Softwood Sawmillers CEO Forum

27th March, 2014

Forest & Wood Products Australia

Knowledge for a sustainable Australia

Who is FWPA?

Forest & Wood Products Australia Ltd (FWPA) is the industry's service organisation (not an "association").

- One of 15 rural R&D corporations (the only one that covers the full supply chain, including imports).
- Funded through compulsory levy on growers, processors and importers (except Pulp & Paper).
- Previously a government body now a private company.
- Independent board of senior industry executives.
- Matching Commonwealth funds for R&D.
- Total expenditure this year is $7.5 mil with 10 staff.
- Investor in R&D along the value chain.
- Directly manage generic industry promotion.
- Coordinator of timber standards and building codes.

Past directors
- FWPA and FWPRDC

- 44 industry and independent directors since 1994.
- Chairs have included the following:
  - *Denis Cullity*
  - *John Hancock*
  - *Ian Ferguson (Acting)*
  - *Thorry Gunnersen*
  - *Ron Adams*

Building platforms for growth

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.

FWPA has a strong foundations …

		Importance (A/B/C)
STRENGTHS	Consistent and predictable revenue stream and confidence to make long-term commitments	A
	Government has endorsed RDC model	A
	Strong corporate governance	A
	Industry services and R&D role provides credibility to external stakeholders	A
	Good networks within industry	A
	Co-investment and collaborative business model	A
	Good relationship between Board and management	B
	Strong strategic planning process and priority setting	B
	Whole-of-industry approach (except pulp and paper)	B
	Expanding capacity for information dissemination	B
	Benefit-cost analyses demonstrate high ROI	C
WEAKNESSES	Industry's willingness/ability to pay for collaborative programs	A
	Short-term focus pressure will lead to loss of capacity for long-term	A
	Ability to provide regular communication with senior industry executives, as well as operational staff, in their preferred format	A
	Time and cost involved in meeting statutory and other compliance requirements	B
	Reliance on key suppliers	B
	Speed of implementation	B

