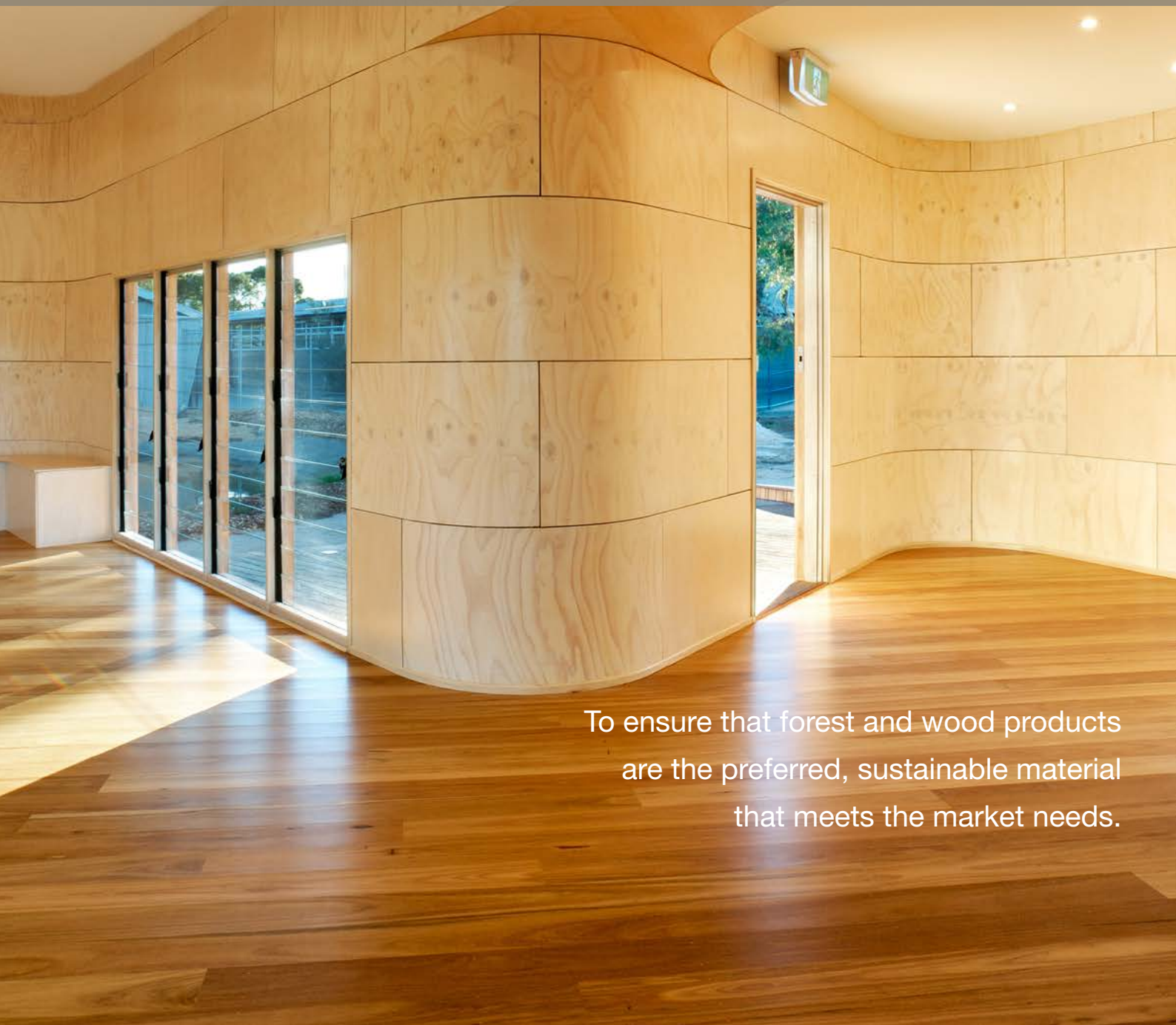


# STRATEGIC PLAN

2015 – 2020



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

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## Introduction



Forest and Wood Products Australia Limited is now well-established as the key service provider to the Australian sector consistently delivering on its mission on behalf of company members, levy payers and the Australian Government within a framework of a strong corporate governance.

After nearly eight years of operation as a private company, owned by its members, the organisation can proudly point to a large number of successes. These successes range across the portfolio of activities and some of the highlights include:

- Successful consumer advertising program and partnership with Planet Ark that has had a demonstrable impact on the perceived environmental benefits of wood products as measured by consumer research
- A comprehensive specifier marketing program that is built on strategic partnerships with professional associations and a world leading website, [woodsolutions.com.au](http://woodsolutions.com.au), as measured by independent web tracking
- A strategic approach to R&D investment that is focused on delivering clear benefits to stakeholders along the supply chain as measured by periodic benefit-cost analyses and uptake by industry (e.g., the CantOpti scanner, genetic tools, multi-residential timber framing)
- Restructure and streamlining of the standards development process and a major proposal for change submitted to the Australian Building Codes Board that could significantly increase the market for lightweight and massive timber framing

- Launch of a new statistics dashboard to improve the accessibility of key market trends and an expansion of industry data aggregation for the softwood sawn timber, hardwood sawn timber and forest growing sectors and stronger relationship with ABARES
- Modest provision of curricula materials to school teachers that provide a balanced information on the economic and environment benefits of forest and wood products and associated industries.

These successes have been achieved through a continuous focus on strategy development and execution, capable staff, strong systems, a spirit of collaboration and efficient use of available resources.

While these successes have been achieved by FWPA, the benefits belong to company members and stakeholders and will produce dividends well into the future.

FWPA has its focus clearly on the future and the 5-year strategy planning process is a key part of the company's corporate governance process. This plan is reviewed annually by the Board and is based on an analysis of the current programs, changes in the operating environment and consultation with stakeholders.

This year we solicited direct stakeholder feedback on key parts of the plan and have incorporated this feedback where possible.

I commend these planning documents to all stakeholders and I would welcome any feedback.

Ron Adams  
Chairman

## Vision, mission and programs



### Vision

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

### Mission

To work with stakeholders to identify and deliver collaborative programs that improve the competitiveness, market and community preference for the industry's products.

