding Agreement (SFA) with the Commonwealth Government. The SFA requires a review to be undertaken by an independent consulting group who had not previously worked for FWPA.

#### $\otimes$ Read the full document here

The consultants, who are very familiar with the rural research and development sector, found FWPA to be well run and that it had met all of the obligations under the Statutory Funding Agreement with the Government during the review period. Although the consultants noted that, like any organisation, there are opportunities for improvement in corporate documentation and governance documents.

In response to this, FWPA has developed a series of internal policies and procedures manuals and ratified the following company policies and codes:

- > Formal Board charter
- > Policy for Board performance reviews
- > Conflict of interest policy for the Board
- > Formal code of conduct for directors



#### The 2013 –18 Strategic Plan

The revised 5-year strategic plan was approved by the FWPA Board <sup>®</sup> in May 2013. Copies were sent to members and key stakeholders and it was published on the FWPA website <sup>®</sup>. The Strategic Plan incorporates the realignments in investment priorities in response to consultation with members and key stakeholders to identify priority activities for R&D investments, generic marketing and standards coordination, and the new statistics and economics program.

In response to the consultation, the FWPA Board decided to focus on activities that would have a shorter payback period such as market development or where cost savings can be realistically achieved. While stakeholders have an interest in longer term programs, these will be deferred until the industry is in a stronger position to make the appropriate investments.

As a consequence, the following programs have been deferred or wound back until such time as the company's funding situation improves: 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. Estimates are that it will take some 18 to 24 months for industry conditions to return to a position where levy income will allow for the continuation of these investment programs.

Developed in consultation with both the industry and the Australian Government, the Strategic Plan defines seven drivers that will most influence the future success of the industry. The drivers provide direction to the FWPA Board as it fulfils its responsibilities to the industry.

The plan complies with the requirements of the new five-year Statutory Funding Agreement (SFA) with the Australian Government, which ends in September 2017.

Read the SFA here

Read the 2013-2018 Strategic Plan here





#### THE INDUSTRY AT A GLANCE

The forest and wood products industry's value chain is extensive and broad, ranging from the forests with their inherent environmental services through to wood processing, product development, consumer use, reuse, recycling and disposal. The diverse range of properties of forest and wood products enable them to be used in a huge array of product types and applications, and to provide a range of functions. In the next decade and beyond, the forest and wood products sector, which grows, harvests, processes, imports and markets wood and wood fibre 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 sequestration, energy, and other applications, and new engineered timber building systems to grow volume in the construction sector.

The industry makes a significant contribution to the Australian economy, as shown by the table below.

The industry's current value contributions	
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 <sup>3</sup>
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)



#### **Financial summary**

In 2012/13, FWPA had revenue of \$7.6 million. The company's revenue is derived from a levy contribution from industry and matched funding 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 the 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 breakdown by source of revenue is shown below and opposite:

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 has significantly reduced its expenditure by 34% to \$7.6 million balancing with revenue and ensuring adequate cash reserves.

#### Revenue: \$7.6 m

- Processors levy 34%
- Growers levy 8%
- State growers levy 6%
- Importer charge 11%
- Commonwealth Government matching payments 35%
- Other revenue 6%



	2012-13	2011-12	2010-11
	\$'000	\$'000	\$'000
REVENUES			
Processors levy	2,535	2,773	2,964
Growers levy	600	673	596
State Growers levy	474	481	677
Importer charge	843	870	958
C'wealth Government Matching Payments	2,684	3,903	4,416
Other revenue	454	455	610
Total Revenue	7,590	9,155	10,221
EXPENSES			
Generic Industry Promotion	2,419	4,189	4,977
R&D Investments	3,537	5,517	5,104
Tech Transfer and Education	727	1,383	2,072
Standards Coordination	268	342	295
Statistic & Economic	637	-	
Total Expenses	7,588	11,431	12,448
NET SURPLUS / (DEFICIT)	\$2	(\$2,276)	(\$2,227)



#### **Statutory Funding Agreement**

FWPA is one of 15 Australian rural research and development corporations (RDCs) and is the nominated industry-owned service company under the *Forestry Research and Development and Marketing Act 2007*. FWPA access to the levies and matching payments from the Australian Government, and the associated obligations, is specified through a Statutory Funding Agreement (SFA).

FWPA's first five-year SFA expired in September 2012 and a new agreement was negotiated with the Australian Government with an expiry of August 2017. Important activities that assisted in the negotiation of the new agreement were the Independent Performance Review <sup>®</sup>, the industry summit <sup>®</sup> held in February 2012 and the Australian Government's renewed commitment to the RDCs through its R&D Policy Statement <sup>®</sup>.



# Aligning with national priorities

The Australian Government released its Rural R&D Policy Statement in June 2012 This Statement, which was in part a response to two independent inquiries into rural R&D, confirmed the Government's ongoing commitment and 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 Research, Development and Extension (RD&E) Framework, and steps to improve effectiveness and efficiency of the RDC model.

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

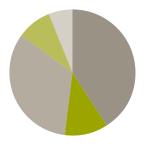
- > Flexible, collaborative and coordinated: adopts a flexible approach to explore innovative ways to increase scale of effort in priority areas through enhanced collaboration and coordination mechanisms
- Output and outcomes focused: focuses on what is to be achieved, with high level guidance on how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

In 2012/13, the Australian Government provided \$2.7 million to FWPA programs through matching funding. The funding was down 31% compared to the previous year due to the lower expenditure on activities eligible for matched funding.

The Company's RD&E investment priorities align with the Australian Government's national and rural research priorities and their associated community and industry outcomes. **Rural Research & Development Priorities** 

The percentage of R&D expenditure across rural R&D priorities 2012/13

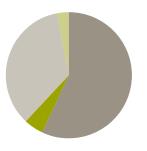
- Productivity and adding value 41%
- Supply chain and markets 11%
- Natural resource management 33%
- Climate variability and climate change 9%
- Biosecurity 6%



#### **National Research Priorities**

The percentage of R&D expenditure estimates across National Research Priority Goals 2012/13

- An environmentally sustainable Australia 57%
- Promoting and maintaining good health 5%
- Frontier technologies for building and transforming Australian industries 35%
- Safeguarding Australia 3%



In late June 2013, the Australian Government announced new Strategic Research Priorities, which will help inform future investments, and will replace the current National Research Priorities.



#### **The Board**

FWPA's corporate constitution allows between five and nine directors, including the managing director, who is appointed by the Board. At least two of the Board's non-executive directors must be classified as independent directors, which means they do not hold a position within an FWPA member company. One third of FWPA's directors are elected each year at the annual general meeting (AGM).

During the reporting period the Board comprised seven directors, including the managing director. The two outgoing directors were Mark Grey and Nick Roberts. At the last AGM, which was held in October 2012, John McNamara and John Simon (who previously filled a casual vacancy) were elected to the Board.



#### CHAIRMAN AND NON-EXECUTIVE DIRECTOR

#### Mr Ron Adams

Mr Adams is the managing director of Wespine Industries Pty Ltd. He is also President of Forest Industries Federation of WA and a trustee of J.W. Gottstein Memorial Trust. He was formerly a Director of National Association of Forest Industries (NAFI), member of WA Minister for Forestry's Timber Plantation Advisory Group and The Australian Plantation Products and Paper Industry Council (A3P). He holds an associateship in Mechanical Engineering, is a graduate of the Harvard Business School International Advanced Management Programme and a Foundation Fellow of the Australian Institute of Company Directors.

Board responsibilities: Chair of the Remuneration and HR Committee.



#### DEPUTY CHAIRMAN AND NON-EXECUTIVE DIRECTOR

#### Mr John Simon

Mr Simon is CEO of Simmonds Lumber Group. He is also a director of the Australian Timber Importers Federation and the Timber Development Association NSW, and is a member of the Housing Industry Association's Manufacturers and Suppliers Council. Mr Simon has also been the managing director of Sterlands, CEO of Pine Solutions and managing director of Hudson Building Supplies. He holds a Master of Timber Engineering and is a Fellow of the Australian Institute of Company Directors.

**Board responsibilities:** Member of Remuneration and HR Committee, and Chair of the Market Knowledge and Development Advisory Group.



#### NON-EXECUTIVE DIRECTOR

#### Mr John McNamara

Mr McNamara is CEO of Parkside Group Milling and has more than 30 years' experience in the forest and forest products industry. Until recently Mr McNamara was Managing Director of DTM Timber, a company that specialises in native forest management and harvesting, sawmilling, value adding processing and distribution, and roof truss and wall frame manufacture and distribution. Previously, Mr McNamara was the Managing Director of Hyne Timber, a role he held for 18 years.

Board responsibilities: Member of the Audit and Finance Committee.





#### INDEPENDENT NON-EXECUTIVE DIRECTOR

#### Mr Evan Rolley

Mr Rolley is a director of Tasports and of Ta Ann Tasmania, and he also operates a successful farming business, Huon Valley Vineyards. He was previously the chief commissioner for Forests, then managing director of Forestry Tasmania and was more recently Secretary of Premier and Cabinet in Tasmania. He holds tertiary qualifications in forestry and economics.

Board responsibilities: Chair of the Sustainability and Resources Advisory Group.



#### INDEPENDENT NON-EXECUTIVE DIRECTOR

#### Mr Vince Erasmus

Mr Erasmus was previously managing director of Elders Forestry Limited (formally ITC Limited), a director for both the National Association of Forest Industries (NAFI) and the World Forestry Center in Portland, Oregon.

**Board responsibilities:** Chair of the Wood Products Advisory Group and Member of the Audit and Finance Committee



#### INDEPENDENT NON-EXECUTIVE DIRECTOR

#### Dr Michele Allan

Dr Allan is currently a non-executive director of a number of companies including Cooperative Research Centre Hearing, Food Standards Australia and New Zealand, Grape and Wine Research and Development Corporation, Meat and Livestock Australia and Ruralco Holdings Ltd. She is chair and non-executive director of Grains and Legumes Nutrition Council and William Angliss Institute, as well as an independent non-executive director of Birchip Cropping Group and New Zealand Food Innovation Network Company. She is also a Board advisor to Bread Solutions and a member of the Clean Technology Investment Committee. Dr Allan holds both a Bachelor of Applied Science Master of Management (Technology) and Commercial Law, a Doctor Business Administration and is a graduate and fellow of the Australian Institute of Company Directors.

**Board Responsibilities:** Chair of the Audit and Finance Committee and Member of Remuneration and HR Committee.



#### MANAGING DIRECTOR

#### Mr Ric Sinclair

Mr Sinclair was appointed to the role of managing director of FWPA in June 2008. He is also a trustee of the J.W. Gottstein Memorial Trust. Previously, Mr Sinclair spent seven years in the grocery and food industry where he worked in operations, corporate finance and strategy roles. Mr Sinclair has held operations, marketing and strategy roles at Origin Energy, KH Foods, Chiquita Brands and Amcor/ PaperlinX. He holds tertiary qualifications in forestry and a master of business administration.

Board Responsibilities: Invited guest to the Audit and Finance Committee.



#### Our staff as of June 30th 2013

**Ric Sinclair** Managing Director

Chris Lafferty Company Secretary and RD&E Manager

**Jason See** Business Manager

Jim Houghton Statistics and Economics Manager

Boris Iskra Standards Manager

#### **FWPA Members**

as of June 30th 2013

#### **FULL MEMBERS**

Albany Plantation Export Company Pty Ltd Allied Timber Products Pty Ltd Alpine Mdf Industries Pty Ltd Associated Kiln Driers Pty Ltd (Trading as A.K.D. Softwoods) Auspine Pty Ltd Austral Plywoods Pty Ltd Australian Bluegum Plantations Pty Ltd Australian Solar Timbers Australian Sustainable Hardwoods Pty Ltd Australian United Timbers Pty Ltd Australian Wood Panels Pty Ltd Auswest Timbers Pty Ltd Baradine Sawmilling Co Pty Ltd Bayswood Timber Wholesalers Pty Ltd Big River Group Pty Ltd Birnam Forests Pty Ltd Bluebat Blueleaf Corporation Pty Ltd (Trading as Whittakers Timber Products) **Boral Timber Division Borg Panels** Briggs Veneers Pty Ltd

Sarah Gyopar Digital Strategy Manager

Kelly Goh Assistant Accountant

Jarrod Gooden RD&E Project Coordinator

Su Chandrashaker Database and Web Content Administrator

**Grace Davies** Administration Assistant

Britton Bros Pty Ltd Bunbury Fibre Exports Pty Ltd Bunbury Fibre Plantations Pty Ltd Bunbury Treefarm Project Carter Holt Harvey Woodproducts Australia D&R Hendersen Pty Ltd Dale & Meyers Operations Pty Ltd (Trading as DTM Timber) Department of Environment & Resource Management (DERM) Dindas Australia Pty Ltd **Elders Forestry Limited** Environmental Forest Farms Management Ltd **Endeavour Foundation** (Trading as Nangarin Timbers) FEA Group of Companies\* Fenning Investments Pty Ltd Forest Products Commission (WA) Forest Strategy Pty Ltd Forestry Commission of NSW T/As Forests NSW Forestry Tasmania ForestrySA Garry Davey Timber Cutting

\* Under external administration and/or controller appointed



George Fethers & Co. Trading Pty Ltd Green Triangle Forest Products GTP Alexandra Pty Ltd (GUNNS Timber Products) GTP Heyfield Pty Ltd (GUNNS Timber Products) Gunnedah Timbers Pty Ltd Gunnersens Pty Ltd Gunns Forest Products Pty Ltd\* Gunns Ltd\* Hallmark Oaks Pty Ltd Hancock Victorian Plantations Pty Ltd (HVP) Highland Pine Products Pty Ltd HQ Plantations Pty Ltd (trading as Forestry Plantations Queensland) Hume Forests Limited Hurford Sawmilling Pty Ltd Hyne Timber ITI (NSW) Pty Ltd J Notaras & Sons Pty Ltd J Wright & Sons Pty Ltd Jarrah Select Pty Ltd Jelfor Treated Timbers Pty Ltd Jetstar Enterprises Pty Ltd (trading as Permapole) John Cook & Sons Pty Ltd Koppers Wood Products Pty Ltd Le Messurier Timber & Building Products Machin's Sawmill Pty Ltd Mathews Timber Pty Ltd McCormack Demby Timber Pty Ltd Meyer Timber Pty Ltd Midway Limited Millmerran Timber Pty Ltd Moran Logging Company Pty Ltd Moxon & Company Pty Ltd N K Collins Industries Pty Ltd Nannup Timber Processing (NTP) New Forest Asset Management Pty Ltd (Trading as The Trust Company [Aus] Ltd) Norske Skog Paper Mills (Australia) Ltd OneFortyone Plantations Pty Ltd Oregon Sales Pty Ltd (Trading as Timbeck Cedar Products) Parkside Bldg Sup (Builyan)

Pat Koppman Penrose Pine Products Pty Ltd Pentarch Forest Products Pty Ltd Planet Timbers (WA) Pty Ltd Porta Mouldings Pty Ltd Radial Timber Australia Ravenshoe Timbers Pty Ltd Ridgewood Timber Pty Ltd Ryan & McNulty Pty Ltd SA Sawmilling Pty Ltd Sarawood (Aust) SFM Environmental Solutions Simmonds Lumber Pty Ltd South East Fibre Exports Pty Ltd Stora Enso Timber Australia Pty Ltd Swan Le Messurier Pty Ltd Tasman KB Pty Ltd The Australian Sawmilling Company Pty Ltd (TASCO) The Laminex Group Tilling Timber Pty Ltd Timber Corporation Pty Ltd (trading as Harper Timber) Timberlands Pacific Pty Ltd **Timberlink Australia** VicForests WA Chip & Pulp Co Pty Ltd Weathertex Pty Ltd Wesbeam Pty Ltd Wespine Industries Pty Ltd Whiteheads Timber Sales Pty Ltd Wilton Logging Pty Ltd Wright Forest Products Pty Ltd

#### **ASSOCIATE MEMBERS**

Read about the benefits of becoming an Associate Member here

A E Girle & Sons Poyry Management Consulting (Australia) Pty Ltd Timber Merchants Association

\* Under external administration and/or controller appointed



# PROGRAM ONE: Generic promotion

Objective Stakeholder benefits Background Targeting audiences with branded communication channels

Looking ahead



#### **Objective**

To promote the benefits and use of forest and wood products, in accordance with changing community attitudes, environmental awareness, and market trends.