… but challenging operating environment

OPPORTUNITIES

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

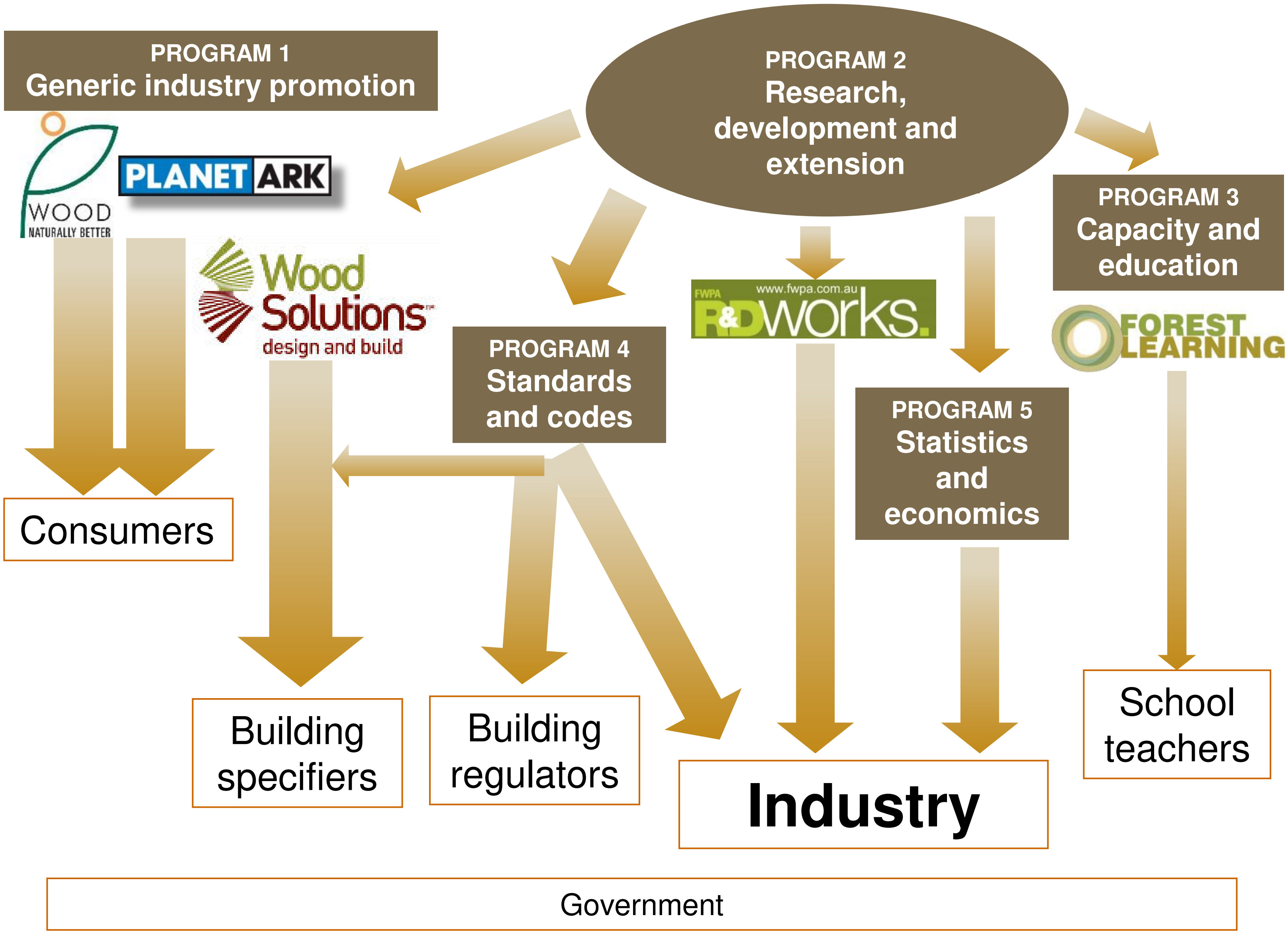
THREATS

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

Programs are interlocking

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

Interlocking programs target key audiences

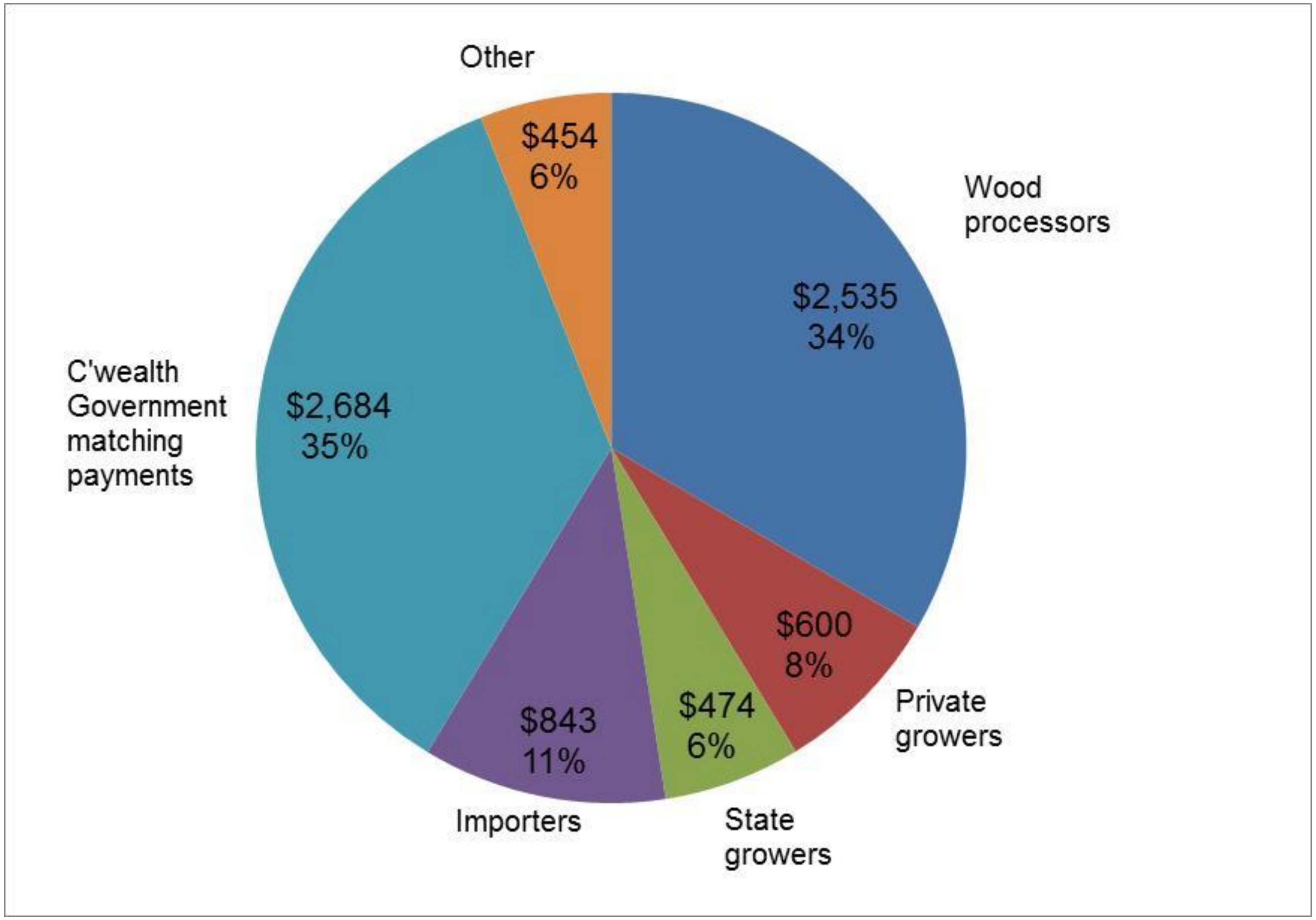


Financial position

	2013-14 Forecast $'000	2012-13 Actual $'000	2011-12 Actual $'000	2010-11 Actual $'000
REVENUES:				
Processors levy	$ 2,852	$ 2,535	$ 2,773	$ 2,964
Growers levy	$ 760	$ 600	$ 673	$ 596
State Growers levy	$ 402	$ 474	$ 481	$ 677
Importer charge	$ 1,000	$ 843	$ 870	$ 958
C'wealth Government Matching Payments	$ 2,658	$ 2,684	$ 3,903	$ 4,416
Other revenue	$ 210	$ 454	$ 455	$ 610
TOTAL REVENUE	$ 7,882	$ 7,590	$ 9,155	$ 10,221
EXPENSES				
Generic Industry Promotion	$ 3,105	$ 2,419	$ 4,189	$ 4,977
R&D Investments	$ 3,107	$ 3,537	$ 5,517	$ 5,104
Tech Transfer and Education	$ 484	$ 727	$ 1,383	$ 2,072
Standards Coordination	$ 428	$ 268	$ 342	$ 295
Statistic & Economics	$ 756	$ 637	$ -	$ -
TOTAL EXPENSES	$ 7,880	$ 7,588	$ 11,431	$ 12,448
NET SURPLUS / (DEFICIT)	**$2**	**$2**	**($2,276)**	**($2,227)**