### Outcomes

FWPA's programs are designed and delivered to provide tangible benefits to company members and stakeholders. Some of the planned outcomes include the following:

- Increased consumption of forest and wood products, including in the commercial construction sector
- Improved community and market awareness of, and satisfaction with, forest and wood products
- Improved and new products matched to market needs
- Increased industry productivity and competitiveness
- Improved industry investment confidence through reduced risk
- Enhanced sustainability as measured in economic, social and environmental terms
- Development and uptake of new and existing industry-oriented educational programs or resources
- Improved market access and/or reduced barriers through standards and building codes
- Provision of timely and useful statistical-based information to assist business planning and decision-making
- Reduced direct and indirect business costs arising from the reduction of uncertainty associated with present mechanisms for data collection and analysis

## Programs

During the period of the plan, FWPA will deliver its mission through five management programs:

1	Promote the benefits and usage of forests and wood products, in accord with community attitudes, environmental awareness, and market trends (Generic Promotion)
2	Invest in and coordinate research and development, technology transfer and adoption to improve the industry's competitiveness, 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 preference of the industry's products (Building Codes and Standards)
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).



## The operating environment



FWPA is one of 15 Australian rural research and development corporations (RDCs). These RDCs are funded through compulsory levies on their industry sectors and receive matching funds from the Australian Government on eligible R&D expenditure up to a maximum limit equivalent to 0.5% of the respective industry's gross value of production (GVP).

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

In December 2013, the Commonwealth Parliament passed legislation that resulted in specific amendments to the *Forestry Marketing and Research and Development Services Act 2007*, which is the enabling legislation that allows FWPA to access the compulsory levies and matching payments provided by the Australian Government. These amendments will allow FWPA to claim matching payments for voluntary contributions once the relevant regulations are enacted and work is ongoing with the Department of Agriculture for a timely implementation.

FWPA recognises that continued access to the levies and matching payments is a responsibility and not an entitlement. The company has a statutory funding agreement (SFA) with the Commonwealth of Australia, managed on behalf of the Commonwealth Parliament by the Australian Government, which provides access to the levies and matching funding. In addition, the SFA also establishes a number of obligations upon the company in terms of corporate governance, including stakeholder consultation, risk management and reporting. The current SFA was signed in August 2012 and will expire

in 2017. A key requirement for the renewal of the SFA is a satisfactory independent performance review, which the company will commission in 2016.

### Government-industry interaction

The sector has a number of key policy instruments at both a national and individual State level. The primary national policies are the National Forest Policy Statement, which was signed by the Commonwealth and mainland State and Territory governments in 1992, and by the Tasmanian Government in 1995, and the Plantations for Australia: the 2020 Vision that was launched in 1997. Some State governments have recently launched new or updated policy instruments for the sector, including the following:

- Queensland Forest and Timber Industry Plan (December 2013)
- WA Forest Management Plan 2014 – 2023 (December 2013)
- Victorian Timber Industry Action Plan (December 2011)
- Blueprint for the future South Australian forest and wood products industry, 2014 – 2040 (July 2014).

In 2014, the Australian Government announced the formation of the Forest Industry Advisory Council (FIAC). A key priority for FIAC is the development of a discussion paper to explore the opportunities and challenges for Australia's forest products sector over the coming decades. As a first step in developing the discussion paper, FIAC released an issues paper in March 2015 and invited stakeholders to make a submission. The Chairman of FWPA, Mr Ron Adams, is a member of the Council and the managing director of FWPA is an observer.

The government-industry interaction within the Australian forest and wood products

## The operating environment

sector has undergone considerable change over the past decade. In simple terms, the sector can be categorised as once being highly influenced by State-based government enterprises and other public good organisations (e.g., CSIRO) and is now very much dominated by corporate entities, especially in the plantation sector.

These changes are in response to changes in public policy and organisational focus from some governments and are not dissimilar to trends in other parts of the economy (e.g., ports, electricity generation and distribution). However, the native forest sector remains largely influenced by wood supplies from government agencies.

One of the more obvious consequences of these changes has been the decline in support for research, development and extension (RD&E) within the sector. The provision and funding of RD&E has been tracked on a periodic basis, generally every five years since 1982, and there has been substantial reduction in funding from the Commonwealth and State governments as well as private industry.

While other primary industry sectors have also experienced declines, it would appear that the level of decline is substantially higher in the forest and wood products sector. The national framework for primary industries RD&E was established to improve national coordination for individual sectors and across sectors. As a part of this process, the national strategy for RD&E for the forest and wood products sector was endorsed by the Primary Industries Ministerial Council and a national forum was established.

The current situation in relation to R&D has now been well chronicled, including within the FIAC issues paper, and the sector faces a potential shortage in technical skills to address future problems and opportunities.

Equally, there are also potential skill shortages in economics, policy development and technical representation, which is a consequence of the reduced investment in public good activities within the sector.

### Market conditions

The market conditions for many forest and wood products has lifted significantly in the last 12 months, especially compared to the prior five years. The notable exceptions would be domestic demand for communication papers (i.e., newsprint, printing papers) and some traditional hardwood products.

The market lift has been driven by an increase in domestic dwelling construction and improved demand and price competitiveness of Australian exports to northern Asia.

The reduction in the foreign exchange rate, especially against the USD and NZD, has improved the competitiveness of domestic producers and a corollary reduction of the competitive of some importers. FWPA's stakeholders include both domestic producers and importers and so, while exchange rates are important, the primary impact will be a change in market shares.

The improved market conditions have encouraged capital investment in the wood processing, harvesting and haulage sectors but has not lifted the investor sentiment in the forest growing sector.

Expansion of Australia's plantation estate effectively stalled in 2009 following the collapse of some of the large plantation development companies, which were highly reliant on funding via managed investment schemes.

Despite the recent uplift in the trading conditions, it is recognised that there are some major structural weaknesses in the sector that are beyond the usual business

## The operating environment

cycles. An increasing number of traditional products are approaching the end of their lifecycle and Australian manufacturers face competition from overseas producers that have significant advantages in economies of scale.

### Outlook for the sector

The forest and wood products sector faces a substantially different list of drivers compared to a decade ago. While it is difficult to generalise about the sector due to its product and geographical diversity, the following factors are generally applicable:

- inadequate returns to support greenfield plantation expansion
- substantial increases in energy and other input costs
- impact of exchange rates on trade exposed sectors
- volatility in domestic demand and a long-term decline in detached housing in favour of multi-residential
- changes in international wood supply and demand balances with new producer regions, especially in South America, operating with significantly larger economies of scale
- changing ownership of the resource and manufacturing sectors
- reduced investment in RD&E
- reduced investment in industry associations
- continued concern about the industry's social licence to operate
- impact of adverse government policy settings
- consolidation in the retail and merchant

sector leading to increased buying power putting pressure on supply chain margins

- reduced domestic demand for non-structural wood grades, especially for use in packaging
- reduced domestic demand for furniture grade timber due to a reduction in the downstream furniture and furnishing sector
- increased use of overseas-based re-manufacturers, especially in countries with low labour costs
- minimal adoption of new technologies in some sectors.