#### **Stakeholder benefits**

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

- Improving market awareness of, and satisfaction with, forest and wood products
- Increasing consumption of forest products and services that can avoid carbon dioxide emissions by substituting wood for more energy-intensive alternative materials
- Increasing sequestration of carbon dioxide in the built environment through the carbon stored in wood products and avoiding emissions from more energy-intensive alternative materials



#### Background

This strategy is based on the results of research over many years, often funded by FWPA (and its predecessor) that found lack of knowledge was a major barrier to increased use of wood in building construction.

To address this issue, FWPA developed three programs within this strategy that focus on generating a positive disposition to the use of wood products and to have wood products used more widely in both decorative and construction applications. These programs – consumer, specifier and partner program – promote the positive benefits of wood and address any real or perceived impediments to the use of wood.

In addition to promoting forest and wood products, this strategy includes a secondary objective of promoting the industry itself. Many organisations and individuals either do not know, or are confused about, the role and activities of the forest and wood products industry. FWPA aims to develop a better understanding of the industry as a whole and its potential to significantly contribute to a sustainable, productive national economy.

Activities within the industry promotion strategy frequently incorporate the results of FWPA-funded R&D projects and technology transfer activities, especially the WoodSolutions program, aimed at building material specifiers. It also builds upon the outputs from the Standards Coordination Program and the new Statistics and Economics Program. This cross-fertilisation of the programs demonstrates the value of an integrated strategic plan and communications activities.

Make it Wood's 'Woodenised' campaign sees some iconic landmarks get a wooden make-over.



#### Targeting audiences with branded communication channels

During the year, FWPA continued to develop the proven three-channel strategy:

- ➤ Wood. Naturally Better.<sup>™</sup> consumer program focuses on the benefits of wood
- WoodSolutions specifier program provides information about designing and building with wood and wood products
- > Wood. Naturally Better.™ partner program communicates to industry and trade

Wood. Naturally Better.<sup>™</sup> is aimed at a broad consumer audience, while WoodSolutions targets a subset – building specifiers (people who are involved in the choice of building materials – including architects, engineers, building designers, developers and other building professionals).

Wood. Naturally Better.<sup>™</sup> communicates the benefits of wood as a material – WHY to use wood. WoodSolutions follows with the next step, information about using wood – HOW to use wood. The Wood. Naturally Better.<sup>™</sup> partner program allows members of the supply chain to leverage the strengths of the Wood. Naturally Better.<sup>™</sup> and WoodSolutions brands to increase the industry's market share.

MOTIVATION

Wood. Naturally Better.™ WHY use more wood INFORMATION WoodSolutions HOW to use wood ACTION Building specifiers Consumers USE more wood

#### **Key activities**

#### CONSUMER PROGRAM: WOOD. NATURALLY BETTER.™

In June 2011 a new television commercial was introduced, hosted by Peter Maddison, an awardwinning architect and host of Grand Designs Australia and presented under Planet Ark's Environmental Edge brand.

The commercial is designed to confirm wood's aesthetic advantages by showing it in a beautiful setting – an award-winning house – while communicating the facts that wood stores carbon and that using more wood has positive environmental benefits.

The last on air campaign for the commercial finished in July 2012. The results continued to be excellent, contributing not only to an increased understanding of the advantages of wood, but indirectly towards increasing the social licence for the industry to operate.

#### **Consumer research**

Understanding community attitudes is an ongoing process achieved by combining both formal market research and informal discussions with stakeholders and allied and partner organisations.

During the past year, formal consumer research involved two tracker studies (numbers 9 and 10).

The long-running consumer tracker studies, which use a nationally representative sample of approximately 1,000 people to deliver statistically significant results, showed a continuation of previously observed trends. Areas covered include:

- > Attitudes towards building materials and their attributes
- The role of various considerations in the choice of materials
- > Awareness of sources of information and their reliability
- > Understanding of the carbon cycle and the roles of forest and wood products
- Degree of recall of FWPA advertising and related communications



The tracker studies have shown an increase in consumer understanding of the fact that wood stores carbon. In particular, there was a marked increase in consumer awareness of the following key messages:

- > carbon that is stored in wood stays there even when the tree has been harvested
- > wood products in the home store carbon

There was also an increased association of wood as an environmentally friendly material.

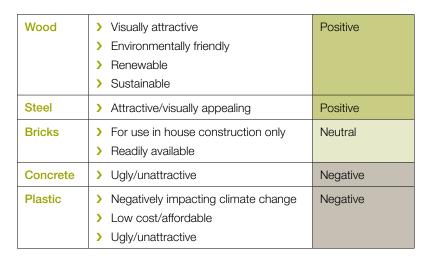
#### Amalgamated research report

During the year FWPA commissioned the integration of the results of previous research reports into a single report that would provide the industry and interested stakeholders with an overview of attitudes and trends.

The summarised report confirmed wood's position as the day-to-day material with the most positive attributes, with 'environmentally friendly' trending upwards. It also reaffirmed the trust people have in the forest and wood products industry.

People's opinions about different day-to-day materials can be summarised in terms of what most defines each material and shows that wood is regarded as the most environmentally friendly and visually attractive material.

The key perceptual differences between different day-to-day materials



The perception of wood as the 'environmentally friendly' day-to-day material is strong, and perceptions of wood as 'environmentally friendly' have been increased by a statistically significant level from 60% agreement to 70% since 2011.



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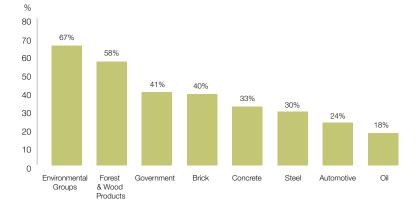
W8

W9



The forest and wood products industry is considered to be the most reliable source of environmental information, compared to government and other producers of primary materials.

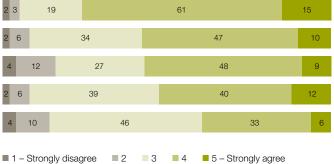




The research summary showed that viewers found the Wood. Naturally Better.<sup>™</sup> television commercial was both believable and relevant.

The Wood. Naturally Better,™ television commercial

The points made in the ad were believable	2 3
The points made in the ad were relevant to me	2
It told me something new about wood	4
Wood became more appealing to me	2
I enjoyed watching it a lot	4





#### Case study



Planet Ark team

#### THE PLANET ARK PARTNERSHIP

FWPA's consumer promotion campaign, Wood. Naturally Better.<sup>™</sup> and the partnership with Planet Ark promotes the substitution of sustainably sourced wood products for other building materials as a practical way to address climate change. Increased understanding of the environmental benefits of wood products, especially in a carbon constrained economy, can help support the industry's social licence to operate.

Planet Ark is one of Australia's most trusted sources of information about environmental issues and the use of their Environmental Edge brand on the Wood. Naturally Better.<sup>TM</sup> television commercial is considered to be a factor in the commercial's strong performance.

During the year, a range of activities have been undertaken in conjunction with Planet Ark, these have included:

- 1 30 second television commercial 🔍
- 2 Print advertising Targeting renovation and lifestyle readers
- Bus advertising
   Featured 'woodenised' landmarks relevant to the market
- 4 Wood. The Untold Story & animated video This short, educational, hand drawn animation shows how wood can help tackle climate change by storing carbon
- 5 Wood. The Untold Story Community Service Announcement television and radio commercials The longer version of the animated production was reduced to 30 seconds and broadcast as a community service announcement <sup>®</sup>

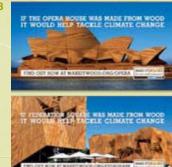




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6

6 'Snap Some Wood' Photography Competition

'Snap Some Wood' encourages people to think about wood and recognise its versatility and beauty. Categories included renovation, structures and miscellaneous

Charlie the Carbon Catcher This live show is designed to explain the carbon cycle and the benefits of trees to children (and parents) at various home shows. Branding supports Wood. Naturally Better.<sup>™</sup>, ForestLearning and Make it Wood

See a video of a show presented by Planet Ark's Rebecca Gilling. <sup>&</sup>

8 'Wood Encouragement Policies' for local councils

The 'Wood Encouragement Policies' initiative encourages councils to start thinking about using more wood in their own and public buildings. It included speaking at events and a direct mail campaign

Importance of forestry recognised

Version according of production percent. Produced of the second of the

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- 9 The Make It Wood Campaign website www.makeitwood.org <sup>®</sup>
- **10** Additional press coverage generated by Planet Ark and Make It Wood includes:

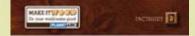


*Northern Daily Leader*, Tamworth NSW 23 Feb 2013



*Canberra City News*, Canberra ACT 28 Feb 2013







8

#### Wood Encouragement Policies



WOOD CAN HELF TACKLE CUMATE CHANGE

#### EUILDING TALL WITH WOOD





#### WOOD. NATURALLY BETTER.™ SPONSORSHIPS AND PARTNERSHIPS

Carefully chosen partnerships can be a costeffective way of generating awareness and media coverage.

During the past year, Wood. Naturally Better.<sup>™</sup> sponsored, partnered and participated with a select range of events and organisations, including:

- > WOOD: art design architecture &
- > Planet Ark
- > Melbourne Building & Home Improvement Expo
- > National Carpenters Day &
- > Grand Designs Live &
- > Going Bush TV series

View Episode 3, Segment A 🔍

#### Wood. Naturally Better.™ Partner program

As awareness of the Wood. Naturally Better.<sup>™</sup> logo grows, it becomes a more valuable asset to promote the use of wood and timber products.

The Wood. Naturally Better.<sup>™</sup> Partner program is free to businesses and organisations operating in the forest and wood products industry and licenses them to use the logo in their branding and communications and gives them access to a range of branded promotional items.

The Partner program also provides organisations that supply wood and wood products to the design and construction sectors with a link to the WoodSolutions brand and related activities.

Read more about joining the Partner program here. 8



#### SPONSORSHIP: MELBOURNE BUILDING & HOME IMPROVEMENT EXPO

More than 2,000 building professional and tradespeople and 15,000 members of the public attended the Melbourne Building & Home Improvement Expo where Wood. Naturally Better.<sup>™</sup> and Planet Ark's Make it Wood sponsored the 'Building & Renovation Stage'.

Rebecca Gilling from Planet Ark hosted the stage that featured 26 free seminars and demonstrations over three days. Wood. Naturally Better.<sup>™</sup> included two selected speakers and the Children's Show in the program.



#### SPONSORSHIP: GRAND DESIGNS LIVE

Based on the popular UK TV show, presented by Kevin McCloud and the Australian series presented by Peter Maddison (and host of the Wood. Naturally Better.<sup>™</sup> television commercial), Grand Designs Live in Sydney provided an opportunity to reach consumers actively interested in renovating.

In addition to a display stand, Wood. Naturally Better. and Planet Ark's Make it Wood received significant exposure through providing an 'Ask an Expert' desk – that was booked for 90% of the time – in the Advice Centre.



#### SPECIFIER PROGRAM: WOODSOLUTIONS

Research has continually identified the lack of readily accessible, credible information as a major impediment to architects, engineers, building designers, quantity surveyors, property developers and other people involved in specifying the use of particular building materials.

WoodSolutions was created to establish a credible platform for delivering independent, generic information to building specifiers.

Activities to date have included:

- An authoritative website and knowledge database – www.WoodSolutions.com.au &
- Personally delivered technical presentations WoodSolutions Tutorials
- Design and specification information WoodSolutions Technical Design Guides
- Sponsorships, events and alliances with key professional associations

Where possible, WoodSolutions activities are aligned with the continuing professional development (CPD) requirements of professional bodies such as the Australian Institute of Architects, Engineers Australia and other key associations at a national and state level.

#### Website: www.WoodSolutions.com.au &

This online knowledge source makes information about the use of wood and timber products more accessible to building specifiers. The information has been sourced from research studies, technical guides, building codes and standards.

The site contains presentations and videos from WoodSolutions seminars and events and also provides links to product suppliers so it can be a single, authoritative source of information.

The WoodSolutions website is a world first and a leading example of how the internet can aggregate and disseminate complex information.

<sup>⊗</sup> Visit the website here

#### WoodSolutions website

During the 2012/13 financial year:

- 358,643 people visited this site an increase of 31% on the previous year
- Registered users increased from 4557 to 8297, a gain of 82%
- 1.3 million page views an increase of 16% year-on-year
- 15,600 documents were viewed or downloaded
   an increase of 17%

New content added during the year included technical design guides, videos, presentations and case studies.

#### **WoodSolutions Tutorials**

Designed to be delivered at workplaces, professional meetings or viewed online, WoodSolutions Tutorials are another facet of the technical and training resources created to promote the use of wood through increasing knowledge. The tutorials were delivered by State associations (e.g., Timber Queensland, Timber Development Association), universities and private consultants.

<sup>&</sup> See the tutorials online here

#### WoodSolutions Tutorials held in 2012/13

State	Number of participants
QLD	2,310
NSW/ACT	1,741
VIC	1,066
WA	51
TAS	256
Total	3,114







Above: Colin MacKenzie promotes WoodSolutions design guides to Queensland audience.

#### **Technical Design Guides**

WoodSolutions Technical Design Guides are part of a suite of technical and training resources produced to support the use of wood and how it can be specified. During the year, an additional seven guides were completed and published on the website, which brings the total to 18.

<sup>⊗</sup> See the Guides online here

Alternative Solution Fire Compliance Guides were among the seven new titles published during the year.

Guide 15 is due to be finished in August 2013 and the alternate solution fire compliance guides were only published in late June 2013.



Guide number	Title	Total Down- Ioads
1	Timber-framed Construction for Townhouse Buildings Class 1a	972
2	Timber-framed Construction for Multi-residential Buildings Class 2, 3 & 9c	637
3	Timber-framed Construction for Commercial Buildings Class 5, 6, 9a & 9b	361
4	Building with timber in bushfire-prone areas	623
5	Timber service life design - design guide for durability	860
6	Timber-framed Construction - sacrificial timber construction joint	243
7	Plywood box beam construction for detached housing	286
8	Stairs, balustrades and handrails Class 1 Buildings - construction	462
9	Timber flooring - design guide for installation	629
10	Timber windows and doors	520
11	Timber-framed systems for external noise	279
12	Impact and assessment of moisture-affected timber-framed construction	283
13	Finishing timber externally	561
14	Timber in internal design	464
15	Building with timber for thermal performance	Unpublished
16	Massive timber construction systems: Cross Laminated Timber (CLT)	136
17	Alternative Solution Fire Compliance: Timber Structures (June 2013)	Published late June 2013
18	Alternative Solution Fire Compliance: Facades (June 2013)	Published late June 2013
19	Alternative Solution Fire Compliance: Internal Linings (June 2013)	Published late June 2013
Total Down	loads	7,316



#### WoodSolutions sponsorships and events

During the year WoodSolutions partnered with professional organisations and sponsored and participated in a select range of events and activities, including:

- Supporting the Australian Institute of Architects (AIA) Continuum (professional development) series
- > Providing a speaker and presentation for the AIA's National Seminar Series
- > Providing ½ day site tours of notable projects to attendees at the AIA National Conference
- > Sponsoring Engineers Australia (EA)
- Sponsoring a group of engineering students to visit the World Conference on Timber Engineering (WCTE) in Auckland
- Sponsoring industry-delivered CLT/Massive Timber Building seminars in Sydney and Melbourne
- Building Designers Association of Victoria (BDAV) sponsorship
- > Master Builders Australia
- > The 2012 Australian Timber Design Awards
  - DesignEX 2013

Σ

Below: Nearly 10,000 people

have seen the time-lapse building of Forte through

<sup>®</sup> Watch the video here

WoodSolutions

> JazCorp Seminars (WA)



## CLT/MASSIVE TIMBER BUILDING SEMINARS

Held in Sydney and Melbourne, these events provided industry (such as FWPA member companies Hyne Timber, Stora Enso and Tilling Timber) with the opportunity to address and inform design and building professionals, the majority of whom were architects and engineers.

