



Forest & Wood  
Products Australia

2018/19

# Annual Operating Plan



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## Introduction

This annual operating plan should be read in the context that is provided by the company's 5-year strategic plan (2018-2023), which is a rolling plan that is reviewed annually.

This is the third year into our revised strategic plan with outcome-themed programs. In prior strategic plans, the company's activities were structured around functional areas such as research and development (R&D), generic marketing and standards development.

It is the first full year under our new Statutory Funding Agreement, which came into effect in August 2017.

The key focus of this year is to help identify the key investments that will deliver on the company's mission for the next three to five years. We have a number of key investment plans that are scheduled to be completed and we need to carefully consider the next steps. Some examples include the following:

- The renewal of the contract with the Australian Bureau of Resource Economics and Science (ABARES)
- The future direction of the WoodSolutions midrise advisory team

- The viability of the regionally based leadership training program (For our Future)
- Explore the feasibility of a new National R&D Centre on Small Log Processing
- Possible investment into new generation timber framing
- Consumer communications and brand architecture
- Long-term research investment plan for forest growers

Implementing the new Industry Advisory Group and Interest Group structure over the last 12 months has not achieved the expected level of engagement by company members and other stakeholders. Across the sector, there is a challenge to identify and develop "investment-grade" collaborative proposals due to a lack of capacity within industry and key suppliers.

To overcome this barrier, FWPA will invest additional internal and external resources to develop proposals that can be subsequently reviewed by industry stakeholders.

The company has a track record of success in proactively pursuing initiatives like the Planet Ark partnership, Wood. Naturally Better, WoodSolutions, building code changes, ForestLearning,

industry statistics aggregation, and the National Centre for Timber Durability and Design Life.

The role of FWPA and scope of work will continue to evolve in response to changing industry dynamics but our focus remains on identifying and delivering collaborative innovation that will benefit the largest proportion of our stakeholders.

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# Overview of strategic framework

## Industry vision

The forest and wood products industry will grow as a result of increased demand for its market-oriented, sustainable and competitive products and services.

## Mission

We collaborate with industry stakeholders and Government to determine strategy and deliver programs designed to grow the market for forest and wood products, increase productivity (and implied profitability) across the value chain and ensure positive environmental and social outcomes.

## Desired Outcomes

We work with FWPA members and levy payers, the Australian government and other key stakeholders to secure the co-operation and collaboration required to deliver the outcomes that will be of optimal benefit to the industry as a whole

Increased Demand	Increased Community Acceptance	Increased Productivity	Increased Sustainability Credentials	Increased Industry Capacity
<p>We will employ a range of strategies to boost demand, including:</p> <p>promoting the positive benefits of wood through education, promotion and advertising</p> <p>improving the product knowledge of specifiers and consumers</p> <p>addressing any perceived or real impediments to the use of wood in a range of applications.</p>	<p>We will increase the industry's social licence to operate by:</p> <p>using social research to inform strategy</p> <p>implementing targeted educational and promotional programs</p> <p>leveraging strategic partnerships</p> <p>making effective use of social and traditional media.</p>	<p>We will increase value chain productivity and implied profitability by:</p> <p>pursuing greater alignment between the initial resource and the finished product (tree to market)</p> <p>improving market knowledge</p> <p>ensuring products are fit-for-purpose, safe and durable with performance that meets user expectations</p> <p>minimising strategic and operating risk.</p>	<p>We will enhance the sustainability credentials of forest and wood products by:</p> <p>assisting the industry to identify, measure and manage the environmental and social impact of products and management practices</p> <p>engaging with the community to engender positive attitudes to the industry.</p>	<p>We will impact decision making by providing readily accessible information that assists current and future industry participants to:</p> <p>adapt to changes in the business environment</p> <p>achieve better commercial outcomes.</p>

## Programs

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

1. Promoting the advantages of wood products
2. Aligning products to market needs
3. Assisting value chain optimisation
4. Increasing resource availability and reducing risk
5. Impacting decision making and industry capability