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

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

In addition, there is an increasing awareness of the benefits of wood in offices, education and health facilities with the improved



## The operating environment

ambience leading to better outcomes. This has led to increased interest in the use of wood by building specifiers.

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

Forests provide society with a diversity of products and environmental services. The management of plantations and native

forests to produce materials for human use, while protecting environmental values, is central to the development of a truly sustainable society.

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

Total Australian forest area	125 million hectares
Forest as a proportion of land area	16 per cent
Native forest area	123 million hectares
Forest area in nature conservation reserves	21.5 million hectares
Public native forests where timber production is permitted (gross area)	10.2 million hectares
Total carbon stored in forests	12.8 billion tonnes
Plantation forest area	2.0 million hectares
Total logs harvested (2013)	22.8 million m <sup>3</sup>
Total imports of wood products (2014)	\$4.6 billion
Total exports of wood products (2014)	\$2.5 billion
Total direct employment (2014)	70,500
Value of turnover in forest product industries (2013)	\$20.1 billion
Forestry and forest products industries contribution to GDP (2013)	0.5 per cent

Source: ABARES Forest and Wood Products Statistics

## The operating environment

### Advantages of forest and wood products

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

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

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

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

Increasingly, innovation in traditional building products and reconstituted products is creating market opportunities that were previously supplied by alternates. For example, cross-laminated timber and other 'massive' timber building systems are making timber medium-rise buildings a commercial reality. To this end, FWPA has submitted a proposal-for-change to Australian Building Codes Board to allow a deemed-to-satisfy solution for timber buildings up to 25 metres in height. The outcome from this proposal is likely to be known in late 2015.

In the area of residues, there is growing global interest in bio-plastics, wood-based precursor chemicals and new cellulose materials such as nano-crystalline cellulose. While still in their infancy, the market adoption will largely be driven by a preference for renewable materials and the cost of alternative feedstocks.

## The operating environment

### Drivers of change

#### Social licence

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

#### Product usage

To be successful, the forest and wood products industry will increasingly need a deeper understanding of traditional and new markets with a particular focus on the key decision makers, their material preferences and the growing importance of customer solutions. Many of the factors affecting traditional markets such as housing are outside the industry's control: macro-economic cycles, regulation, life-cycle performance, housing development density, protection from threats and affordability. Some factors are within the scope of industry control such as product design (including building systems), recyclability, reliability, utility and quality. Consumer demand for forest and wood products will remain strong provided the industry stays abreast of these trends.

To do so, the industry will need to monitor and understand these trends and undertake timely assessment, analysis and dissemination of market and product information, matched by effective engagement with regulators, standards bodies, specifiers, designers and product innovators.

#### Climate change

Climate change will have profound implications and create opportunities for Australia's forest and wood products industry. Climate change modelling shows that there is likely to be a significant impact on key forest growing regions with some areas likely to have improved growth rates, while others may suffer a major decline. This will have impact on forest management regimes, including species selection, bushfires and biosecurity. Under the right policy settings and with community support, increased use of sustainably sourced wood products can help reduce carbon dioxide emissions through increased sequestration and avoided emissions from fossil fuels and more energy intensive materials.

#### Competitiveness

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

## The operating environment

products and services, while maintaining an internationally competitive cost structure in relation to alternative materials and providing an adequate return for investors.

### Sustainability

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

### Investment

The current investment climate in the sector is challenging, largely influenced by macro-economic conditions outside the industry's control. In prior years, plantation expansion has been mostly funded directly by governments or through tax-effective investment vehicles, although many of the resultant assets have now been acquired by timber investment management organisations (TIMOs). Plantation expansion has effectively stalled and some regions may undergo a significant decline in plantation area due to establishment failures, fire and wind damage as well as conversion back to agriculture.

This will impact on the attractiveness of investing in domestic processing. Participants in each regionally based supply chain will need to consider the appropriate economies of scale to maintain or improve its competitiveness. This may require new sources and means of funding and increased collaboration along the supply chain.

### National and international collaboration

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

### Industry capability

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

## Strategic analysis of FWPA and its environment

### Importance rankings

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

### STRENGTHS

	Importance (A/B/C)
Consistent and predictable revenue stream and confidence to make long-term commitments	A
Government has endorsed RDC model	A
Strong corporate governance	A
Industry services, R&D and Building Codes and Standards 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	A
Strong strategic planning process and priority setting	A
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
Industry's short-term focus 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	B
Time and cost involved in meeting statutory and other compliance requirements	B
Reliance on key suppliers	B
Speed of implementation	B

### Ranking

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

### Probability of occurrence

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

### OPPORTUNITIES

	Rank (H/M/L)	Prob (H/M/L)
Potential to increased levy revenue (matching payments from 0.2% to 0.5% of GVP)	H	L
Ability to get Government matching for voluntary contributions for R&D following legislative changes	H	L
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

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	M
Industry's social licence to operate under threat	M	L
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



## Implications from strategic analysis



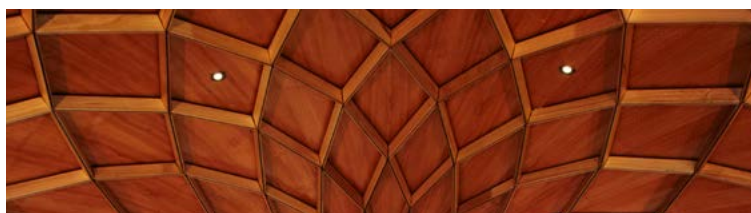
Understanding the intersect between internal strengths and weaknesses and the external opportunities and threats can assist in developing strategic focus. Each intersect provides a different strategic question and possible response:

- Strengths and Opportunities (SO)
  - How can you use your strengths to take advantage of the opportunities?
- Strengths and Threats (ST)
  - How can you take advantage of your strengths to avoid real and potential threats?
- Weaknesses and Opportunities (WO)
  - How can you use your opportunities to overcome the weaknesses you are experiencing?
- Weaknesses and Threats (WT)
  - How can you minimize your weaknesses and avoid threats?

In the strength-opportunity space, FWPA is focussed on using its strong connection with levy payers and the government, as well our systematic approach to corporate governance, to increase R&D funding via matching of voluntary contributions.

In relation to weakness-threats, the company is seeking greater collaboration and alignment with international researchers and other wood promotion bodies to address the domestic skills shortage.

## Consultation process and key messages



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

In recent years, FWPA has explored a number of mechanisms to improve engagement with key stakeholders. This included meetings with the boards of national associations, along with other key stakeholders, in 2012 and 2013. Summaries of the meetings have been published on the FWPA website.