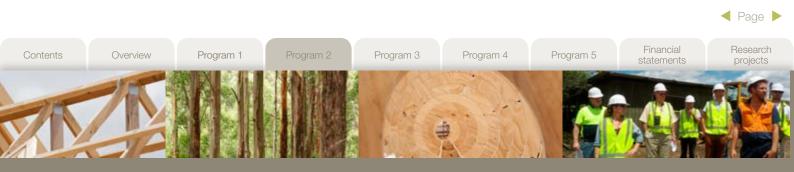




# LOOKING AHEAD

During 2013 – 2014, FWPA's industry promotion activities will be focused on building upon the successful platforms that have been built over the previous few years:

- > Continued support of Planet Ark and the Make it Wood campaign
- > Some limited TV advertising
- > Expansion and enhancement of the WoodSolutions program, including a tour to Germany, Austria and Switzerland to view prominent timber buildings
- > Increased focus on tertiary education materials for future building specifiers



# PROGRAM 2: Research, Development and Extension (RD&E)

Objective Stakeholder benefits Background Identifying and quantifying returns on investment FWPA investment priorities realignment R&D planning and investment priorities R&D projects Looking ahead

Financial

statements



Program 1

Overview

Program 2

Program 3

Program 4

Prod

Program 5

Research projects

Page

# PROGRAM 2: Research, Development and Extension (RD&E)

#### **Objective**

To invest in and coordinate RD&E 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.

### **Stakeholder benefits**

FWPA's RD&E investments are required to deliver clear benefits to stakeholders (members, levy payers and the Australian Government) through:

- Improving new products matched to market needs
- Increasing industry profitability and efficient use of inputs throughout the industry's value chain
- > Improving industry investment confidence by reducing risk
- > Enhancing sustainability as measured in economic, social and environmental terms

#### Background

In the area of RD&E. FWPA continues to support and invest in projects that either create opportunity for the sector or counter potential threats. Opportunities include reduction of forest management and log processing costs through enhanced characterisation of log and board properties to inform both future tree improvement strategies as well as optimise the production of value-added building materials of known performance. During the year, projects have been completed that outline possible market opportunities for the industry in terms of bioenergy and biorefinery technologies. In addition a detailed study outlines the industry's opportunities and impediments in addressing the declining investment confidence in the establishment of long rotation plantations for the production of sawlogs.

Productivity gains for the industry can be achieved from our ongoing investments in activities such as the Solid Wood Innovations consortium (SWI) & or from completed individual projects developing improvements in the specification and manufacture of glue laminated beams or the identification of new techniques to enhance the inservice performance of lower durability plantation hardwood poles. Opportunities for industry to mitigate or guard against market threats have been outlined in completed projects such as the 5-year revision to the plantation sector biosecurity plan, the determination of the checking propensity of fire exposed hardwood forests or development of faster screening protocols for new wood preservatives.

During the past year, FWPA commissioned, continued or finalised some 85 individual research projects. Details of the results and outcomes of selected projects are reported in case studies throughout this section.

Revealed the see a complete list of projects Revealed to see a complete list of projects Revealed to the set of the set o

# Identifying and quantifying returns on investment

FWPA is committed to ensuring that its R&D investments have a strategic focus and will deliver valuable outcomes to the industry and to the Australian Government.

This is achieved through developing and implementing R&D investment plans, appropriate resource allocation, leveraging sector expertise through our advisory groups, benefit-cost analysis of the research portfolio and tech transfer.

Extension activities are currently funded and reported under Program Three. &

During 2012/13, FWPA commissioned a further series of benefit-cost evaluations of completed R&D programs in accordance with the 2009 protocols developed and endorsed by the Council of Chairs of Rural Research and Development Corporations. This program of continuing evaluation of completed projects seeks to identify and measure the overall industry and community outcomes as quantified by social, environmental and economic measures from FWPA program investments.



# FWPA investment priorities realignment

FWPA's R&D investment priorities were established to provide a clear focus on positive industry outcomes and benefits that can be linked to the outputs from its R&D investments.

A core premise of the R&D program is that it helps industry to increase its market share and value of its products compared to alternative materials, while improving the sustainability and economic contribution of the sector to the overall Australian community.

Industry consultation during the year indicated that, in the current economic climate, industry executives would like to see FWPA focus on activities that have a shorter payback period or where cost savings can be realistically achieved. As a result FWPA's investment priorities were re-evaluated, with some continuing and others deferred until industry conditions improved. The Active R&D themes and investment priorities diagram below shows FWPA's R&D priorities as at January 2013.

# **R&D** planning and investment priorities

The R&D planning and review process operates to ensure that levy-funded projects respond to the needs of industry and deliver results that are applicable and of value to the broadest range of stakeholders along the value chain.

FWPA uses a rigorous three-step planning methodology to identify R&D investments in both individual projects and program areas.

The three steps are:

- > FWPA R&D investment priorities
- > Ranking and resource allocation
- Portfolio management and stakeholder engagement

#### Active R&D themes and investment priorities

#### **R&D** themes

- Maintain and expand markets for wood products and the new products and services required to meet these markets
- Characterise the properties and variability of wood resources and maximise value recovery
- > The management of biotic and abiotic risk factors
- Develop systems and technologies to maintain or improve estate productivity
- Evaluate strategies for forest management under climate change and maximise greenhouse advantages of forest products

#### **Industry benefits**

- 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
- Enhance sustainability as measured in economic social and environmental terms

#### **Investment priorities**

- Timber construction in commercial and industrial buildings
- > Wood products in sustainable buildings
- Maximising product yields and values from current resources
- > Improving wood quality and yield, and tools for forest management
- Water use, efficiency, access to resources and balanced policy outcomes
- Mitigation of and adaption to climate change and the management of the carbon cycle in plantation and native forests



#### **FWPA INVESTMENT PRIORITIES**

Each R&D priority has been developed into an investment plan based on industry and research community input. As a result, the active investment plans focus on specific industry outcomes and benefits that can be delivered through effective technology transfer and industry adoption of R&D project outputs.

By their nature these investment plans are prescriptive in design and work to inform both industry and the research community of the key areas of future forest and wood products industry research prioritised against the impact and benefits available to industry through the timely adoption of research outputs.

During the year the following R&D priorities and associated investment plans were used to guide funding allocations.

# 1. Information, analysis and interpretation of domestic and export markets

All projects and future investment decisions associated with this priority were transferred to Program 5 & – Statistics and Economics Program Coordination during its implementation and are reported under that program.



#### 2. Timber construction in residential buildings

Wood products have lost valuable market share within the residential market as design trends have led to increased use of lightweight construction principles, essentially lowering both the mass and volume of timber used per square metre of finished space. The outputs from this program are intended to assist industry to recapture the market with new and innovative products and by explaining the benefits of timber. A 30% increase of timber volume in residential construction, although significant, is considered possible, based on recapturing lost market share, gaining new markets and international precedent. Further investments in this priority have been deferred until sufficient funding becomes available.



# 3. Timber construction in commercial and industrial buildings

Contrary to the emerging international trend, there has been limited use of wood as a construction material in medium to high density buildings taller than three storeys in Australia, with the notable exception of Lend Lease's Forté building. Investment in research in this area is leading to the knowledge, technology and products to capture a share of this growing market.





#### 4. Wood products in sustainable buildings

Research outcomes from this program are directed towards increasing the market share for wood products by preferred specification and by proscriptive building codes and other regulatory requirements for sustainable building materials in residential and commercial construction.



Ormond College Academic Centre designed by McGlashan Everist. Photographer: Peter Clarke

# 5. Solid wood, engineered wood and pulp and paper products: Performance and yield

Recognising and responding to market needs enables the forest and wood products industry to optimise systems and maximise production of appropriate products. This supports the industry's aim of creating a better product by optimising production systems for energy use, drying, cutting, grading and sorting wood. Developing quality control systems will create a more consistent product, particularly for structural applications. Future investments in this priority have been deferred until sufficient funding becomes available.



# 6. Maximising product yields and values from current forest resources

The R&D outputs from projects funded under this investment priority are aimed at increasing the value of current forest resources through raising yield, reducing costs and growing revenue. From an economic perspective, increasing yield through both plantation productivity and optimisation of value at harvest increases NPV more efficiently than reducing costs. Primary activities within this plan are nutrition, stand management techniques and optimisation of harvesting costs and value recovery.



#### 7. Forest management tools

Forest managers need to optimise their forest management systems to make logs that processors value. The delivery and use of decision support tools to aid management of site productivity across rotations, forest planning to add value to log products, forest health and nutrition as well as supply chain efficiency all combine to optimise product values and returns.





#### 8. Genetic improvement

Planting is the first opportunity to control the quality and volume of commercial timber. This investment priority focuses on improvements to the planted estate in terms of accelerated deployment of genetic gain into new plantings, improvements in stiffness and strength properties of commercial softwoods, and matching of genetics to environment to optimise estate productivity and value. New investments in this priority have been deferred until sufficient funding becomes available.



# 9. Water use efficiency and balanced policy outcomes

Activities supported under this program focus on improving knowledge and understanding of the roles and impacts of commercial plantations on regional water use, improved remote sensing technologies to evaluate water use by forest estates and comparative analysis of water use by competing land uses. Future investments in this priority have been deferred until sufficient funding becomes available.



#### 10. Forest biosecurity and preparedness

In a global environment, forest resources face increased risk from imported pests and diseases. This risk can be reduced by an awareness of the immediate environment and its own risks, and the controls available, including biological options. Developing risk profiles of pests and forest diseases will lead to informed risk management strategies. Developing responses to prioritised risks will ensure the best outcome for industry and the environment.



# 11. Mitigation of and adaptation to climate change

Assessing the impact of climate change on plantation productivity will increase understanding of the non-commercial values of carbon in plantation and native forests, and help industry make its long-term planning decisions. Research funding in this area will support improvements in, and testing of, existing process-based growth models as well as developing linked integrated risk and impact assessment tools that can be applied at the required spatial scale to assist industry decision-making in regards to risks to productivity and profitability.





#### **RANKING AND RESOURCE ALLOCATION**

The allocation of funding resources to the R&D program is a Board decision taken with consideration of planned company activities across all programs, currently contracted project commitments and forecast levels of industry activity and levy income.

The level of funding nominated for each R&D priority is based upon the anticipated returns to industry in relation to industry gain or risk – priorities linked to market or productivity gains are accorded a higher level of funding than those targeted at risk management or mitigation. Where possible, FWPA seeks to attract third party cash or in-kind funding contributions to leverage its project investments. This provides a direct multiplier to FWPA levy resources as well as signalling the degree of stakeholder commitment and support for particular project outcomes.

When assessing funding proposals, submitted in response to advertised investment plans, the following criteria are used:

- Alignment to endorsed investment plans and identified industry outcomes
- > Level of funding requested
- Skills, capacity and prior performance of research team
- Industry support and commitment via in-kind and cash co-contributions, and tech transfer and adoption plans

During the year the Board revised its project funding approval processes. Given the finalisation of the 11 formal R&D investment plans and the decision taken to discontinue the Board R&D Investment Committee, a revised set of funding delegations were adopted. For projects identified within active R&D investment plans, the Managing Director has approval authority up the identified funding levels of each plan. For any proposals outside active investment plan structures, funding approval is limited to the MD's standing delegation. All other project investments require full Board consideration and approval.

#### PORTFOLIO MANAGEMENT AND STAKEHOLDER ENGAGEMENT

All funding is managed through a contractual relationship with the research provider, which specifies key milestones and project requirements.

All major projects require a project steering committee made up of FWPA, key researchers and independent industry representatives, traditionally members of FWPA advisory groups. The engagement of independent representatives on the steering committees helps ensure close contact between the research providers and the proposed users and beneficiaries of the project results.

In addition, most projects require peer review and a tech transfer and adoption plan. This ensures that final outcomes are valid and are delivered in the form most conducive to stakeholder access, use and adoption.

#### FWPA INDUSTRY ADVISORY GROUPS

To fulfil its objectives of creating value and opportunity for its levy payers and members, FWPA operates a series of industry advisory groups. The advisory groups are formed to provide specific advice and feedback on industry R&D needs and the development of relevant R&D investment plans to guide FWPA's project funding decisions.

FWPA's three advisory groups meet throughout the year and review and critique investment plans and project proposals to ensure that the subsequent investments have a strong alignment to industry needs and address genuine information gaps.

The three groups, which are structured to cover the whole value chain, are:

- Market Access and Development Advisory Group
- > Wood Products Advisory Group
- > Sustainability and Resources Advisory Group



#### **CURRENT ADVISORY GROUP MEMBERS**

#### Market Access and Development Advisory Group

Mr John Simon (Chair) FWPA Director <sup>∞</sup>

Mr Matthew Wood Stora Enso Timber Australia Pty Ltd

Mr Clinton Skeoch Boral Timber Division

Mr David Meyer Meyer Timber Pty Ltd

Mr Gerry Gardiner Asian Pacific Timber Marketing Pty Ltd

Mr Jeff Gibbson Hyne Timber

Ms Christine Briggs Timberlink

Mr Gary Kiddle Wespine Industries Pty Ltd

#### Wood Processing Advisory Group

Mr Vince Erasmus (Chair) FWPA Director <sup>⊗</sup>

Mr Peter Law Wesbeam Pty Ltd

Mr Greg Duff Wespine Industries Pty Ltd

Mr Allan Hutley Australian Solar Timbers

Mr Michael Murphy Carter Holt Harvey Woodproducts Australia

Mr Craig Kay Tilling Timber Pty Ltd

Mr Stephen Holtorf Hyne Timber

Mr Kim Harris Carter Holt Harvey Woodproducts Australia

Mr Chris McEvoy Radial Timber Australia

Dr Trevor Innes Timberlink

#### Sustainability and Resources Advisory Group

Mr Evan Rolley (Chair) FWPA Director <sup>⊗</sup>

Mr Mike Sutton Forests NSW

Dr Andrew Lyon FPC (WA)

Mr Edwin Schramm Bunbury Treefarm Project

Mr Don Aurik Timberlands Pacific Pty Ltd

Mr Stephen Elms Hancock Victorian Plantations Pty Ltd

Dr Ben Bradshaw Australian Bluegum Plantations Pty Ltd

Mr John Hickey Forestry Tasmania

Mr Andrew Morgan SFM Environmental Solutions

Dr Jim O'Hehir Forestry SA



#### INTERNATIONAL COLLABORATIONS

Working with international collaborators delivers tangible benefits to FWPA levy payers and extends the reach and purchasing power of its investments.

For example, levy payers' funds invested by FWPA are matched by the Australian Government when this money is invested in a New Zealand research company the NZ Government matches the total FWPA investment, which provides very good leverage.

During the year FWPA continued its investments in the New Zealand based research consortia, Solid Wood Innovations (SWI) <sup>(A)</sup>, the Structural Timber Innovation Company (STIC) <sup>(A)</sup> that completed its research term on 30 June 2013 and the Compromised Wood consortium.



In addition to membership of the International Union of Forest Research Organisations (IUFRO) <sup>®</sup>, the Company has also taken up membership in the European Innovawood <sup>®</sup> consortium. This consortium combined four early R&D and technology transfer networks covering furniture manufacture, forest and timber education and technology transfer, advanced wood processing and engineering and timber research. FWPA subscribed to the network as a means of strengthening awareness and engagement with European based research providers.

FWPA was represented on the AFPA/FP Innovations study tour of Canada. FWPA also sponsored the attendance of Keith Crews, Professor of Engineering at the University of Technology Sydney and Ben Aldham from the CSIRO Division of Materials Science on the tour to advise tour participants of the Australian science and engineering potentials of the various engineering and bioprocessing technologies being featured.



# **R&D** projects

A full list of projects and their status can be viewed here.



PRA028-0809: The development and implementation of innovative and sustainable structural timber building technologies

The Structural Timber Innovation Company (STIC) was established to research and develop products that will benefit New Zealand and Australia's wood manufacturing and construction industries. The new products are innovative building solutions that upgrade the use of radiata and other pine species to higher value, engineering grade applications.

Much of STIC's work focuses on the increased use of a relatively recent engineered wood product, laminated veneer lumber (LVL), for construction in the non-residential sector. This requires considerable research and development into engineering design and performance of LVL in construction situations in which it has not previously been applied or tested.

STIC believes its research will lead to a major increase in LVL sales, which is also expected to lift the use of other wood products in curtain walls and joinery applications. This will significantly grow the volume of radiata pine in non-residential construction. It will also have significant benefits for the pre-fabrication sector, glulam manufacturers and to a lesser extent, roof truss manufacturers.

After several years of intensive R&D, STIC has developed the EXPAN timber construction system. The system includes post-tensioned frames and walls, timber and timber-concrete composite floors and Quick-Connect portal frames. EXPAN reduces construction costs, while being exceptionally robust. Together with the flexibility of timber, it has superior lateral stability and seismic capabilities, making it ideal for building in earthquake zones and high wind areas. New connection systems have been developed and tested over the past twelve months. Other STIC research includes analysing the fire resistance performance of timber structural systems that will provide data for an update of AS1720 Part 4.