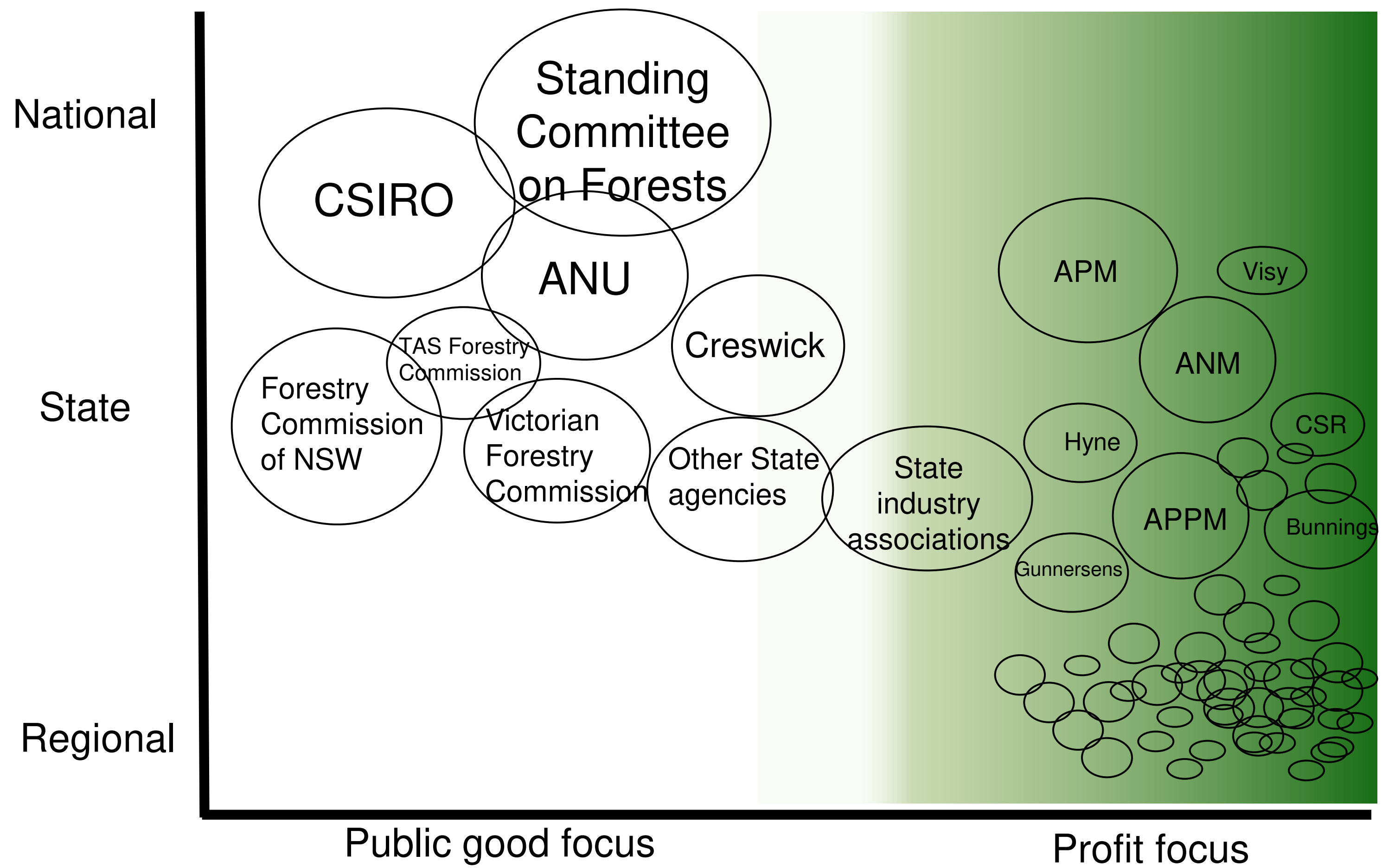
Note: In prior years, cash reserves were used to establish some programs but the focus is now on matching expenditures to income.