One of the learnings from these meetings is the difficulty of developing meaningful dialogue at a national level due to the diversity in organisational size, ownership, type of forest resource and market focus.

As a consequence, the company has increased its focus on consulting on a one-on-one, small group and sectoral basis. The company has held sectoral meetings with hardwood sawmilling CEOs (2013), softwood sawmilling CEOs (2014), senior forest growers (2015) and engineered wood processors (2015). In addition, a two-day conference was held in conjunction with the Engineered Wood Products Association of Australasia to coincide with the company's annual general meeting in November 2014.

An opinion survey of industry participants was undertaken in early 2014. This survey was used to identify the key issues facing the sector, both prompted and unprompted, and to evaluate the effectiveness of various organisations in the sector.

Based on the 253 responses, the top five issues for the sector were the following:

1. Innovation in products and processes
2. New investment
3. Improvement in productivity
4. Resource scarcity
5. Increased domestic demand

On a prompted and unprompted basis, FWPA was rated the most influential organisation in the sector.

In February 2015, the company called for direct feedback from members and interested stakeholders on its 5-year strategic plan via an online survey. While the response rate to the survey was relatively low (n=44), there was a wide range of views expressed, and where possible, these views have been incorporated in the revision of this plan. In some instances, stakeholders expressed mutually opposing views, so the default was continuation of the status quo. A summary of the survey results are shown in Figure 1.

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

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

As required by the Statutory Funding Agreement, formal consultation is required for the development of this plan with the Australian Government and the four national industry entities representing levy payers, namely:

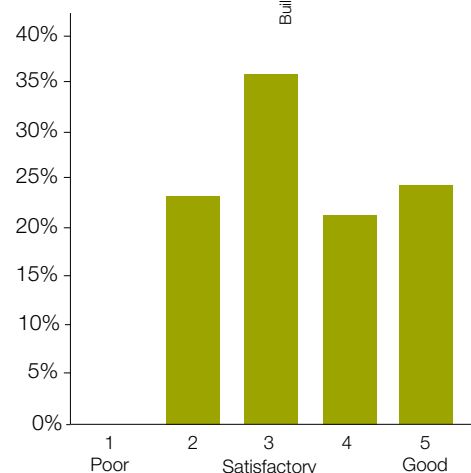
- The final version of this plan, as adopted by the FWPA Board by resolution, incorporates the feedback from this formal consultation.

### Issues facing the sector (short term and longer term) – unprompted responses



Stacked bar chart showing the distribution of responses for five categories. The y-axis represents the number of responses (0 to 35). The legend indicates five response levels: 1 (Poor), 2, 3 (Acceptable), 4, and 5 (Good).

Category	5 (Good)	4	3 (Acceptable)	2	1 (Poor)
Generic promotion	5	8.5	12.5	6	1
R&D Investments	2	6	12	8	1
Capacity and education	2	5.5	12	9.5	1
Building codes and standards	5	5	15	5	1
Statistics and economics	0	7.5	15.5	6.5	1.5



Prompted issue	Ranking	Unprompted issue*	No of mentions
Improvement in productivity	4.34	Social licence	22
Innovation in products or processes	4.31	Resource availability	20
New investment	4.26	Skills and training	15
Resource security	4.19	International competitiveness	13
Increased domestic demand	4.06	Market development	11

\*Unprompted comments were coded into categories

# Outcomes and programs 2015 – 2020

Drivers	Programs
Community acceptance	Generic promotion
Product usage	Research, development and extension
Climate change	Capacity and education
Competitiveness	Building codes and standards
Sustainability	Statistics and economics
Investment	
Industry capability	

## Outputs

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

## Outcomes

- Increased consumption of forest and wood products, including in the commercial construction sector
- Improved community and market awareness of, and satisfaction with, forest and wood products
- Improved community understanding of the socio-economic and environmental benefits of the industry
- Enhanced relationship with architects, specifiers and builders and with environmental nongovernment organisations
- Improved and new products matched to market needs
- Increased industry productivity and competitiveness
- Increased adoption of R&D findings
- Improved industry investment confidence through reduced risk
- Improved industry understanding and support for R&D
- Enhanced sustainability as measured in economic, social and environmental terms
- Development and uptake of new and existing industry-oriented educational programs or resources
- Improved market access and/or reduced barriers through standards and building codes
- Increased understanding and adoption of relevant standards and codes within the industry and building professionals
- Reduced cost of delivery of standards development
- Increased confidence in statistics and economic data
- Provision of timely and useful statistical-based information to assist business planning and decision-making
- Improved recognition of the value of statistical and economic data sets for industry applications
- Reduced direct and indirect business costs arising from the reduction of uncertainty associated with present mechanisms for data collection and analysis

## Vision

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

## Outcomes and programs 2015 – 2020

### Program 1 Generic Promotion

#### Rationale

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

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

#### Outcomes

- Increased consumption of forest and wood products, including in the commercial construction sector
- Improved community and market awareness of, and satisfaction with, forest and wood products
- Improved community understanding of the socio-economic and environmental benefits of the industry
- Enhanced relationship with architects, specifiers and builders and with environmental nongovernment organisations

#### Priorities

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

#### Objectives (Years 1 – 2)

- Delivery of updated consumer advertising program in partnership with Planet Ark
- Ongoing support of WoodSolutions program including website lectures, conferences and in house/onsite delivery of training and reference materials to architects, engineers and builders.
- Expansion of promotional activities to include the non-structural use of wood such as landscaping and packaging

#### Additional objectives (Year 3 onwards)

- Expansion of ongoing programs as permitted by available funding resources

#### Potential future activities (dependent on additional funding):

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

#### Inputs

- About 40% of FWPA's investment budget
- Sponsorship and partnerships with industry associations, professional bodies and environmental non-government groups
- Professional and cost effective suppliers
- Domestic and international experience with promotional activities
- Verifiable facts about the industry and its products
- Existing and continually updated information on community attitudes consumer preference and markets

#### Outputs

- Structured promotion campaigns
- Assessment reports of customer needs and market trends
- Concise value proposition of forest and wood products for key audiences
- Trend analysis of community attitudes
- Engagement with and informing key regulators that impact the industry and its markets