STIC's research has expanded the timber industry's knowledge of constructing commercial timber buildings. It is now in a position to develop systems that can compete with traditional commercial building systems that are world's best practice. With time, the research outcomes will allow the timber industry to move into markets beyond traditional housing, resulting in greater sales volumes for timber products.

In addition to the formal research program, programs supported/managed by STIC also contributed to the graduation of more than 53 post-graduates (including PhDs, Masters and post doctoral positions), more than 111 papers published in peer reviewed journals, two patents and over 30 conference presentations, keynote presentations and science awards.

Read more about STIC here

Read more about EXPAN here





Alternative Solution Fire Compliance



Alternative Solution Fire Compliance



Alternative Solution Fire Compliance

#### PNA217-1011: Alternative Solution compliance resource for fire safe timber design

Architects and engineers wanting to use timber in multi-storey buildings must either follow the prescriptive Deemed-to-Satisfy Provisions (DtS) of the National Construction Code (NCC) or else, in consultation with a fire engineer, develop Alternative Solutions that would be acceptable to a building certifier, building surveyor and relevant authorities. Currently, the NCC's prescriptive fire regulations limit timber use in multi-residential buildings to three storeys; office, shops and restaurants to two storeys; and healthcare, schools and sports halls to one storey.

This research project summarises the Alternative Solution processes that allow timber to be used in common applications that don't meet the DtS building regulations and has produced three guides. Authored by fire engineers familiar with both timber design and the process of compliance with building regulations, the guides are a world first for documenting the process required to achieve Alternative Solution compliance.

The three guides cover structural timber (e.g. structural framing, beams and columns), interior linings (e.g. interior linings boards and veneer panels) and exterior cladding (e.g. exterior boards, plywood and hardboard).

The Alternative Solution processes are accompanied by case studies that demonstrate how the Alternative Solutions are developed, including a ten storey residential high-rise, school auditorium/sports facility, single storey fully timberframed school building (using LVL framing and extensive timber lining), a two storey university research building (with primary structural system glue laminated timber portal frames and timber cladding) and timber cladding for two five-storey buildings for tertiary student housing. All of the examples use virtual structures that highlight the process and evidence required.

As interest is growing in timber structures outside the prescriptive DtS of the National Construction Code, these guides and cases studies will go a long way to enable design professionals to specify the use of timber without developing costly one-off Alternative Solutions.

<sup>®</sup> See the Design Guides and case studies at WoodSolutions

Research Provider: Timber Development Association (NSW) Ltd







#### PNA244-1112: Prefabricated lightweight timber ground floor systems

For major residential building companies, the use of a timber ground floor in detached housing is seen as time consuming and therefore too expensive. To address this situation a research project has developed a prefabricated lightweight timber ground floor system that includes prefabricated timber floor panels and the 'stumps' that is the floor support to the footings.

The research was a collaborative process between BRANZ, TPC Solutions (Aust) Pty Ltd, Bowens Timber & Building Supplies and Mitek. The team designed and tested a floor panel system that is easy to build in a factory and only uses pre-existing and readily available components. Economically competitive and structurally excellent, the system fits onto the back of a truck for easy transport and is straightforward to install.

As it has a raised timber floor, the system has some major advantages: it is very effective for sloping sites as it avoids unnecessary cut and fill; it can be adjusted easily for sites where reactive clay soils move with changing moisture content; and, it can raise a home to reduce the possibility of flooding. Importantly, no time delays are incurred, as is the case with curing a concrete ground-floor slab, as construction can proceed immediately and plumbing may be scheduled independently. The Frame and Truss Manufacturers Association Australia is overseeing the introduction of the system into the building market. Initially, selected frame and truss manufacturing companies will make the panels in the factory, deliver them to site and install them for one contract price. This will reduce the risk to builders while always having the people who know the floor system best, i.e. the manufacturer, putting in high-quality floors.

Once the building industry has seen the floor system used in a number of successful designs, a complete technical manual will be made publicly available, probably in late 2014.

The system has already been tested in a real home – a rectangular plan, single storey house of about 120 square metres built in March 2013. The prefabricated floor panels had a 5.3 metre span and used only one fifth of the stumps that would have been used building a normal suspended timber floor.

If only around five per cent of the construction market changed to use the system, then it has the potential to generate around \$40M worth of extra retail sales to the timber industry each year.

 $\otimes$  Read the full report here

Research Provider: BRANZ Ltd



# MARKET ACCESS

#### Opportunities for post-consumer H2F treated 'blue-pine' off-cuts and resource recovery exemption application for end-oflife wood



PNA251-1112: Opportunities for post-consumer H2F treated 'blue-pine' off-cuts and resource recovery exemption application for end-of-life wood

Disposing of waste H2F-treated offcuts is a concern for many frame and truss manufacturers. This research found that 29% of manufacturers who responded to an Australia-wide survey reported a problem with disposal or recycling of H2F offcuts. The main problem was high, and increasing, costs of disposal compared to untreated waste. Fabricators in NSW, Victoria and WA indicated a problem while only one in Queensland identified a current issue. As a result, fabricators who use H2F timber may be competitively disadvantaged in the market compared to those using untreated.

The project also submitted an application to the NSW EPA to use a small proportion of end-of-life H2F wood and engineered wood product (particleboard, MDF and LVL/plywood) in animal bedding and soil conditioner products. The application is currently being considered in light of an EPA review of their general exemptions. Previous FWPA sponsored research found minimal risk from a range of wood preservatives in these recycled products where the preservative does not exceed tolerable limits. Based on this research, a wider literature review and sampling and analysis over eight months, the application included up to 5% of H2F treated wood offcuts in the recycled products inputs.

The research, while identifying the associated waste disposal issues, has also highlighted opportunities and included recommendations to prevent future issues for timber manufacturers and their customers.

#### Read the full report here

Research Provider: Timber Development Association (NSW) Ltd

#### RESOURCES

The Forest Productivity Optimisation System – A decision support tool for enhancing the management of planted forests in southern Australia under changing climate



PNC168-0910: The Forest Productivity Optimisation System – A decision support tool for enhancing the management of planted forests in southern Australia under changing climate

Plantation managers need to make long-term management decisions based on information from a range of sources, which may be affected by new management regimes, new soil types, or changing climate and water availability.

This project developed the 'Forest Productivity Optimisation System' (FPOS), a web-based decision support system to help managers understand the impacts on plantation productivity and profitability of changing climate and different management, sites and species choices. FPOS is a major enhancement to the 'Blue Gum Productivity Optimisation System' (produced by the CRC for Forestry), and extends it in several important ways: allowing the user to explore many more climatic zones; modelling five species *- Eucalyptus nitens, E. globulus, E. smithii, Pinus radiata,* and *P. pinaster*; and accounting for both solid wood and pulpwood products. FPOS uses the CABALA model that links the carbon, nitrogen and water balances in forests to predict productivity and water use. It is specifically targeted to silvicultural decision support and is underpinned by a large body of data describing the physiological responses of trees to both environmental and management factors.

The researchers believe that using FPOS to help site selection and management (including over multiple rotations) could improve productivity and/ or reduce risk by at least 10% at many sites.

Access to the web-based support tool is free to FWPA levy payers.

Q FPOS website (Enquiries regarding access should be through the developers here)

Read the report here

<sup>Q</sup> The key research also presented the results to industry using FWPA's new webinar format and the webinar presentation can be viewed online here

Research Provider: CRC Forestry Limited



### RESOURCES

PNC288-1112: The extent, severity and causes of second rotation productivity decline in blue gums

The extent and causes of decline in productivity from first to second rotation blue gum plantations



Blue gum plantations in southwestern Australia are showing second rotation productivity decline that is as much as 60 per cent lower than in the first rotation. Using existing experimental data and productivity data from industry, the research team from CSIRO has quantified the extent and severity of second rotation productivity and examined the primary causes.

The results show that second rotation productivity is related to rainfall variability. During the first rotation trees accessed water stored in the soil, but by the second rotation, this water had decreased and trees were more dependent on rainfall. As a consequence, second rotation trees were slightly more water-stressed, which made them more vulnerable to insect attack, particularly at drier sites. While declines in soil nutrients are not having an effect on second rotations, there are indications they are influencing third rotation productivity. In light of these results, plantation managers are advised to understand the dynamics of their plantations and act to reduce current and potential risks to productivity.

The project is developing a model that takes into account the many environmental and economic variables. Using this analytical management tool will help growers maximise the future productivity and profitability of their plantations.

Read more here

Research Provider: CSIRO Ecosystem Sciences



# RESOURCES

#### PNC211-1011 Optimal use of genetics in deployment and tree breeding

Optimal use of genetics in deployment and tree breeding a large range of e breeders and for as the basis of es



In tree improvement programs, geneticists predict genetic values for individuals and families for a large range of economically important traits; breeders and forest owners use this information as the basis of selection. The Southern Tree Breeding Association (STBA) has developed the SEEDPLAN toolset to manage the vast amounts of complex information generated in tree improvement programs.

Using SEEDPLAN it is anticipated growers will lift the economic value of genetically improved plants in softwood plantations by on average more than \$80 NPV (net present value) per hectare per year (marginal gain in profit above current industry standards), for eucalypt plantations the marginal gain is anticipated to be about \$60 NPV per hectare per year. Assuming half the plantation industry benefits, this will equate to about \$1.1 and \$0.8 million NPV for pines and eucalypts, respectively, and the gains are cumulative over time. To return the best value to growers, genetic values for trees need to be tailored to the individual variables of the wood product system and growing environment. An elite tree, or family, or seedlot for one growing environment or wood product system may not be the best for another.

The SEEDPLAN toolset covers selection of genotypes (i.e. genetically different trees) to generate seed; putting copies of the genotype strategically into a deployment orchard; placing a value on the genetic quality of the seed produced by the genotypes; and customising the index (that generates the economic value) to reflect both the plantation's growing environment and the wood products being produced.

To ensure industry can use SEEDPLAN effectively, the project has developed training materials, including printed manuals, computer-based help files, and on-line, web-based help. SEEDPLAN tools are fully integrated with national database (DATAPLAN) and genetic analysis (TREEPLAN) tools for efficiencies.

Read more about SEEDPLAN here

Research Provider: Southern Tree Breeding Association



# MARKET ACCESS Inc.d11 to Mark House and Life Cycle Assessment of a cross laminated timber building The Cycle Assessment of a cross laminated timber building

#### PRA282-1112: Life Cycle Assessment of Cross Laminated Timber building

It is the world's tallest modern timber apartment building and it has been built in the Docklands precinct in Melbourne. The Lend Lease building known as Forté is 10 storeys high, the top nine stories being built of cross laminated timber (CLT). CLT panels are made up of timber boards glued into alternating-grain layers to form large sheets that look and function like concrete tilt slabs.

To help developers understand this exciting construction product, a research project completed a Life Cycle Assessment (LCA) of the building, comparing it to a building of similar size and design built using conventional concrete/ steel reinforcing construction. The LCA looked at the environmental impacts of all the construction materials as well as those from operating the building over a 50-year period, and found that the potential environmental impacts are lower for the Forté building.

While the majority of LCA impacts occur during the operation of the building, building materials contribute between 5% and 21% of environmental impacts. If the Forté building were concrete, then its construction materials would emit 690 tonnes of CO<sup>2</sup> equivalents. However, the CLT building emits only 185 tonnes if no sequestration at the end of life is included, but results in a net uptake of 761 tonnes of CO<sup>2</sup> if sequestration is included—in effect more CO<sup>2</sup> is sequestered than is released during manufacture and transport. In addition, the CLT uses 56% less cumulative non-renewable energy demand (i.e. all energy used including fossil, electrical and feedstock), 83% less water, and eutrophication (i.e. the nutrients released, mainly phosphorous and nitrogen) impacts are 69% lower when compared to concrete construction.

The LCA research demonstrates to both developers and the community that CLT buildings have real economic and social advantages. Increasing the use of CLT will create exciting new market opportunities for timber in multi-storey buildings.

Read more about the LCA here

Research Provider: RMIT



# ARKET ACCESS

A Review and Update of Emerging echnologies in Residential Timber onstruction

PRA245-1112 A review and update of emerging technologies in residential timber construction

New technologies to improve the use of wood and timber are regularly brought to market, but identifying those that are most suitable for adoption can be difficult. This project, an update on a previous 2006 document, reviewed and rated relevant emerging technologies from North America, the United Kingdom, Europe, Japan, New Zealand and Australia.

The technologies identified as most viable may deliver improvements relating to construction cost, time, quality, process management, sustainability, life cycle and end user benefits.

The report is written to help design and construction professionals better understand these emerging technologies and bring their benefits to Australian construction projects. An interactive web database was also developed to help find information about different technologies and their associated websites.

The highest scoring new technologies included:

- > Timber structural floor/wall/roof systems
- > Wood with improved dimensional stability and resistance to weather, fungal and termite attack
- Building information modeling (BIM) systems in > which 3D designs are linked to building costs and production information

The report suggests Australian industry builds active liaisons with timber institutions and companies overseas, to find state-of-the-art timber construction technologies more quickly and reduce overlap and waste in the research and development process.

Q Visit the industry website here

Read the report here

**Research Provider:** 

Faculty of Design Architecture and Building, University of Technology Sydney

# MARKET ACCESS

Demonstrating legal wood products: dustry benchmarking: Part II - pulp aper, wood furniture and other wood roducts



#### PNA252-1112 Demonstrating legal timber – Industry benchmarking and due diligence tools

The Australian Government's Illegal Logging Prohibition Act 2012 has significant implications for Australian importers and this report considers the due diligence practices required for a range of wood-based products.

The outcomes of the report are part of a larger project to help industry meet its future obligations associated with the legislation.

This research shows that awareness of the due diligence practices required varied across sectors. Seven of nineteen pulp and paper companies knew their responsibilities under the Act compared to only two of thirteen firms importing wood furniture. It also highlighted differences in the key compliance drivers, ranging from companies' own values and ethics to adherence to internationally recognised certification

#### standards and programs.

The subsequent development of the due diligence guidance and tools will help industry to make the transition. Recommendations from the report include simplified prescriptive guidance (i.e., do's and don'ts), ongoing consultation on the development of regulations, and guidance on risk and acceptable legality mitigation documentation.

Read more here







Top: Monteray Pine Aphids Below: Wasp mummy of Diaeretus essigellae

PNC063-0607 Introduction of the wasp *Diaeretus essigellae (Hymenoptera: Braconidae: Aphidiini)* for biological control of Monterey Pine Aphid, *Essigella californica (Hemiptera: Aphididae: Cinarini)* in Australia

A native to west coast USA, the Monterey pine aphid, was first recorded in Australia in 1998, and by 2004 was causing significant economic losses in radiata pine plantations across the country. Estimates of its economic effect, both in lost production and control were given as \$21 million annually. The only economically effective option was to use a biological control agent and so in 2005 the South Australian Research and Development Institute was commissioned to research and introduce the parasitoid wasp, *Diaeretus essigellae*.

After extensive testing, the Federal Government granted permission for the wasp's release in late 2009. Since then 130 releases have occurred in pine plantations in Queensland, New South Wales, Victoria, South Australia and Western Australia.

Although initial monitoring found dead aphids containing developing wasps at several release sites, there is no evidence that wasps have survived winter months and permanently established. As the wasps are very difficult to detect, researchers believe the most likely outcome is that the wasp has established in low numbers. If the wasp can establish and provide even very low levels of control (e.g. 10%), the research cost (around AU\$1M) would be recovered in about six months. Longer term returns will be realised if establishment occurs, along with the additional environmental benefit of avoiding the use of chemical applications as a pest control agent.

Read more here

Research Provider: South Australian Research and Development Institute



# LOOKING AHEAD

During 2013 – 2014, FWPA's research and development activities will be directed to:

- Delivery of priority projects to produce R&D outputs aligned to member and levy payer needs and expectations
- 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
- Increase the acceptance and accuracy of periodic benefit-cost analyses (BCA) by industry and government stakeholders as measured from stakeholder feedback
- Increase industry adoption and government awareness of iconic or 'hero' R&D project outcomes as measured by periodic opinion surveys
- 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



# PROGRAM 3: Capacity and education

Objectives Stakeholder benefits Background Key activities Looking ahead



### **Objectives**

Grow the industry's capacity and capability through the effective technical transfer of R&D findings and focused education activities that support the industry and its products.