Source of funds – 2012/13



Sector once had a strong national focus on common good …

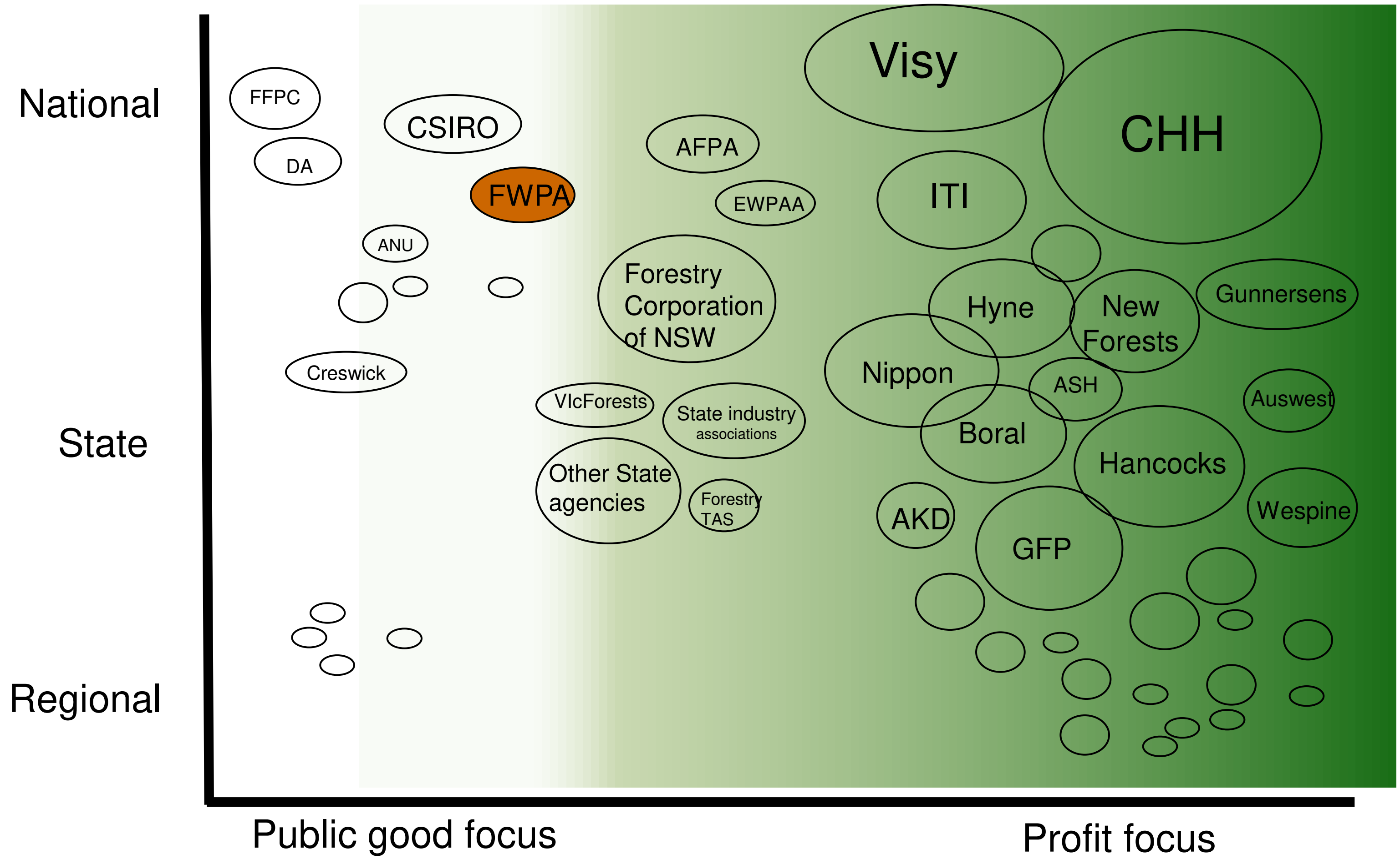
Key Influencers (pre-1990)



For illustrative purposes only (not strictly to scale)

… now private interests rule but no outright dominant players

Key Influencers (now)