## Outcomes and programs 2015 – 2020

### Program 1 Generic Promotion

	Measures of success	How measured	Status and results
1	Increased consumer awareness of advertising and/or brand awareness and improved perceptions of wood as environmentally positive and suitable material	Periodic consumer tracking surveys	Surveys have been undertaken on an annual basis and results published in the annual report, AGM and occasional webinars
2	Increased building specifier awareness of activities and improved perceptions of wood as environmentally positive and suitable material	Website tracking, participation in seminars and periodic opinion surveys	Surveys have been undertaken on an annual basis and results published in the annual report, AGM and occasional webinars
3	Greater understanding of the role of wood products in future construction applications	Periodic research into market issues and trends	Published on website
4	Industry support of generic promotion activities	Participation in the partner program (and use of logos and materials) and promotional activities, periodic opinion surveys and invitations to present the program at industry events	The number of program partners is published in the annual report  Stakeholder survey to be completed
5	Delivery of promotional activities in accordance with the annual operating plan, marketing plans and budget	Reviewed and reported in the annual report	Published in the annual report

## Outcomes and programs 2015 – 2020

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

#### Rationale

Innovation drives ongoing prosperity and well-focussed RD&E can be a major driver of innovation

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

FWPA has strong linkage within industry and research providers, both domestic and international, to help identify and deliver key research projects in a timely and cost effective manner

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

#### Outcomes

- Improved and new products matched to market needs
- Increased industry productivity and competitiveness
- Increased adoption of RD&E findings
- Improved industry investment confidence through reduced risk
- Improved industry understanding and support for R&D
- Enhanced sustainability as measured in economic, social and environmental terms

#### Priorities

- To identify research priorities, develop and implement investment plans that provide the largest benefit to the broadest range of levy payers and company members and other key stakeholders.
- To review and refine priorities and associated investment plans to in accordance with changing markets and industry structure, as well as changes in Government priorities

#### Objectives (Years 1 – 2)

- Industry-focused RD&E outputs targeted towards improved resource utilisation, improved profitability and market growth
- Uptake of research outcomes through active industry engagement via webinars, industry conferences, advisory groups and sectoral meetings
- Increase investment in RD&E by working with partners to secure funds through competitive grant processes (e.g., Rural R&D for Profit, cooperative research centres) and/or use of FWPA's proposed capability to get Commonwealth matching payments for voluntary contributions
- Improved alignment of industry and government funded research activities through the national RD&E framework, support Australian Research Council programs, and any proposed research centres
- Encouragement of new research capacity in the sector through engagement with international providers and public calls for research proposals that align with the company's research priorities

#### Additional objectives (Year 3 onwards)

- Co-investment in future research consortiums and programs targeting stakeholder research priorities
- Development of recognized centres of excellence with key research providers in Australia and overseas

#### Potential future activities (dependent on additional funding):

- Accelerated implementation of previously identified research priorities and addressing outstanding issues related to increased market access and greater resource utilisation
- Increase in postgraduate funding to fill known gaps in key research areas that cannot be addressed by international researchers

## Outcomes and programs 2015 – 2020

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

Inputs	Outputs
<ul style="list-style-type: none"> <li>About 40% of FWPA's investment budget</li> <li>National and rural research priorities and other Government priorities as required</li> <li>National RD&amp;E Strategy and cross-sector strategies where appropriate</li> <li>Existing and new research partnerships, both domestically and internationally</li> <li>Information on best practice for knowledge dissemination and adoption</li> </ul>	<ul style="list-style-type: none"> <li>Investment plans for each of the RD&amp;E priorities</li> <li>Research outputs that align to the objectives of the investment plans and can be easily used by all stakeholders</li> <li>Research providers that understand the industry and its needs</li> <li>Clear management of intellectual property</li> <li>Easy access to R&amp;D findings via website, publications, seminars and conference presentation</li> </ul>

	Measures of success	How measured	Status and results
1	Increase in the acceptance and accuracy of periodic benefit-cost analyses (BCA) by industry and government stakeholders and BCA ratios equal or better than other comparable RD&E investors	Assessed via stakeholder feedback	To be completed
2	Industry and researcher engagement with FWPA's RD&E investment priorities and plans	Level of consultation, web downloads and reduced number of ad hoc research requests	Ongoing
3	Increase industry adoption and Government awareness of iconic or 'hero' RD&E project outcomes	Periodic opinion surveys	To be completed
4	The amount of additional industry or Government RD&E funding (non-levy and matching) that is invested or co-invested utilising FWPA's systems	Tracked by financial year summaries	Not yet implemented
5	Participation in FWPA tech transfer activities	Numbers of attendees, subscribers and web downloads	Published in the annual report

## Outcomes and programs 2015 – 2020

### Program 3 Capacity and Education

#### Rationale

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

Changes in technology and demographics within the sector will require the ongoing recruitment, induction and up-skilling of staff, especially as traditional education providers and pathways into the sector become less relevant

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

FWPA's focus on market trends, targeted R&D investments, and promotional activities can help address market gaps in the areas of education and industry capacity

#### Outcomes

- Development and uptake of new and existing industry-oriented educational programs or resources

#### Priorities

- Develop and promote curricula materials (aligned to the national curriculum) that provide a balanced perspective of forest and wood products and associated industries via forestlearning.edu.au
- Provide tools for industry to better engage with their local schools and promote the materials available on forestlearning.edu.au
- Work in collaboration to develop curricula materials via the Primary Industries Education Foundation Australia

#### Objectives (Years 1 – 2)

- Measure awareness and uptake of curricula materials and forestlearning.edu.au
- Identify and fill gaps in the range of curricula materials provided
- Create better engagement between industry, the schools system and forestlearning.edu.au

#### Additional objectives (Year 3 onwards)

- Develop a train-the-teacher program to improve classroom delivery

#### Potential future activities (dependent on additional funding):

- Revamp of the previous postgraduate scholarship program to target specific skill shortages
- Revamp the previous GrowingCareers program to promote the attractiveness of the sector as a career opportunity
- Develop an industry leadership program to grow and retain talent within the sector

#### Inputs

- About 3% of FWPA's investment budget
- Outputs from R&D investment plans and generic marketing activities
- Information on best practice for curricula and other program development
- Strong relationships with education providers, Industry skills councils and other key organisations

#### Outputs

- Targeted curricula resource materials that focus on the industry and its products
- Website that is easy to use and compatible with national curricula requirements (e.g., Scootle search engine)
- Promotional materials to increase awareness and traffic to the forestlearning.edu.au website

#### Measures of success

1 Industry and Government support of education activities

#### How measured

Participation in programs, formal consultation and ad hoc surveys

#### Status and results

To be completed

2 Uptake of education program activities by the target user group

Numbers of applicants, web downloads, and requested materials and/or presentations

Published in the annual report

## Outcomes and programs 2015 – 2020

### Program 4 Building Codes and Standards

#### Rationale

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

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

FWPA is a knowledgeable, efficient and cost-effective standards coordinator because of its whole-of industry perspective and linkage to generic promotion and R&D investments