# **Stakeholder benefits**

FWPA's investments in this strategy are required to deliver clear benefits to stakeholders (members, levy payers and the Australian Government) through:

- > Increasing the adoption of R&D findings
- > Increasing the availability of skilled personnel
- Developing and increasing participation in new and existing industry-oriented educational programs or resources
- Increasing interest and awareness of the industry as a career choice

# Background

In 2012/13, changes to the existing tech transfer and education program were initiated.

In tech transfer, the regular delivery of the R&DWorks newsletters, development of a new webinar platform for the dissemination of project findings and highlights are designed to ensure the results of R&D investments are being communicated to, and used by, the industry and other stakeholders.



In the education sector, the ForestLearning website continues to promote the benefits of the sector and its attractions as a career opportunity by providing teachers with industry relevant learning resources.

# **Key activities**

#### **TECH TRANSFER**

Through its R&D investment plans, FWPA oversees the communication of the knowledge of industry best practice and the creation of new technologies. The benefit of such activities are only realised when adopted by the industry in its commercial practices.

A key factor in all R&D projects is a requirement for the research provider to have an active program of engagement with industry and disseminate the R&D findings through appropriate mechanisms.

Effectively communicating R&D outcomes to industry stakeholders and the research community is essential to encourage the adoption of best practices, greater knowledge adoption and technology uptake and more rapid achievement of industry goals.

FWPA communicates research findings to industry through a wide range of channels including:

- The corporate website's sophisticated research report search functionality, report and video capabilities
- FWPA newsletters the corporate publication, ForWood, and the R&D based monthly newsletter, R&DWorks
- The newly implemented R&DWorks online webinar program
- > Industry press articles
- > Advisory group presentations
- > Media releases
- > DVDs and memory sticks
- > Executive summaries
- > Other FWPA channels, where relevant, such as news items on the WoodSolutions website

These activities increase awareness of research results and encourage their adoption by the industry.



### Case study

#### **R&DWORKS WEBINARS**

FWPA's successful R&DWorks webinar program began in May 2013 with presentations covering a wide range of topics of interest to different sectors in the forest and wood industries. Research and development is a critical part of doing business and it is important that industry leaders are continually made aware of R&D findings and opportunities for business improvement across all sectors of the industry.

Each webinar, presented by the researcher, comprises a 40 minute presentation, followed by 15–20 minutes of questions and discussion. The webinars are targeted across a range of issues and provide opportunities for senior executives and key decision makers to be informed about new technologies and processes for the forest and wood products sector. It also gives audience members an opportunity to talk with, and ask questions of, researchers, helping strengthen bonds between the industry and research communities.

While presentations are interactive in nature, it is also a cost effective manner of providing up to date and informative R&D outcomes. Presenters and participants from across the country and overseas can more readily be informed and importantly all presentations are recorded and available on the FWPA website at any time. http://www.fwpa.com.au/Webinars



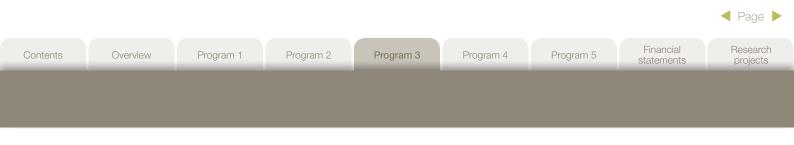
#### Case study

#### EDUCATION

The ForestLearning program focuses on embedding forestry and wood product topics into the national school curriculum and providing relevant resources for teachers, enabling them to successfully integrate forestry and wood product information into their classroom teaching.

The program is developed and implemented in three phases:







The group has coordinated a marketing and communications program to reach primary and secondary teachers across Australia that includes e-newsletters, teacher associations networking, event marketing and school visits.

The program has been working closely with the national school curriculum to help ensure that forestry and wood products are being taught at every level of primary and secondary school with the aim of increasing:

- knowledge and understanding of the industry among students and teachers
- > awareness of the environmental advantages of timber products
- social licence to operate and driving community support
- > desirability of the industry as a career choice

The focus has been in the core subjects of Science, Geography and Technology as well as the Sustainability cross-curriculum subject.

In the 2013 school year, FWPA has undertaken a Resource Development research project to test and evaluate existing and new teaching resources across three core subject areas - Science, Geography and Technology. The pilot currently reaches 100 relevant high school teachers whose responses will help develop relevant and useful teaching resources.

Specific video, theory and practical lessons were created for each subject and teachers are using the resources in the classroom and providing feedback through an online survey. This information will be used to develop future resources that are practical and relevant in the classroom environment.

Early results indicate that:

- > 75% of teachers do believe that active forest management and use of wood products helps in the fight against climate change
- Teachers would like to receive guided lesson plans, videos and interactive online games and quizzes to help them deliver forest and wood product theory
- In terms of access to technology in the classroom, DVD, PowerPoint and multimedia lessons are the most commonly used
- > Even though 27% of teachers said they had heard of ForestLearning.edu.au prior to participating in the research, the main suggestions for improving the site was building awareness that the site exists.

Awareness of Forestlearning.edu.au and the program continues to grow and the website has attracted over 30,200 unique visitors viewing 73,500 pages. On average, 19% of visitors are directly coming to the site by typing in ForestLearning.edu.au and 15% of visitors return month on month to the site.





#### **GOING BUSH**

A suite of lesson plans were created to use in conjunction with the 2012 Going Bush series  $\propto$ . Teachers are able to show the program and then provide activities and discussion outlines with students to maximise the learning outcomes. Above left: Going Bush series. Above right: Geography students from Mansfield Secondary College designing and building a forest landscape model from our Geography practical lesson

#### **Case study**

# UNDERSTANDING RESEARCH NEEDS REGARDING SOCIAL LICENSE TO OPERATE FOR RURAL INDUSTRIES

A multi-sector workshop, organised by FWPA and CSIRO was held in Sydney in March 2013. 27 delegates, from a range of organisations across the Rural R&D corporations, discussed the challenge of developing a cross-sector research program to better understand, measure, and manage social license for Australia's rural industries.

Two speakers addressed the group:

- Ian Lowe, Australian Conservation Association (President) addressed the links between direct and indirect economic, social and environmental impacts, and how we can learn from our past events
- Kieren Moffat, CSIRO: discussed the meaning of SLO to the mining industry and the industry's experience with SLO

During a workshop session, delegates identified three key issues:

- > Different perceptions: the need for a baseline
- > Understanding everyone's role: the need for a leader

> Issues around 'how to'

The workshop achieved its goals, including:

- > A better understanding of each RDC and the issues each is trying to address
- > A consensus and buy in on the need to do research

It was also agreed that more needed to be done, including:

- > Developing a common approach
- > Agreeing on a clear way forward and shared research agenda
- > Developing a research program
- > Identifying and agreeing on key research questions and objectives
- > Engaging the public



#### SCHOLARSHIPS AND SKILLS

In 2012-13, at the direction of its industry members and stakeholders, FWPA discontinued its postgraduate fellowship and skills development programs. Currently, contracted fellowships are being continued, however investment in new awards has been paused until industry conditions and levy funds improve.

During 2012/13, two students were awarded their PhDs, Dr Edwina Loxton and Dr Hamidul Islam.

Dr Edwina Loxton, who was enrolled at the Australian National University, investigated the social impacts experienced by members of the native forest industry as a consequence of Regional Forestry Agreements (RFAs) and other policy decisions that reduced access to native forests for timber harvesting, and introduced new rules about native forest timber harvesting and processing. The research was focused on communities in northern NSW and southwest WA.



Dr Edwina Loxton

Dr Hamidul Islam's research project, entitled Optimising Timber Use in Residential Building to Reduce Environmental Impact: A Life Cycle Assessment Approach, was through enrolment at RMIT University. The key outcomes were to develop an optimisation framework on how timber (solid wood and engineered timber) can be used efficiently in residential building and a guideline to verify the effectiveness of the framework in Australian climatic conditions.

Four further postgraduate studies were terminated upon the requests of the students and their host institutions: New Approaches to Termite Control: Understanding the relationship between the termite host and bacterial symbionts from the genus Streptomyces (PGD283-1112); Ecology factors affecting forest carbon stores in Tasmania (PGD229-1011); The importance of environmental factors in microwave induced permeability of timber (PGD077-0506); and Investigation of sawmilling by-products as feed stocks for the furafuel process (PGD096-0809).

As of 30 June, FWPA funding continues for the remaining contracted eight PhD scholarships at various stages of progress, a reduction from 14.

#### **SPONSORSHIPS**

Sponsorship of selected technical conferences and support of peer review and discussion of scientific research enables FWPA to facilitate the exchange of knowledge and flow of information in the forest and wood products industry. Sponsorships included the following:

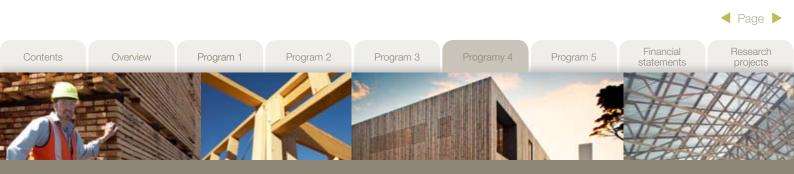
> 14 undergraduate and postgraduate students from across Australia were sponsored in their attendance at the 2012 World Congress on Timber Engineering held in Auckland NZ. FWPA was also a principal sponsor of this event



# LOOKING AHEAD

During 2013 – 2014, FWPA's activities under its reformulated Capacity and Education program will be directed to:

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



# PROGRAM 4: Standards coordination

Objective Stakeholder benefits Background Key activities Looking ahead



### **Objective**

To coordinate the industry's management of consensus-based standards and building codes to maintain or improve market acceptance of the industry's products.

# **Stakeholder benefits**

FWPA's investments in this strategy are required to:

- > Improve market access and/or reduce barriers to the use of wood products
- Increase the understanding and adoption of relevant standards and codes within the industry and building professionals
- Reduce the cost of delivery of standards development



# Background

Since FWPA's standards coordination program began in 2009, its aim has been to increase the use of wood based products through efficiently and effectively developing and maintaining key standards (except forest management standards), codes and handbooks that support the manufacture and use of timber and wood products.

The industry currently has more than 260 Australian Standard documents (Standards, supplements, handbooks and amendments), including about 150 standards relating to timber and wood product standards, and is exposed to nearly 80 building standards that influence the use of timber and wood products. In addition, many building regulations also reference standards that affect the use of timber and wood products.

FWPA has continued its work in the area of building codes and standards focusing on expanding the market for timber products beyond residential construction and to enhance confidence in the use of industry's products by building professionals. To assist with this, close working relationships have been maintained with Standards Australia and the Australian Buildings Codes Board.

Paul Morgan Architecture – Trunk House Photographer: Peter Bennetts



# **Key activities**

# Standards Australia Timber Committee Structure and Operational Review

FWPA has worked closely with Standards Australia as part of a proposed restructure and review of Standards Australia's Timber Committee structure and operation. As a result, FWPA prepared a submission incorporating member feedback that also provided a list of priority activities including potential projects to review, withdraw and reconfirm as standards managed by Standards Australia's eight timber (TM) committees. Standards Australia is currently finalising their proposed Timber Committee structure that will essentially mirror that of the International Standards Organisation (ISO).

# Revision – AS1684 Residential timber-framed construction: Part 1 – Design Criteria

AS1684 Residential timber-framed construction, a key standard for the timber industry, contains timber-framed building construction practices and design methods as well as solid wood member span tables.

A thorough review of the current standard has been undertaken to be consistent with, and take into account, changes made to AS1720.1 Timber Structures and the relevant loading standards since the original publishing of AS1684.1 in 1999. The review has addressed its intended scope, the relationship with AS1684 Parts 2–4, changes to AS1720.1 and changes to AS1170 Loading standard series (wind, dead and live loads) as well as AS/NZS4055 Wind loads for housing.

This draft revision of AS1684.1 will be submitted for consideration by Standards Australia Committee TM-001 to be included as a further Part of AS1720: Timber Structures.

# AS/NZS8008:201X Timber – Finger-jointed structural timber – Product and performance requirements

FWPA is helping develop a new standard to enable the production of single lamella finger-jointed structural products that can be manufactured to match the grading for solid timber. The standard has been written requiring the same qualification and verification procedures that apply to solid timber, but it also contains additional provisions for the qualification and verification of the finger-joints.

When published later this year, the standard will allow for the manufacturing of 'stud grade' as well as a 'general grade' finger-jointed structural timber products.

#### Building Code of Australia Volume 1 – Proposalfor-Change

A Proposal-for-Change (PFC) was submitted to the Australian Buildings Codes Board (ABCB) seeking an extension of the current concession for Class 2 timber framed buildings (allowing 3 storey timber framed apartment buildings) to also apply to Class 3 buildings (residential parts of hotels/motels, healthcare buildings, etc.) – currently limited to two storeys.

The technical support for the PFC was based on the Exova Warringtonfire Australia report, Extension of the Concession, that allows timber framed construction in Class 2 Buildings to include Class 3 Buildings (2011). Funded by FWPA, the report & compared the severity of fires within two compartments, one enclosure constructed using a fire rated non-combustible steel stud and steel joist system with non-combustible insulation, and the other enclosure was constructed using a fire rated timber framed system. The results demonstrated that the severity of fires within the two compartments was comparable.

Based on the PFC, the ABCB's Building Codes Committee (BCC) recommended that the proposal be included in the public comment draft of Volume One of BCA 2014 that, at the time of writing, is out for public comment.



#### Building Code of Australia (BCA) – Non-combustibility Requirements

FWPA has developed a strategic plan to address the current BCA limitations imposed on combustible (timber) framing systems in building classes other than residential housing, in particular the non-combustibility requirements contained within the BCA.

For timber buildings above three stories, an 'Alternative Solution' must be developed to show that the proposed design will meet the performance requirements of the BCA. In order to demonstrate this, fire engineers need to model this performance. While larger developers, e.g. Lend Lease with Forté, a ten storey cross laminated timber (CLT) apartment building in Melbourne's Docklands, may be able to do this, small to medium sized developers generally do not have the resources.

The focus of this work is to research and develop a solution to address BCA non-combustibility requirements, simplifying the design and construction processes and encouraging the construction of tall timber buildings in Australia.

#### Standards Reference Group/ Standards Industry Network

Through the Standards Reference Group (SRG) and Standards Industry Network (SIN) (a broader group of interested stakeholders), FWPA maintains an engagement with timber industry stakeholders who have expressed an interest in codes and standards activities.

The SRG and SIN now comprise 65 members who are kept informed of changes to timber standards and relevant building codes and standards. When draft documents are released for public comment they are circulated to the SRG and SIN members for their review and response.

#### The Standards Reference Group

Geoff Stringer (Chair) Hyne Timber

Vincent Corlett Nannup Timber Processing

Simon Dorries Engineered Wood Products Association of Australasia

Trevor Innes Gunns Timber Products

Kim Harris Carter Holt Harvey Woodproducts

Craig Kay Tilling Timber Pty Ltd

Colin MacKenzie Timber Queensland

Frank Moretti Gunnersens Pty Ltd

Peter Robson Boral Timber

Richard Schaffner Wespine Industries Pty Ltd

Chris McEvoy Radial Timber

Ric Sinclair FWPA

Boris Iskra FWPA – Program Manager



# LOOKING AHEAD

During 2013 – 2014, FWPA's standards coordination activities will be directed to:

- Assisting industry with the transition to a new Committee structure within Standards Australia
- Working closely with Standards Australia to ensure the cost-effective delivery of Standards
- Working with the SRG to identify priority amendment/development of industry standards
- Securing co-funding and resources from industry groups to progress Standards development where appropriate
- > Effectively communicating activities to the industry via email, newsletters and the FWPA website
- Promoting knowledge transfer to industry through workshops and industry presentations

See current activities under Standards Coordination here.



# PROGRAM 5:

# Statistics and Economics Program Coordination

Objective Stakeholder benefits Background Key activities Looking ahead



### **Objective**

To coordinate and manage the provision of relevant, insightful industry statistics and economic analysis to deliver market intelligence that industry can use to make more informed decisions.

# **Stakeholder benefits**

FWPA's investments in this strategy will deliver benefits to stakeholders including:

- Increasing confidence in statistics and economic data
- Providing timely and useful statistical-based information to assist business planning and decision-making
- Improving recognition of the value of statistical and economic data sets for industry applications
- Lowering direct and indirect business costs arising from the reduction of uncertainty associated with present mechanisms for data collection and analysis

# Background

The FWPA Statistics and Economics Program was approved by the Board in December 2012 in response to industry concerns over the timeliness and accuracy of information and gaps in the data available for commercial decision making and policy development. It followed over two years of consultation with industry in relation to the original R&D investment plan and follow-up discussions between industry and the Australian Bureau of Agricultural Economics and Science (ABARES).