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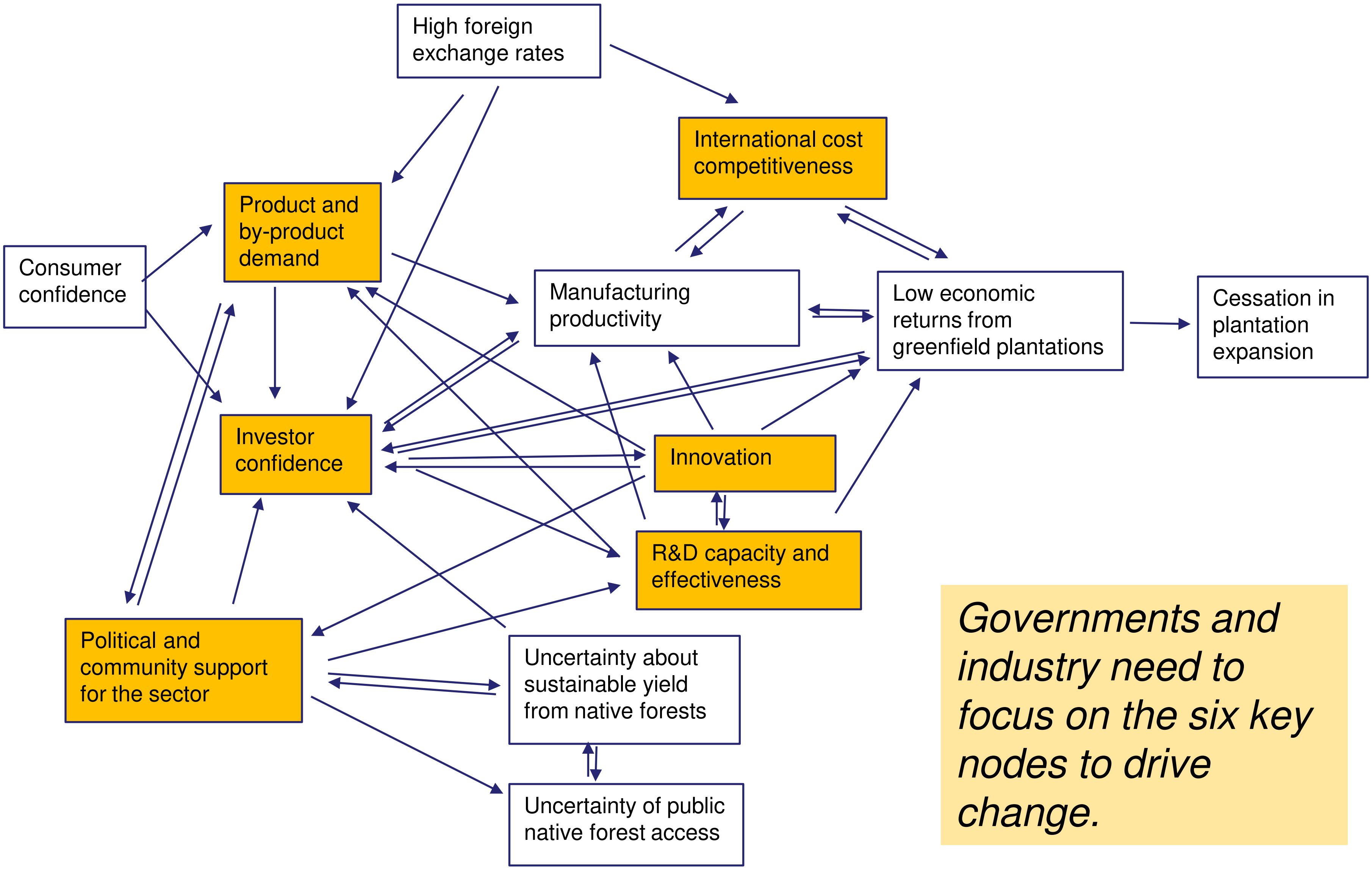
Unprompted top 5 issues vs prompted issues

Priority	Prompted Top 5 Issues	Unprompted Top 5 Issues
1	Innovation in products or processes	Innovation in products or processes
2	New investment	Resource scarcity
3	Improvement in production	Workforce skills
4	Resource scarcity	Competition*
5	Increased domestic demand	Increased domestic demand

* This was an additional category added for unprompted

Unraveling the “Gordian Knot”



Governments and industry need to focus on the six key nodes to drive change.