#### Outcomes

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

#### Priorities

- Reduce unwarranted restrictions on the use of wood products in the national construction code and building standards
- Identify key timber standards for ongoing maintenance and rationalise non-key standards.
- Improve the timeliness for proposed changes to key timber standards

#### Objectives (Years 1 – 2)

- Improve coordination of industry input and engagement with Standards Australia to ensure that material standards are meeting the needs of the industry and the community
- Develop proposed changes to the National Construction Code especially in the area of deemed-to-satisfy solutions that increase the allowable height of timber-frames for class 2, 3 and 5 buildings.
- Improve knowledge and skills within the industry in the area of material standards and building codes

#### Additional objectives (Year 3 onwards)

- Expand the deemed-to-satisfy solutions to all building classes
- Subject to available resources, program activities will be expanded to further codes and standards impacting timber product market access

#### Potential future activities (dependent on additional funding):

- Nil

#### Inputs

- About 8% of FWPA's investment budget
- Prior industry experience with building codes and standards
- Consultation within industry and associations involved in building codes and standards
- Strong relationship with Standards Australia, the Australian Building Codes Board and State regulators
- International linkages with researchers and timber industry bodies involved in standards and building codes, Industry skills councils and other key organisations

#### Outputs

- Building codes and standards that improve market access and acceptance of wood products
- Regular communication with industry about the key standards and building codes and their impact on market access
- Effective and efficient management of the standards development process, including the adoption of alternative development pathways
- Training resources for the key standards and codes with industry and building specifiers



## Outcomes and programs 2015 – 2020

### Program 4 Building Codes and Standards

	Measures of success	How measured	Status and results
1	Improved market access (or minimized adverse changes) to building codes and building standards	Number of positive changes implemented or adverse changes avoided	Published in the annual report
2	A reduction in the number of Australian Standards and codes that directly impact on the industry and its access to markets	Reported changes to relevant Australian Standards each financial year	Published in the annual report
3	The amount of support (or lack of dissent) on proposed changes to standards and building codes	Assessed via member and stakeholder feedback	To be completed
4	Improved relevance and timeliness of proposed changes to timber standards	Reduced number of backlogged proposed changes and positive stakeholder feedback	To be completed

## Outcomes and programs 2015 – 2020

### Program 5 Statistics and economics

#### Rationale

Industry statistics and economic analysis are vital for sound decision making by individual firms

FWPA's coverage of the whole industry can help facilitate broad participation in industry aggregation of key statistics

FWPA's relationship with the Australian Government (and agencies) can help prioritise statistics and economic analysis, minimise duplication, to provide relevant, insightful market intelligence

#### Outcomes

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

#### Priorities

- Reduce existing frustration and uncertainty related to the timeliness and accuracy of statistical data collection and analysis
- Work with industry to identify opportunities for data aggregation that can assist industry business performance
- Improve access to key statistical information through a dedicated on-line portal
- Engage with data providers to improve the utility of statistical information for industry
- Review statistics availability to identify additional data sets that will improve industry business performance

#### Objectives (Years 1 – 2)

- Expand the industry statistics portal to include hardwood sawmilling, wood panels and forest growing
- Develop data aggregation systems for a range of expanded datasets with willing industry participants
- Develop a robust system for determining the market share of wood products versus other materials
- Initiation of national production and inventory reports, import and export trade volume and product pricing indices
- Initiation of market demand forecasting reports

#### Additional objectives (Year 3 onwards)

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

#### Potential future activities (dependent on additional funding):

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

## Outcomes and programs 2015 – 2020

### Program 5 Statistics and economics

Inputs	Outputs
<ul style="list-style-type: none"> <li>About 9% of FWPA's investment budget</li> <li>Experience and knowledge of statistics and economic data sets, their availability, analysis and utility</li> <li>Coordinated input across forest and wood product activities in relation to statistical and economic data capture, interpretation and application</li> <li>International linkages with researchers and timber industry bodies involved in statistics and economic analysis</li> </ul>	<ul style="list-style-type: none"> <li>Improved coordination and building better systems for data collection and analysis</li> <li>Development of a secure, online portal for the consolidation of and access to key statistical data series</li> <li>More efficient working relations with ABARES and other statistical data gathering and analysing agencies</li> <li>Enhanced appreciation of industry's statistical data and analysis needs</li> </ul>

	Measures of success	How measured	Status and results
1	Increased participation in FWPA statistics and economics programs	Number and seniority level of industry and stakeholder participation	Published in the annual report
2	Contributions of industry data to statistics portal	Measured by percentage of national volumes	Published in the annual report
3	Increased industry and stakeholder awareness and utilisation of FWPA generated industry statistics products	As measured by recorded web site downloads and third party citations	Published in the annual report

## RD&E portfolio management

Research, development and extension (RD&E) is a fundamental driver of the company and underpins activities across all five programs within the 5-year strategic plan and is integral to FWPA's relationship with the Australian Government.

### Alignment with Australian Government priorities

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

- **Flexible, collaborative and coordinated:** adopts a flexible approach to explore innovative ways to increase scale of effort in priority areas through enhanced collaboration and coordination mechanisms
- **Output and outcomes focused:** focuses on what is to be achieved, with high level guidance on how it is to be achieved
- **Based upon its mandate from industry and Government:** seeks to understand, work with and respond to the needs of the Australian forest and wood products industry
- **Efficient and transparent:** promotes efficiency and transparency, seeking to utilise existing structures, planning processes and reporting arrangements, where appropriate

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

Strategic Research Priority	Rural R&D Priorities	FWPA programs
Living in a changing environment	Natural resource management	<b>Program 2</b> 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
	Climate variability and climate change	
Securing Australia's place in a changing world	Biosecurity	
Lifting productivity and economic growth	Productivity and adding value	<b>Program 1</b> Promote the benefits and usage of forests and wood products, in accord with changing community attitudes, environmental awareness, and market trends <b>Program 3</b> Grow the industry's capacity and capability through focused education activities that support the industry and its products <b>Program 4</b> Coordinate the industry's management of consensus-based standards and building codes to maintain or improve market acceptance of the industry's products <b>Program 5</b> Coordinate the collection and analysis of key industry statistics and other economic analyses to support commercial decision-making and policy development within the sector
Managing our food and water assets	Supply chain and markets	

The Commonwealth Science Council is currently reviewing a revised set of National Strategic Science and Research Priorities that may replace the above Strategic Research Policies if approved by the Australian Government.