It was recognised that industry is now the primary source of statistical information and consideration was needed on how to encourage industry to share key data in a legal, confidential and noncompetitive environment to address the current market failures.



# **Key activities**

A detailed management plan has been prepared and approved by the Board, which included the recruitment of a dedicated program manager. Jim Houghton was appointed as the inaugural FWPA Statistics and Economics Manager in March 2013.

The initial program priority is to improve the available baseline data. This will be focused in two key areas:

Information to support/improve commercial operations

- > Production measures
- > Trade measures
- Market activity measures
- > Operational competitiveness

Information to support investment decisions

- > Forest base
- > Local and regional wood flows
- > Market trends
- > Emerging products

The Softwood Timber Survey has been transferred to the FWPA website. In addition to the publicly available information, expanded data access will be made available for industry (FWPA Members).

#### & Visit the Softwood Timber Survey website here.

Arrangements have been made with ABARES to upload import and export data for key industry products by major trading countries on a monthly basis. An interactive service is being developed for the website to provide data for the general public, wider industry and FWPA Members.



# LOOKING AHEAD

During 2013 - 2014, FWPA's statistics and economics program coordination activities will be directed to:

- > Expand the number of processors contributing to the Softwood Timber Survey
- > Develop a Hardwood Timber Survey with relevant industry partners. This will build on earlier work undertaken by the hardwood sector
- > Develop a national Production and Inventory Survey
- > Providing monthly access to key timber industry import and export trade data
- > Initiate market demand forecasting reports



# FINANCIAL STATEMENTS AND CORPORATE GOVERNANCE

Directors' report

Auditor's independence declaration Statement of comprehensive income Statement of financial position Statement of changes in equity Statement of cash flow Notes to the financial statements Directors' declaration



Directors present this report on the Company for the financial year ended 30 June 2013.

#### **Directors**

During the reporting period, eight non-executive directors served on the Board as well as the Managing Director. Six directors (including the Managing Director) were Directors of the Company for the full financial year.

# **Election of directors**

According to the Company Constitution, FWPA's Board shall comprise between five and nine directors (including the Managing Director), at least two of whom are independent directors. After the first annual general meeting, directors, with the exception of the Managing Director who is an employee of the Company, are appointed on a rotational basis by the Company's voting members at the annual general meeting. The appointments are for terms of three years with a maximum of three consecutive terms.

### **Board of directors**

The names of each person who has been a director during the year and to the date of this report are:

Mr Ron Adams

- Mr Nick Roberts (until 17th October 2012)
- Mr Vince Erasmus
- Mr John Simon
- Mr Mark Grey (until 17th October 2012)

Mr Evan Rolley

- Mr John McNamara (appointed 17th October 2012)
- Dr Michele Allan

Mr Ric Sinclair

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

# Information on directors

#### CHAIRMAN AND NON-EXECUTIVE DIRECTOR

#### Mr Ron Adams

Mr Adams is the managing director of Wespine Industries Pty Ltd. He is also President of Forest Industries Federation of WA, a director of Australian Forest Products Association and a trustee of J.W. Gottstein Memorial Trust. He was formerly a Director of National Association of Forest Industries (NAFI), member of WA Minister for Forestry's Timber Plantation Advisory Group and The Australian Plantation Products and Paper Industry Council (A3P). He holds an associateship in Mechanical Engineering, is a graduate of the Harvard Business School International Advanced Management Programme and a Foundation Fellow of the Australian Institute of Company Directors.

**Board responsibilities:** Chair of the Remuneration and HR Committee.

#### NON-EXECUTIVE DIRECTOR

#### Mr John McNamara

Mr McNamara is CEO of Parkside Group Milling and has more than 30 years' experience in the forest and forest products industry. Until recently Mr McNamara was Managing Director of DTM Timber, a company that specialises in native forest management and harvesting, sawmilling, value adding processing and distribution, and roof truss and wall frame manufacture and distribution. Previously, Mr McNamara was the Managing Director of Hyne Timber a role he held for 18 years.

**Board responsibilities:** Member of the Audit and Finance Committee



#### NON-EXECUTIVE DIRECTOR

#### Mr John Simon

Mr Simon is CEO of Simmonds Lumber Group. He is also a director of the Australian Timber Importers Federation and the Timber Development Association NSW, and is a member of the Housing Industry Association's Manufacturers and Suppliers Council. Mr Simon has also been the managing director of Sterlands, CEO of Pine Solutions and managing director of Hudson Building Supplies. He holds a Master of Timber Engineering and is a Fellow of the Australian Institute of Company Directors.

**Board responsibilities:** Deputy Board Chair, Member of Remuneration and HR Committee, and Chair of the Market Knowledge and Development Advisory Group.

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

#### **Mr Evan Rolley**

Mr Rolley is a director of Tasports and of Ta Ann Tasmania, and he also operates a successful farming business, Huon Valley Vineyards. He was previously the chief commissioner for Forests, then managing director of Forestry Tasmania and was more recently Secretary of Premier and Cabinet in Tasmania. He holds tertiary qualifications in forestry and economics.

**Board responsibilities:** Chair of the Sustainability and Resources Advisory Group.

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

#### **Mr Vince Erasmus**

Mr Erasmus is a director of the Forest Stewardship Council Australia. Previously he was the managing director of Elders Forestry Limited (formally ITC Limited), and a director for both the National Association of Forest Industries (NAFI) and the World Forestry Centre in Portland, Oregon.

**Board responsibilities:** Chair of the Wood Products Advisory Group and Member of the Audit and Finance Committee

#### INDEPENDENT NON-EXECUTIVE DIRECTOR

#### **Dr Michele Allan**

Dr Allan is currently a non-executive director of a number of companies including Cooperative Research Centre Hearing, Food Standards Australia and New Zealand, Grape and Wine Research and Development Corporation, Meat and Livestock Australia and Ruralco Holdings Ltd. She is chair and non-executive director of Grains and Legumes Nutrition Council and William Angliss Institute, as well as an independent non-executive director of Birchip Cropping Group and New Zealand Food Innovation Network Company. She is also a Board advisor to Bread Solutions and a member of the Clean Technology Investment Committee. Dr Allan holds both a Bachelor of Applied Science Master of Management (Technology) and Commercial Law, a Doctor Business Administration and is a graduate and fellow of the Australian Institute of Company Directors.

**Board Responsibilities:** Chair of the Audit and Finance Committee and Member of Remuneration and HR Committee.

#### MANAGING DIRECTOR

#### Mr Ric Sinclair

Mr Sinclair was appointed to the role of managing director of FWPA in June 2008. He is also a trustee of the J.W. Gottstein Memorial Trust. Previously Mr Sinclair spent seven years in the grocery and food industry where he worked in operations, corporate finance and strategy roles. Mr Sinclair has held operations, marketing and strategy roles at Origin Energy, KH Foods, Chiquita Brands and Amcor/ PaperlinX. He holds tertiary qualifications in forestry and a master of business administration.

**Board Responsibilities:** Invited guest to the Audit and Finance Committee.



### **Board committees**

Board committees ensure appropriate management and review of company operations, and make certain that investments are adequately evaluated and deliver outcomes to company members and other stakeholders. The Board committees are: Audit and Finance Committee, Research and Development Investment Committee, Promotion, Services and Communication Committee and Remuneration and Human Resources Committee. All committee members listed below were members of the committee for the entire year, unless otherwise specified.

#### AUDIT AND FINANCE COMMITTEE (A&FC)

#### Members:

Mark Grey (Chair) (until 17th October 2012) Michele Allan (Chair) (from 17th October 2012) Nick Roberts (until 17th October 2012) John McNamara (from 17th October 2012) Vince Erasmus

#### Invited guests:

**Ric Sinclair** 

Jason See

The key tasks of the Audit and Finance Committee are to:

- Ensure prudent management of the Company's finances; ensure the Board makes informed decisions regarding the Company's overall expenditures; ensure activities approved by the Board are consistent with Australian law relating to prudent financial management; ensure the terms and conditions of employment of the Company's staff are consistent with the relevant Commonwealth and State Government policies and laws; and provide a general overview of the Company's financial management
- Liaise with FWPA's auditors; review the adequacy of internal controls and of compliance with relevant laws, regulations, policies and procedures; report to the Board on the adequacy of audit procedures; and promote accurate, high quality and timely disclosure of financial and other information to the Board and key stakeholders

#### REMUNERATION AND HUMAN RESOURCES COMMITTEE (R&HRC)

#### Members:

Ron Adams (Chair)

John Simon (from 17th October 2012) Michele Allan (from 17th October 2012) Nick Roberts (until 17th October 2012) Mark Grey (until 17th October 2012) Lesley Austin (Secretary)

The RHR Committee was formed last year. The secretary is an independent and external consultant.

The key tasks of the Remuneration and Human Resources Committee are to:

- Ensure that the Company's remuneration and human resources policies and systems support the Board's desired organisational culture and capacity
- Approve procedures and systems for the Company relating to staff and director remuneration, human resources and OH&S that are in accordance with agreed Board policies and directions
- Approve annual adjustments for the remuneration of the managing director and the managing director's direct reports
- Approve annual performance targets and assessment of performance against the targets



#### PROMOTION, SERVICES AND COMMUNICATION COMMITTEE (PS&CC)

#### Members:

Evan Rolley (Chair) Mark Grey John Simon

The key tasks of the Promotion, Services and Communication Committee are to:

- > Approve investments as specified within the Company Delegation Authority
- Oversee the Tech Transfer and Education program, including advising the Company on knowledge management and technology transfer from R&D activities; develop and implement the Company's communication and technology transfer plans; and provide informed advice to the Board regarding the Company's marketing, communication and technology transfer activities. The Board took over the function of Promotion, Services and Communication Committee and dissolved the Committee in September 2012

### **Board meetings**

During the reporting period, the Board held six meetings. Details of attendance by individual Board members are provided below.

DIRECTOR	BOARD		AUDIT AND FINANCE COMMITTEE		PROMOTION, SERVICES AND COMMUNICATION		REMUNERATION AND HUMAN RESOURCES COMMITTEE	
	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
Mr Ron Adams	6	6					2	2
Mr Nick Roberts	2	2	1	1			1	1
Mr John Simon	6	6			1	1	1	1
Dr Michele Allan	5	6	3	3			1	1
Mr Vince Erasmus	6	6	2	2				
Mr Mark Grey	2	2	1	1	1	1	1	1
Mr Evan Rolley	6	6			1	1		
Mr John McNamara	4	4	2	2				
Mr Ric Sinclair	6	6	3	3	1	1		

#### RESEARCH AND DEVELOPMENT INVESTMENT COMMITTEE (R&DIC)

The Board took over the function of the Research and Development Investment Committee and dissolved the Committee in September 2012.



# **Principal activities**

The principal activities of the FWPA during the financial year comprised:

- Providing research and development to support the Australian forest and wood products industry
- Providing domestic marketing and promotion services to the Australian forest and wood products industry

# Significant changes in state of affairs

There have been no significant changes in the nature of these operations during the period.

# **Objectives**

- 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

# **Strategies**

- Promote the benefits and usage of forests and wood products, in accordance with changing community attitudes, environmental awareness, and market trends (Generic Industry Promotion)
- Invest in and coordinate research and development 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 (R&D Investments)
- Grow the industry's capacity and capability through effective technical transfer and focused education activities that support the industry and its products (Tech Transfer and Education)
- 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)
- 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)

# **Results of operations**

The operating result for the financial year to 30 June 2013 was an operating surplus of \$2,093.

(2012: \$2,275,825 loss).

# Significant events after the balance date

No matters or circumstances have arisen since the end of the financial year which in the opinion of the Directors have significantly affected or are likely to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.



# **Code of conduct**

The FWPA Code of Conduct requires the Board and all staff to promote high standards of ethics and integrity. The language, attitudes and actions of directors, senior management and staff must reflect the principles of integrity and ethics, as well as the company's values and culture. The Code of Conduct recognises that FWPA's employees are vital to the fulfilment of the Company's purpose and, consequently, the highest level of staff satisfaction, health and safety must be maintained. It also encourages directors and staff to commit to the philosophy of continuous improvement at the corporate and individual levels.

# Conflict of interest and register of interests

A director must disclose an interest wherever he or she considers there is a potential perceived conflict of interest and a Declaration of Directors' Interests is a standing agenda item for all Board meetings. This policy is consistent with Section 21 of the *Corporations Act 2001*.

### **Members' Guarantee**

The Company is limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$1 each towards any outstanding obligations of the Company. At 30 June 2013, the number of members was 112.

# Risk management, fraud control and business recovery

The company has risk management, business recovery and fraud control plans in place. It also maintains a human resource policy and procedures, a Corruption and Fraud Control policy, a Whistleblower policy and a policy and procedure manual.

# Environmental regulation and performance

The Company is not subject to any particular or significant environmental regulation.

# Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2013 can be found on the following page.

Signed in accordance with a resolution of the Board of Directors.

Ronald Adams Director 15 August 2013

Alaric Sinclair Director 15 August 2013



# A Crowe Horwath.

Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Forest & Wood Products Australia Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- 2) No contraventions of any applicable code of professional conduct in relation to the review.

CROWE HORWATH MELBOURNE

RYAN LEEMON Partner

Melbourne Victoria Date: 19 August 2013

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# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue	2(a)	7,145,727	8,721,964
Other income	2(c)	444,403	433,364
Generic industry promotion	3(a)	(2,418,834)	(4,188,916)
Research and development investments	3(b)	(3,537,244)	(5,517,037)
Technology transfer education	3(c)	(727,145)	(1,382,885)
Standards coordination	3(d)	(267,579)	(342,315)
Statistics and economics	3(e)	(637,235)	-
Net surplus/(deficit)		2,093	(2,275,825)

Note: Employee benefits expenses for the above activities are in Note 3(f).



# STATEMENT OF FINANCIAL POSITION as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS		•	<b>~</b>
Current assets			
Cash & cash equivalents	4	1,352,681	2,558,239
Trade and other receivables	5	604,811	704,991
Financial assets	6	3,559,559	1,965,006
Total current assets		5,517,051	5,228,236
Non-current assets			
Furniture and equipment	7	27,265	110,019
Total non-current assets		27,265	110,019
Total assets		5,544,316	5,338,255
LIABILITIES			
Current liabilities			
Trade and other payables	8	427,577	230,345
Short-term provisions	9	205,355	146,179
Other current liabilities	10	-	6,000
Total current liabilities		632,932	382,524
Non-current liabilities			
Other long-term provisions	9	30,771	77,211
Other non-current liabilities	10	-	-
Total non-current liabilities		30,771	77,211
Total liabilities		663,703	459,735
Net assets		4,880,613	4,878,520
EQUITY			
Retained surplus	4,880,613	4,878,520	
Total equity		4,880,613	4,878,520

The accompanying notes form part of these financial statements.



### STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2013

	Retained surplus \$	Total \$
Opening balance at 1 July 2011	7,154,345	7,154,345
Net deficit for the year	(2,275,825)	(2,275,825)
Closing balance at 30 June 2012	4,878,520	4,878,520
Net surplus for the year	2,093	2,093
Closing balance at 30 June 2013	4,880,613	4,880,613

NB: The Company's equity balance at year end should be read in the context of Schedule of Commitments in Note 19.



### STATEMENT OF CASH FLOW for the year ended 30 June 2013

	Note	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members and government		7,475,522	8,891,385
Payments to suppliers and employees		(7,283,597)	(11,345,725)
Interest received		194,966	423,830
Net cash provided by (used in) operating activities	11	386,891	(2,030,510)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-	(23,424)
Acquisition of financial assets	6	(1,592,449)	4,100,000
Net cash provided by (used in) investing activities		(1,592,449)	4,076,576
Net increase (decrease) in cash held		(1,205,558)	2,046,067
Cash at the beginning of the reporting period		2,558,239	512,172
Cash at end of financial period	4	1,352,681	2,558,239



### 1 Summary of significant accounting policies

#### (A) BASIS OF PREPARATION

Forest & Wood Products Australia Limited has elected to early adopt the Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements. Accordingly, the entity has also early adopted AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements and AASB 2012-7: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements in respect of AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets and AASB 2011–9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income.

The financial statements are a general purpose financial report that has been prepared in accordance with Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The company is a not for profit entity for financial reporting purposes under Australian Accounting Standards.