## RD&E portfolio management

### Risk/return balance

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

### Investment process

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

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

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

Investment decisions regarding specific projects and activities will:

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



## RD&E portfolio management

### RD&E Monitoring and evaluation

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

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

FWPA's monitoring and evaluation framework includes:

- Three industry advisory groups (Market Access and Development, Solid Wood Processing and Sustainability and Resources) and three reference groups (Generic Marketing, Codes and Standards, Statistics and Economics) play an important role in monitoring and evaluation at program level.
- The WoodBase system for managing research projects and programs. The system allows the ready monitoring of all projects, against technical deliverables, time and budget, by management
- A schedule of milestones for each projects, thrice-yearly in the case of large, multi-year projects. Standard templates assist the reporting process
- The appointment of a steering committee, made up of funders, research providers and other stakeholders, including users of the project outcomes, to oversee each project. Project steering committees play a role in monitoring the project and endorsing (or otherwise) milestone reports, as well as advising on the commercialisation or extension of project outcomes
- Performance reviews of each project at completion. This process examines aspects of the project's management, delivery and levy payer engagement. The reviews are completed internally by FWPA staff and are used to inform the selection and management of future projects
- Detailed benefit/cost analyses of a selection of projects each year. The results of these analyses are reported in the annual report and inform the selection and management of future projects.

### Communication, extension and adoption

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

Existing channels of communication will be utilised wherever possible to secure FWPA's natural positioning within the industry

it serves, with the Australian Government and with service providers. Beyond these immediate stakeholders, FWPA will ensure there is timely and accessible information flow between it and the wider community, the market and linked industry groups.

## RD&E portfolio management

### Cross-sectoral, cross-organisational collaboration

Wherever possible, FWPA seeks to invest resources into collaborative activities and where relevant cross sectoral in order to maximise the return on levy funds expended and to access specific skills and resources to address key industry priorities. FWPA will seek to engage with Cooperative Research Centres (CRCs), CSIRO flagships and, where relevant to its industry stakeholders, the range of cross-sectoral initiatives under the National Primary Industries RD&E Framework such as the climate change research strategy for primary industries (CCRSPI).

FWPA provides and coordinates resources committed to the development of the national forest industries research, development and extension (RD&E) strategy. Operating under the National Primary Industries RD&E

Framework, the strategy seeks to identify and implement a coordinated collaborative approach to research development and extension activities undertaken by the research community. The forest industry RD&E forum comprises senior representatives of the forest products industry, government and research stakeholders and seeks to develop a national level research, state scale development and regional area extension approach encompassing all PISC affiliated agencies. This includes the CSIRO, universities and state departments of primary industries.



## Organisational enablers

FWPA has a strong focus on its vision and mission and seeks to deliver this plan in a cost-effective manner by utilising its resources (i.e., finance and human resources) and leveraging the activity of partners where possible.

### Corporate governance

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

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

FWPA will be proactive in identifying the priorities of all stakeholders, particularly industry and government. The company will work cooperatively with the Australian Government to ensure timely adoption of any additional corporate governance requirements.

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

The Board's governance responsibilities include:

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

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

## Organisational enablers

The key performance indicators for the organisation as a whole are shown below:

	Measures of success	How measured	Status and results
1	Superior corporate governance as measured by compliance with all legal, constitutional and contractual obligations	Internal and external audits and the periodic independent review as required under the Statutory Funding Agreement	Published in the annual report
2	Positive stakeholder relationships as measured by number of company members, feedback from regular liaison with the Government and the number and/or quality of applicants that apply to be company directors and members of company advisory groups	Assessed through tracking of number of relevant applications and responses to informal stakeholder surveys	Published in the annual report
3	A corporate culture focused on continuous improvement and alignment with stakeholder needs	FWPA brand reputation as assessed via formal and informal stakeholder feedback	Published in the annual report
4	Robust systems with appropriate disaster recovery mechanisms as measured via the risk management plan and internal audit reviews	Assessed by internal and external audit programs	Published in the annual report
5	Timely and cost-effective implementation of the five-year strategy plan, annual operations plans and investment plans	Assessed via external company review at completion of Statutory Funding Agreement	Published in the annual report

## Organisational enablers

### Plan development and implementation

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

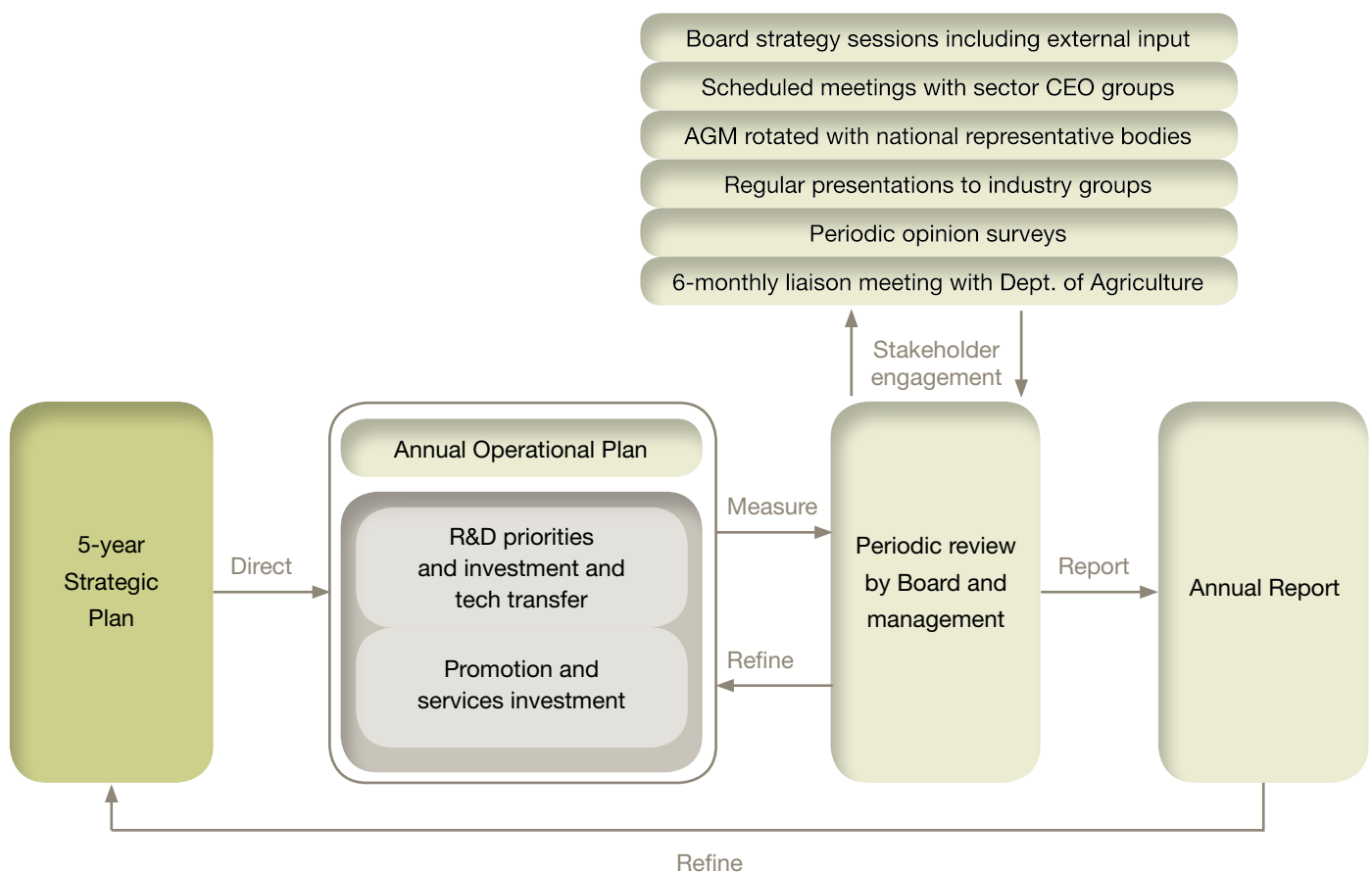
The current SFA covers the five years from 2012 to 2017. Among the obligations of FWPA set out in the SFA are several provisions in relation to the development, review and content of a strategic plan.