Forest & Wood Products Australia Limited is a company limited by guarantee, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial report except for the cash flow information has been prepared on an accruals

basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

### (B) COMPARATIVES

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

#### (C) REVENUE

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Members' levies are recognised on advice of entitlement from the Department of Agriculture, Fisheries and Forestry and from State Growers estimates of their levies payable.

Government contributions for matched payments are recognised at fair value where there is reasonable assurance that the contribution will be received and all conditions will be met.

All revenue is stated net of the amount of goods and services tax (GST).

### (D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

#### (E) FURNITURE AND EQUIPMENT

Each class of furniture and equipment is carried at cost, less, where applicable, accumulated depreciation and impairment losses.

Purchases of furniture and equipment are recognised initially at cost, except for purchases costing less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).



### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

- > Office furniture and equipment 13% 27%
- > Leasehold improvements 20%

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period.

The carrying amount of furniture and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income in the period in which they arise. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### (F) FINANCIAL INSTRUMENTS

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to contractual provisions of the instruments. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised as expenses in profit or loss immediately.

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.



# Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

### Held-to-maturity investments

These investments are non-derivative financial assets that have fixed maturities and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### **Financial liabilities**

Non derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

#### Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets will be deemed to be impaired if, and only if, there is objective evidence of impairment as a result of the occurrence of one or more events (a "loss event"), which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

# (G) ACCOUNTS PAYABLE AND OTHER PAYABLES

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days or recognition of the liability.

#### (H) EMPLOYEE PROVISIONS

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee provisions that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits.

In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee provisions.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.



#### Superannuation

Employees of the Company are members of the Australian Government Employees Superannuation Trust (AGEST) which has been transferred to AustralianSuper on 1 January 2013, Equipsuper, BT Financial Group and VicSuper. Contributions are made to the Company employee superannuation funds and are charged as expenses when incurred.

#### (I) PROVISIONS

Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows using a current pre tax rate that reflects, where appropriate, the risks specific to the liability.

#### (J) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

### (K) LEASE

Leases are classified as finance or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a finance lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. The Company does not have any finance leases.

### (L) IMPAIRMENT OF ASSETS

At the end of each reporting period, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss. To 30 June 2013, no impairment losses have been recorded.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

### (M) INCOME TAXES

No provision for income tax has been raised as the Company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

### (N) ROUNDING OF AMOUNTS

The Company has applied the relief available to it under ASIC Class Order 98/0100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1.



#### (O) ECONOMIC DEPENDENCE

Forest and Wood Products Australia Limited (FWPA) is dependent on the Department of Agriculture, Fisheries and Forestry for the majority of its revenue used to operate the business. At the date of this report, the Board of Directors has no reason to believe the Department will not continue to support FWPA Limited as evidenced through the new funding agreement for the period 2012-2017 dated 30 August 2012.

### (P) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. They are AASB 9 and AASB 1053. The company has decided not to early adopt any of the new and amended pronouncements except for AASB 1053. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and de-recognition requirements for financial instruments.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012-6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015.

In light of this change to the mandatory effective date, the Company is expected to adopt AASB 9 and AASB 2010-7 for the annual reporting period ending 30 June 2015. Although the directors

anticipate that the adoption of AASB 9 and AASB 2010-7 may have a significant impact on the Company's financial instruments, it is impractical at this stage to provide a reasonable estimate of such impact.

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- > Tier 1: Australian Accounting Standards: and
- Tier 2: Australian Accounting Standards Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

Since the Company is not-for-profit private sector entity, it qualifies for the reduced disclosure requirements for Tier 2 entities. The Company will take advantage of Tier 2 reporting by early adopting this for the reporting year ended 30 June 2013.



2

Revenue		2013	2012
	Note	\$	\$
(a) Revenue breakup			
Commonwealth matching	3(g)	2,684,181	3,903,668
Industry contributions	2(b)	4,461,546	4,818,296
Total revenue		7,145,727	8,721,964
(b) Industry contributions			
Processors		2,534,643	2,772,982
Importers		842,980	869,952
Growers		600,217	673,233
State growers		473,756	481,113
Penalties		9,950	21,016
Total industry contributions		4,461,546	4,818,296
(c) Other revenue			
Bank interest received		196,384	325,644
Industry project contributions		192,455	95,189
Others		55,564	12,531
Total other revenue		444,403	433,364



Program Expenses	2013	20
	\$	
(a) Generic Industry Promotion (GIP)		
Consumer activities	1,104,394	2,334,0
Specifier activities	199,634	405,7
Specifier information & education activities (M)	563,210	907,4
Program Partner activities	18,731	40,9
Program support management	532,865	500,6
	2,418,834	4,188,9
(b) Research and Development Investments (R&D)		
Market access development	537,282	1,237,9
Solid wood processing	445,502	861,9
Sustainability & resources	1,499,773	2,059,8
Stakeholder consultation & development	46,127	88,0
Program support management	1,008,560	1,269,3
	3,537,244	5,517,0
(c) Technology Transfer and Education (TTE)		
Technology transfer activities	313,767	557,6
Education activities	226,198	493,3
Program support management	187,180	331,8
	727,145	1,382,8
(d) Standards Coordination (SC)	,	, ,
Codes and standards activities	75,954	147,(
Codes and standards information & education activities (M)	18,710	, .
Program support management	172,915	195,2
	267,579	342,3
(e) Statistics and Economics (S&E)	,	,
Program activities	450,620	
Program support management	186,615	
	637,235	
(f) Employee benefits expenses	,	
Wages and salaries	1,015,973	1,038,
Annual leave	11,389	9,3
Long service leave	25,847	21,2
Superannuation contributions	79,158	80,1
Payroll tax	25,567	25,
	1,157,934	1,174,6
(g) Matchable expenses	,, <b></b> .	-,,
Specifier information & education activities	563,210	907,4
R&D expenses	3,422,062	5,517,0
TTE expenses	727,145	1,382,8
Codes and standards information & education activities (M)	18,710	1,002,0
S&E expenses	637,235	
	5,368,362	7,807,
	3,000,002	7,007,0



Cash and cash equivalents	2013	2012
-	\$	\$
Cash on hand	200	200
Cash at bank	352,481	558,039
Short-term bank deposits	1,000,000	2,000,000
	1,352,681	2,558,239
Trade and other receivables		
CURRENT		
Commonwealth matching	428,161	589,339
Levies receivable	227,230	155,829
Interest receivable	545	1,232
Project co-contribution receivable	8,000	
Prepayments	10,426	10,235
GST receivable/ (payable)	(69,551)	(51,644
	604,811	704,991
Other financial assets		
Held to maturity investment: long term bank deposits	3,529,500	1,937,051
Interest receivable	30,059	27,955
	3,559,559	1,965,006
Furniture and equipment		
Office equipment		
At cost	110,539	112,426
Less accumulated depreciation	(87,322)	(69,090)
Total office equipment	23,217	43,336
Improvements		
At cost	113,297	188,732
Less accumulated depreciation/impairment	(109,249)	(122,049
Total improvements	4,048	66,683
Total furniture and equipment	27,265	110,019

### (a) Movements in carrying amounts

	Office		
	Equipment	Improvements	Total
	\$	\$	\$
Balance at 30 June 2012	43,336	66,683	110,019
Additions	-	-	-
Write offs	-	(32,647)	(32,647)
Depreciation expense	(18,418)	(21,320)	(39,738)
Program depreciation expense	(1,701)	(2,668)	(4,369)
Lease incentive amortise	-	(6,000)	(6,000)
Carrying amount at the end of period	23,217	4,048	27,265



Trade and other payables	2013	2012
	\$	\$
CURRENT		
Trade payables	381,480	180,922
Deposit	-	10,000
	381,480	190,922
Other payables & accruals		
Audit fee	10,000	11,000
PAYG tax & FBT (BAS)	36,097	28,423
	46,097	39,423
Total trade and other payables	427,577	230,345

#### **Provisions** 9

8

Provisions		Long-term	
	Make good	employee	
	of premises	benefits	Total
	\$	\$	\$
Balance at 30 June 2012	24,500	198,890	223,390
Additional provisions	-	37,236	37,236
Amounts used	(24,500)	-	(24,500)
Balance at 30 June 2013	-	236,126	236,126
Number of employees at 30 June 2013: 9			
		2013	2012
		\$	\$
Analysis of total provisions			
CURRENT			
Annual leave		93,276	81,888
Long service leave		112,079	39,791
Make good of premises		-	24,500
		205,355	146,179
NON-CURRENT			
Long service leave		30,771	77,211
		30,771	77,211
		236,126	223,390

10	Other liabilities	2013 \$	2012 \$
	CURRENT		
	Lease incentive liability	-	6,000
	NON-CURRENT		
	Lease incentive liability	-	-

2012

2013



### 11 Cash flow information

	\$	\$
Reconciliation of Cash Flow from operations with profit after income tax		
Net income/loss for the period	2,093	(2,275,825)
Non-cash flows in profit		
Depreciation, amortisation and impairments	50,107	45,815
Write off of assets	32,647	-
Changes in assets and liabilities, net of the effects of transfers of operations		
(Increase)/decrease in trade and term receivables	98,076	207,127
Increase/(decrease) in trade payables and accruals	197,232	(38,204)
Increase/(decrease) in provisions	12,736	30,577
Increase/(decrease) in other liabilities	(6,000)	-
Cash flow from operations	386,891	(2,030,510)

### **12 Financial instruments**

### (a) Financial risk management

The Company's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and accounts payable. It does not have any derivative financial instruments at 30 June 2013.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements are as follows:

	2013 \$	2012 \$
Financial assets		
Cash and cash equivalents	1,352,681	2,558,239
Held-to-maturity financial assets	3,559,559	1,965,006
Receivables	604,811	704,991
	5,517,051	5,228,236
Financial liabilities		
Other liabilities	427,577	230,345
	427,577	230,345

### (b) Net fair values

For financial assets and liabilities the net fair value is equal to their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Fair values of held-to-maturity investments are based on quoted market prices at the end of the reporting period.



### 13 Key management personnel compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

The totals of remuneration paid to key management personnel (KMP) of the company during the year are as follows:

	2013	2012
Key management personnel compensation		
\$NIL - \$29,999	7	7
\$30,000 - \$59,999	1	1
\$200,000 - \$299,999	1	1
	\$	\$
Amounts received, or due and receivable, by directors	469,726	472,074

The names of directors who have held office during the period are detailed in the Directors report.

### 14 Auditors' remuneration

Remuneration of the auditor of the Company for:

	2013	2012
	\$	\$
Auditing the financial report	10,000	11,000
Other auditing services	4,445	12,288

### 15 Related party transaction

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties were directors' remuneration, as disclosed in Note 14.

Various project expenditures were made to the following director related entities. The directors involved took no part in any relevant decisions of the Board. The directors related to the various entities are listed next to them.

	2013 \$	2012 \$
Income		
Forests NSW (N. Roberts)	229,963	256,248
Project expenditure		
Australian Forest Products Association (V. Erasmus)	-	62,382
World Forestry Centre (V. Erasmus)	-	5,772
J.W. Gottstein Memorial Trust (R. Adams, R. Sinclair, J. See)	4,200	1,400
Timber Development Association (J. Simon)	257,521	114,500



### **16 Contingent liabilities**

At 30 June 2013 the Company had no contingent liabilities.

### **17 Amounts guaranteed**

1

The Company has issued a guarantee in the amount of \$ 29,500 in favour of Parkside Properties Pty Ltd with respect to an agreement for leased premises at Level 4, 10-16 Queen Street, Melbourne. The guarantee is held in term deposit with Commonwealth Bank of Australia.

Operating Lease Commitments	2013	2012
	\$	\$
BY TYPE		
Other commitments		
Operating leases <sup>1</sup>	151,248	68,316
Total commitments by type	151,248	68,316
BY MATURITY		
Operating lease commitments		
One year or less	82,499	68,316
From one to five years	68,749	-
Total commitments by maturity	151,248	68,316

NB: Commitments are GST inclusive where relevant.

<sup>1</sup> Operating leases included are effectively non-cancellable and comprise leases for office accommodation.

Leasing arrangement: Lease payments are subject to annual increase in accordance with upwards movements in the Consumer Price Index.

	Annual			Comm	itments	Total
Nature of lease	Rental	Terms	Expiry	0-1 year	1-2 years	Commitments
Level 4, 10–16 Queen Street Melbourne VIC 3000	\$82,499	2 years	13/05/2015	\$82,499	\$68,749	\$151,248



Schedule of commitments	2013	2012
	\$	\$
BY TYPE		
Commitments		
Commitments <sup>1</sup>	3,258,553	5,199,740
Total commitments by type	3,258,553	5,199,740
BY MATURITY		
Commitments		
One year or less	2,348,220	3,288,290
From one to five years	910,333	1,911,450
Total commitments by maturity	3,258,553	5,199,740

NB: Commitments are GST inclusive where relevant.

<sup>1</sup> As at 30 June 2013, other commitments comprise payable under project and grant agreements in respect of which the recipients are yet to either perform the services required or meet eligibility conditions. Details of Commitments:

	Commi	itments	Total
	0-1 year	1-5 years	Commitments
Market access development	658,737	112,200	770,937
Solid wood processing	9,350	-	9,350
Sustainability & resources	1,579,373	778,883	2,358,256
Technology transfer & education	77,000	19,250	96,250
Stakeholder consultation & development	23,760	-	23,760
	2,348,220	910,333	3,258,553

### 20 Assets held in trust

#### Russell Grimwade Prize Trust

Donations and Bequests Research Trust Account

Donations and bequests for specified research purposes are received from the public under formal trust arrangements. Monies received are placed in a special bank account and expended on the specified research projects in accordance with the terms of the trusts. The company took over control of the trust monies from Forest & Wood Products Research & Development Corporation on 3 September 2007. These monies are not available for other purposes of the company and are not recognised in the financial statements.

	2013 \$	2012 \$
	Ψ	Ψ
Opening balance at the beginning year	239,878	228,127
Add: interest earned	5,636	11,751
Less: payments	-	-
Closing balance at the end of year	245,514	239,878



### 21 Events after the balance date

No events have occurred since 30 June 2013 which would significantly affect the operations of the Company.

### 22 Company details

The registered office of the Company is:

Forest and Wood Products Australia Limited Level 4, 10-16 Queen Street Melbourne Victoria 3000



In accordance with a resolution of the directors of Forest and Wood Products Australia Limited, the directors declare that:

- 1 The financial statements and notes, as set out on pages 71 to 88, are in accordance with the *Corporations Act 2001* and:
  - (a) Comply with Accounting Standards; and
  - (b) Give a true and fair view of the financial position of the Company as at 30 June 2013 and of its performance for the year ended on that date.
- 2 In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

file-

Sieli

Ronald Adams Director

Alaric Sinclair Director

Dated this 15th day of August 2013



## Crowe Horwath.

# Independent Auditor's Report to the Members of Forest & Wood Products Australia Ltd

#### Report on the financial report

We have audited the accompanying financial report of Forest & Wood Products Australia Ltd (the company), which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with AASB1053 – *Reduced Disclosure Requirements* and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

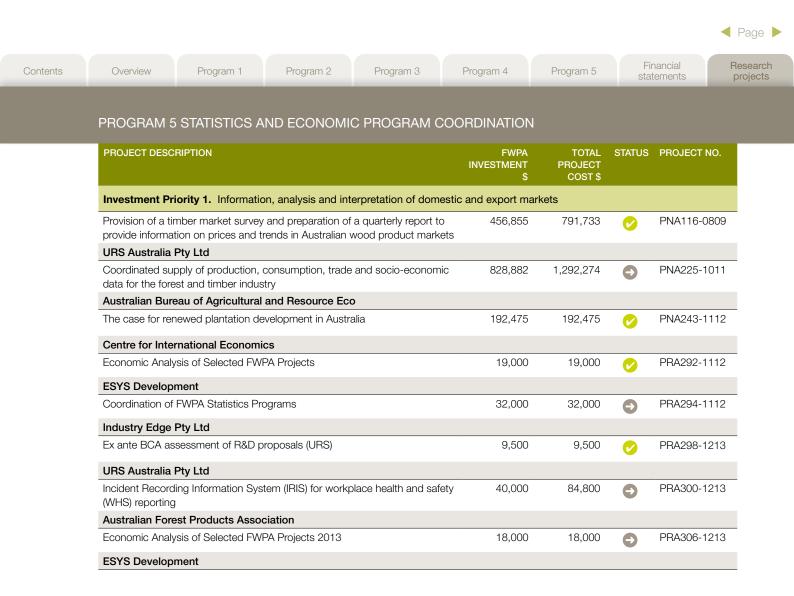
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath Melbourne is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omission of financial services licensees.