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

This strategic plan sets out why FWPA exists, what it aims to achieve, and how it will do so. It is cast at a strategic, five-year level,

and directs the annual planning, report and review process. The content of the plan was developed in close consultation with the FWPA membership (see 'Consultation process and key messages' p15).

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



## Organisational enablers

### Organisational structure

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

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

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





## Financials

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

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

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

For most levy classes, the rates have largely remained unchanged since the inception of FWPA's predecessor organisation, FWPRDC, in 1994. The current rates are shown below:

### Industry levy rates

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

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

## Financials

Two of the original FWPA levies have been held at a zero rate since the establishment of the company and its predecessor: exports of softwood logs and woodchips plus domestic pulp and paper manufacturing. Discussion will be initiated with non-levied sectors to determine their willingness to develop and participate in future collaborative industry activities.

The forecast of levy income for the period 2015/16 through 2019/20 is based on zero growth for most categories, except imports and growers which are assumed to have an annual 2% growth in expected volumes, with no change in levy rates is shown below:

### Production volumes and levy income

Levy type	Estimate 2014/15 \$'000	Forecast 2015/16 \$'000	Forecast 2016/17 \$'000	Forecast 2017/18 \$'000	Forecast 2018/19 \$'000	Forecast 2019/20 \$'000
Grower levy	\$822	\$838	\$855	\$872	\$889	\$907
Voluntary grower levy	\$424	\$433	\$442	\$450	\$460	\$469
Woodchip	\$224	\$224	\$224	\$224	\$224	\$224
Wood panel	\$71	\$71	\$71	\$71	\$71	\$71
Ply and veneer	\$122	\$121	\$121	\$121	\$121	\$121
Cypress	\$38	\$38	\$38	\$38	\$38	\$38
Hardwood sawlog	\$487	\$487	\$487	\$487	\$487	\$487
Softwood sawlog	\$1,867	\$1,867	\$1,867	\$1,867	\$1,867	\$1,867
Softwood low grade/roundwood	\$196	\$196	\$196	\$196	\$196	\$196
Importer	\$996	\$1,016	\$1,036	\$1,057	\$1,078	\$1,100
<b>TOTAL</b>	<b>\$5,247</b>	<b>\$5,291</b>	<b>\$5,337</b>	<b>\$5,383</b>	<b>\$5,431</b>	<b>\$5,480</b>
Voluntary contributions		\$800	\$1,200	\$1,800	\$2,500	\$3,000
<b>TOTAL INCOME</b>	<b>\$5,247</b>	<b>\$6,091</b>	<b>\$6,537</b>	<b>\$7,183</b>	<b>\$7,931</b>	<b>\$8,480</b>

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

The amount allocated to voluntary contributions is dependent on the Australian Government regulations being enacted and industry partners voluntarily contributing 50% in cash. The recent submissions to

the Australian Government's R&D for Profit program demonstrate there is a willing to fund R&D projects if the right funding mechanism is made available.

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

## Financials

### Estimated Australian Government matching

	Estimate 2014/15 \$'000	Forecast 2015/16 \$'000	Forecast 2016/17 \$'000	Forecast 2017/18 \$'000	Forecast 2018/19 \$'000	Forecast 2019/20 \$'000
Government Matching - compulsory levies	\$3,398	\$3,582	\$3,657	\$3,729	\$3,802	\$3,877
Other Income	\$255	\$143	\$143	\$170	\$171	\$172
Government Matching - voluntary contributions*		\$800	\$1,200	\$1,800	\$2,500	\$3,000
<b>TOTAL MATCHING</b>	<b>\$3,653</b>	<b>\$4,525</b>	<b>\$5,000</b>	<b>\$5,699</b>	<b>\$6,473</b>	<b>\$7,049</b>

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 adjusted its annual expenditure to ensure a balance between expected revenues and adequate cash

reserves. If economic conditions improve, the Board will consider reactivating discussions with industry about funding an expanded program, as previously identified in the business case developed in 2012 (<http://www.fwpa.com.au/about-us/corporate-documents/58-building-a-better-future-through-collaboration.html>).

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

### Estimated expenditure by program

Program expenditure	Estimate 2014/15 \$'000	Forecast 2015/16 \$'000	Forecast 2016/17 \$'000	Forecast 2017/18 \$'000	Forecast 2018/19 \$'000	Forecast 2019/20 \$'000
Generic Promotion	\$3,346	\$3,508	\$3,508	\$3,508	\$3,508	\$3,508
Research, Development and Extension	\$3,705	\$3,610	\$3,682	\$3,756	\$3,831	\$3,908
Capacity and Education	\$289	\$282	\$288	\$293	\$299	\$305
Building Codes and Standards	\$744	\$781	\$797	\$813	\$829	\$845
Statistics and Economics	\$806	\$831	\$848	\$865	\$882	\$900
Voluntary Contributions R&D*		\$1,600	\$2,400	\$3,600	\$5,000	\$6,000
<b>TOTAL INCOME</b>	<b>\$8,890</b>	<b>\$10,612</b>	<b>\$11,522</b>	<b>\$12,834</b>	<b>\$14,349</b>	<b>\$15,466</b>

All indirect costs have been allocated to the programs in accordance with the cost allocation policy as required under the statutory funding agreement.