								Page
Contents	Overview	Program 1	Program 2	Program 3	Program 4	Program 5	Financial statements	Research projects
				JDIT REPC Corporations				
		In cor 2001. been to the Opin In our Corpo i. ii. ii. ii. Cro- CROV RYAN Partn Melbo Date:	pendence ducting our audit, w We confirm that the given to the director directors as at the t ion opinion, the financi- rations Act 2001, in Giving a true and fa performance for the Complying with Au- 2001. Hor JL / VE HORWATH MEI LEEMON	e independence decl s of Forest & Wood F ime of this auditor's r al report of Forest & N cluding: air view of the compa e year ended on that stralian Accounting S Nebourne LBOURNE	Wood Products Austra	e Corporations Act 2 I, would be in the sai alia Ltd is in accorda as at 30 June 2013	2001, which has me terms if given ance with the and of its	

								Page
Contents	Overview	Program 1	Program 2	Program 3	Program 4	Program 5	Financial statements	Research projects

# RESEARCH PROJECTS



Active

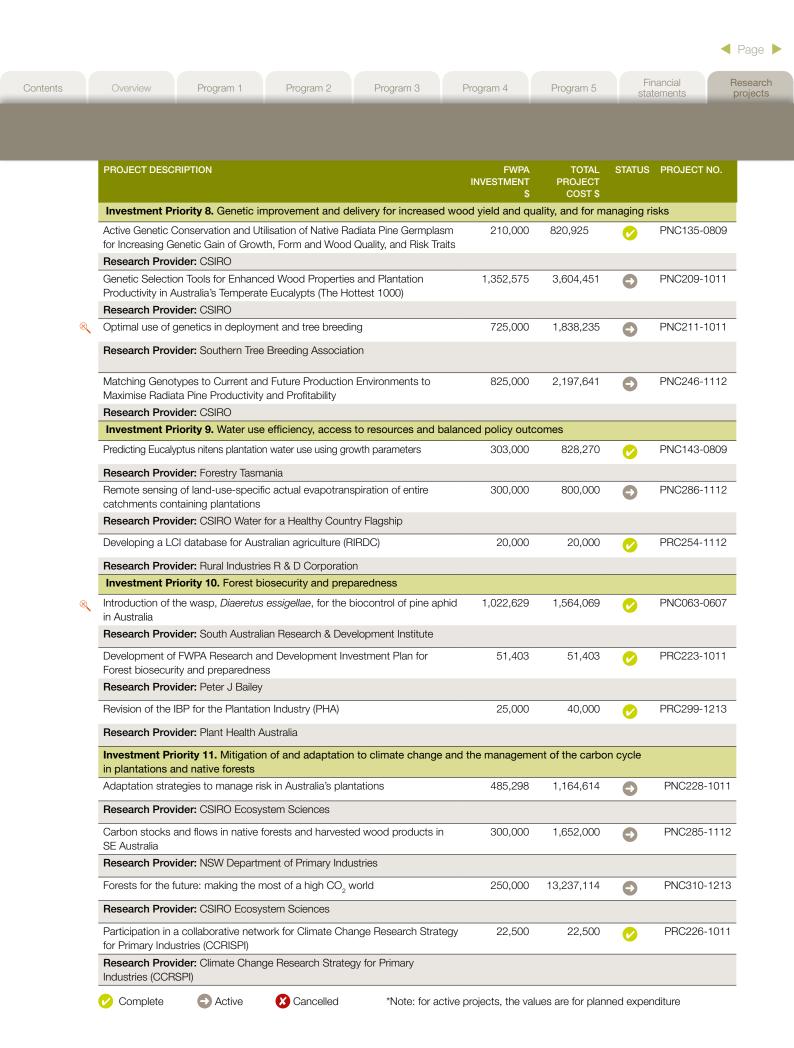
	Overview Program 1 Program 2 Program 3	Program 4	Program 5		nancial tements					
	PROGRAM 2: RESEARCH, DEVELOPMENT & EXTENSION (F	RD&E)								
	PROJECT DESCRIPTION	FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT NO.					
	Investment Priority 2. Timber construction in residential buildings									
	Investigating and developing strategies for timber residential buildings in Australia (Doug Thomas)	105,000	105,000	Ð	PGD230-1011					
R	Research Provider:         University of Technology Sydney           Alternative solution compliance resource for fire safe timber design	112,000	127.000		PNA217-1011					
4		112,000	137,000	<b>v</b>	FNAZITEIUTI					
	Research Provider: Timber Development Association (NSW) Ltd	00.500	55.000							
	Timber Construction for Thermal Performance - Design Guide	36,500	55,000	Ð	PNA233-1112					
	Research Provider: University of Tasmania									
×,	Prefabricated lightweight timber ground floor systems	170,000	281,600	0	PNA244-1112					
	Research Provider: BRANZ Ltd									
	Improving Thermal Efficiency in Lightweight Construction	98,500	432,450	Ð	PNA289-1213					
	Research Provider: University of Tasmania									
×,	A review and update of emerging technologies in residential timber construction	68,000	68,000	<b>v</b>	PRA245-1112					
	Research Provider: University of Technology Sydney									
	Updating of fire safety supporting documentation for BCA	61,000	61,000	Ð	PRA277-1112					
	Research Provider: Exova Warringtonfire									
	Decorative Wood Veneers Association Manual (Melb. Uni)	25,000	25,000	-	PRA295-1213					
	, , , , , , , , , , , , , , , , , , ,	20,000	20,000	V						
	Investment Priority 3. Timber construction in commercial and industrial buildings									
$\otimes$	The development and implementation of innovative and sustainable structural	1,250,000	8,836,206		PRA028-0809					
~	timber building technologies (STIC)	1,200,000	0,000,200	<b>v</b>	110020 0000					
	Research Provider: Structural Timber Innovation Company Ltd	21 126	01 106		DDA025 1110					
	Commercial Buildings and Industrial Buildings Investment Plan	31,136	31,136	<b>v</b>	PRA235-1112					
	Research Provider: Ezard Marketing Pty Ltd									
	Commercial Building Costing Cases Studies – Traditional design versus timber	155,000	197,000	Ð	PNA308-1213					
	Research Provider: Timber Development Association (NSW) Ltd									
	Investment Priority 4. Wood products in sustainable buildings									
	Understanding thermal mass and ventilation in lightweight structures (Ben Slee)	105,000	210,000	Ð	PGD296-1213					
	Research Provider: The University of Sydney									
	Effective use of thermal mass in residential timber-framed construction – Scoping study for developing rules of thumb for direct gain systems	90,005	190,088	Ð	PNA214-1011					
$\otimes$	Research Provider: The University of Sydney Opportunities for post-consumer H2F treated 'blue-pine' off cuts and	54,000	84,000		PNA251-1112					
1	resource recovery exemption application for end-of-life wood	. ,	. ,							
	Research Provider: Timber Development Association (NSW) Ltd				D111					
×	Demonstrating legal timber – Industry benchmarking and due diligence tools	167,727	221,727	Ð	PNA252-1112					
	Research Provider: Timber Development Association (NSW) Ltd									
	Best practice for timber end-of-life options in whole of life building	12,000	21,000	Ð	PRA253-1112					
	Research Provider: Timber Development Association (NSW) Ltd				004					
×,	Life Cycle Assessment of a cross laminated timber building	37,882	37,882	0	PRA282-1112					
	Research Provider: RMIT	100								
	Carbon storage in paper and composite wood products in landfills	120,000	630,000	<b>V</b>	PRB180-0910					

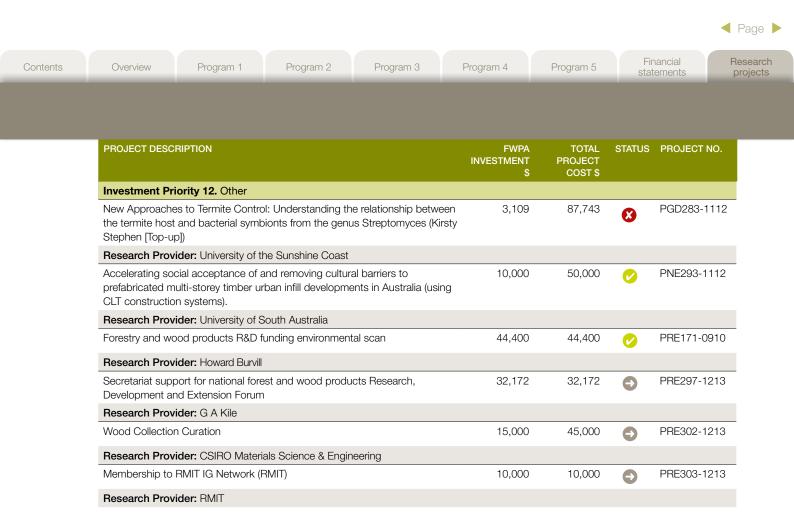
Overview Program 1 Program 2 Program 3	Program 4	Program 5		nancial tements
PROJECT DESCRIPTION	FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT N
Investment Priority 5. Solid wood, engineered wood and pulp and paper p	products: Perforr	nance and yie	ld	
Generative design processes and technologies as applied to the use of engineered timber products in the design and construction of complex geometric structures (Tristan Morgan)	105,000	105,000	€	PGD227-10
Research Provider: University of Western Australia				
Accelerated H3 decay testing for the faster evaluation of alternative preservative timber treatments	225,000	477,000	0	PNB041-07
Research Provider: CSIRO				
The Aus/NZ Solid Wood Initiative: Better performing structural products manufactured with higher efficiency and using less energy and water	1,588,927	8,848,927	Ð	PNB131-08
Research Provider: WQI Ltd Improving the durability of low durability plantation hardwoods for use as power poles	216,000	482,000	<b>v</b>	PNB146-08
Research Provider: Queensland Department of Primary Industries				
Glulam design based on lamination grades and the use of mill shorts	110,000	279,558		PNB157-09
Research Provider: Monash University				
NIR Assessment of pyrethroid retention for H2F treatment	77,890	139,801		PNB204-10
Research Provider: CSIRO			-	
Uses of plantation eucalypts in engineered wood products	18,000	18,000	0	PNB290-11
Research Provider: Australian Forest Research Company Pty Ltd				
Development of eucalypt plantations and methods of machining and sawing of eucalypt plantation species	36,000	36,000	0	PNB291-11
Research Provider: CRC Forestry Limited	100.000	4 000 075		
FWPA support for Plantation Hardwood Research project 'High value timber composite panels from hardwood plantation thinnings'	100,000	1,330,878	0	PRB145-08
Research Provider: Dept of Primary Industries - Qld LD FWPA R&D Investment Plan for: Solid wood, engineered wood and pulp and paper products: Performance and yield	41,832	41,832	<b>v</b>	PRB247-11
Research Provider: Sylva Systems Pty Ltd				
Opportunities for Using Sawmill Residues in Australia	29,960	29,960	<b></b>	PRB280-11
Research Provider: The Carnot Group Pty Ltd				
Establishing the comparative durability of African Mahogany ( <i>Khaya Senegalensis</i> ) in weather exposed above ground applications	9,275	9,275	Ð	PRB287-11
Research Provider: African Mahogany (Australia) Pty Ltd				
Investment Priority 6. Maximising product yields and values from current	resources			
Impact of internal checking on the log and timber value of fire salvage ash type sawlogs	83,000	238,800	<b>v</b>	PNB182-09
Research Provider: VicForests				
FWPA R&D Investment Plan for Maximising product yields and values from current resources	31,041	31,041	0	PRB284-11
Research Provider: SANFOR				
Development of an options paper describing opportunities available to Australian forest growers from the development of a bio-refinery and/or biomaterials industry within Australia.	21,400	21,400	0	PRC307-12

	Overview	Program 1	Program 2	Program 3	Program 4	Program 5		ancial ements
	PROJECT DESC	RIPTION			FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT NO.
	Investment Pr	riority 7. Improving	wood quality and	yield, and tools for fo	prest management			
		Nood: Improving the emical studies and I		ng radiata pine using	165,000	2,996,000	€	PNC056-0809
	Research Prov	ider: University of Ca	anterbury					
	Contribution of landscapes	CAR reserves to ma	ture forest biodive	rsity in production fore	st 260,000	522,474	0	PNC142-0809
	Research Prov	ider: Forestry Tasma	nia					
×,				ion support tool for nern Australia under	482,207	1,580,881	•	PNC168-0910
	Research Prov	ider: CRC Forestry L	imited					
				registration, industry ation regulation advice	479,123	979,123	Ð	PNC176-0910
	Research Prov	ider: Australian Plant	ation Products & Pa					
	Predicting wood	d quality to improve	sawlog value in rac	332,000	868,458	$\bigcirc$	PNC196-1011	
	Research Prov	ider: CSIRO						
	Comparison of g	raded recovery and v	alue of major subtr	opical exotic pine taxa	10,000	100,000	8	PNC198-1011
	Research Prov	ider: Forestry Planta	tions Queensland Pt	ty Ltd				
	Raising Awarene Management in	ess in the Forest Indu Radiata Pine	stry of Improved Int	er-Rotational	73,000	150,500	Ð	PNC216-1011
	Research Prov	ider: Forsci Pty Ltd						
×	The extent, sever	rity and causes of sec	ond rotation produc	tivity decline in blue gur	ns 59,446	124,446	Ð	PNC288-1112
	Research Prov	ider: CSIRO Ecosyst	tem Sciences					
	Accounting for b agricultural syste	iodiversity in Life Cyc ems.	le Impact Assessm	ents of forestry and	40,000	122,000	Ð	PNC301-1213
	Research Prov	ider: NSW Departme	ent of Primary Indus	tries				
	Predictive relation plantations	35,000	96,800	€	PNC304-1213			
	Research Prov	ider: Hancock Victor	ian Plantation					
	Operational deplo	pyment of LiDAR derive	ed information into so	oftwood resource system	s 172,000	999,335	Ð	PNC305-1213
	Research Prov	ider: NSW Departme	ent of Primary Indus	tries				
	1 0 1	for the operational de s currently in use by th		28,500	28,500	<b>V</b>	PRC281-1112	

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	Overview	Program 1	Program 2	Program 3	Program 4	Program 5		nancial cements	
	PROJECT DESC	RIPTION			FWPA INVESTMENT \$	TOTAL PROJECT COST \$	STATUS	PROJECT NO.	
	Investment Priority Not Assigned								
	The importance of environmental factors in microwave induced permeability of timber (Leigh Aitken)				105,000	309,000	<b>v</b>	PGD077-0506	
	Research Provider: University of Melbourne (Forestry)								
	Postgraduate research into the environmental, economic and other costs incurred by increasing the thermal performance (star rating) of the domestic construction in Australia, particularly on lightweight timber construction (Phil McLeod)					156,000	•	PGD088-0708	
	Research Provider: University of Tasmania								
	Investigation of sawmilling byproducts as feed stocks for the furafuel process (Levi George Reid)				90,000	228,000	8	PGD096-0809	
	Research Provider: Monash University								
	Researching the social impacts of reduced native forest timber access, in order to aid the development of policy and packages designed to assist industry adaptation (Edwina Loxton)				90,000	222,250	<b>~</b>	PGD102-0809	
	Research Provider: Australian National University								
		ber Use in Residentia Cycle Assessment Ap	90,000	214,557	0	PGD103-0809			
	Research Provider: RMIT								
	Applicable to qu	Investigation of the causes of natural durability in Australian hardwoods: Applicable to quality control and tree breeding to support the development of plantations for high-value solid wood products (Lesley Francis)				90,000	•	PGD104-0809	
	Research Provider: University of Queensland								
	Monitoring timb	Monitoring timber bridge beams for structural health (John Moore)				90,000	Ð	PGD137-0809	
	Research Provider: University of New England								
	Timber housing in Australia: Using value added wood products, alternative framing and structural systems, prefabrication and design from the Scandinavian timber housing industry in the Australian Context (David Bylund)				90,000	90,000	Ð	PGD148-0809	
	Research Prov	Research Provider: University of Western Australia							
	Managing gene flow from Eucalyptus globulus plantations (Matthew Larcombe)				59,500	59,500	Ð	PGD183-0910	
	Research Provider: University of Tasmania								
	Ecology factors affecting forest carbon stores in Tasmania (lan Riley [Top-up])				20,974	20,974	×	PGD229-1011	

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