## Linking programs to outcomes

	Increased Demand	Increased Community Acceptance	Increased Productivity	Increased Sustainability Credentials	Increased Capability
<b>Program 1</b> Promoting the advantages of wood products	✓	✓		✓	
<b>Program 2</b> Aligning products to market needs	✓	✓	✓	✓	
<b>Program 3</b> Assisting value chain optimisation			✓	✓	✓
<b>Program 4</b> Increasing resource availability and reducing risk		✓	✓	✓	✓
<b>Program 5</b> Impacting decision making and industry capability		✓	✓	✓	✓

## Corporate governance

As a public company limited by guarantee, FWPA operates within the legal framework of the Corporations Act 2001 (Cth.), other relevant laws and its Constitution. FWPA is also registered with the Australian Charities and Not-for-profits Commission. In addition, as the nominated industry services body under the Forestry Marketing and Research and Development Services Act 2007 (Cth.), FWPA has a contractual commitment

via a Statutory Funding Agreement (SFA) with the Commonwealth of Australia. FWPA is committed to pursuing best practice corporate governance in line with ASX's Corporate Governance Principles and Recommendations and all key documents are published on the corporate website ([www.fwpa.com.au](http://www.fwpa.com.au)).



## Scope of programs (2018-23)

Based on an analysis of the company's key competencies (i.e. strengths, weaknesses) and the operating environment (i.e. opportunities, threats), a number of key activities were identified within the 5-year strategic plan. The plan is based upon a combination of existing activities that would be ongoing, activities with an expanded scope of work, as well as activities that were not previously a focus of the company.

The activities and their status is shown in the following table (deferred activities are highlighted in red)

	Activities	Status
<b>PROGRAM 1</b> Promoting the advantages of wood products	Continue current promotional activities aimed at the consumer that leverage off the partnership with Planet Ark and focus on a broad range of beneficial wood attributes.	ONGOING
	Leverage the current promotional activities to include the non-structural (and non-decorative) use of wood—such as for landscaping and packaging—to respond to competition from alternative materials.	EXPANSION
	Increase the uptake and active use of teaching resources from the forestlearning.edu.au website.	ONGOING
	Ensure that the sector's investment in independent certification and other environmental credentials is not lost due to low market awareness.	EXPANSION
	Develop a targeted campaign to improve the community's understanding and acceptance of the environmental credentials of bio-energy from sustainably managed forests.	EXPANSION
	Develop structured methodologies, in conjunction with other primary industries, to measure and enhance the community acceptance (i.e. social licence) of wood products and associated industries	ONGOING
<b>PROGRAM 2</b> Aligning products to market needs	Continue to develop the WoodSolutions platform including website, lectures, conferences and in-house/on-site delivery of training and reference materials that cover a wide range of key influencers and market segments.	ONGOING
	Develop a timber design life and durability system that is evidence-based, stakeholder-inclusive and improves the market opportunity and competitiveness of wood products compared to other materials.	EXPANSION
	Increase the uptake of new building code changes by providing in-the-field information about key wood-building technologies to building specifiers and developers.	EXPANSION
	Continue activities to remove unnecessary impediments to wood products in the National Construction Code and key building standards.	ONGOING
	Continue activities to improve the efficiency and effectiveness of key timber material and design standards, including ancillary products like connectors, to increase the uptake of timber systems.	ONGOING
	Support skills development and product compliance mechanisms to ensure that timber systems are supported by best practice.	NEW
	Assist in the removal of unnecessary impediments to the export of forest and wood products.	ONGOING
<b>PROGRAM 3</b> Assisting value chain optimisation	Develop and adopt improved techniques for the allocation of standing trees, logs, timber and fibre to the most appropriate use using new technologies and data analysis techniques (i.e. 'Big Data').	EXPANSION
	Optimise product and building standards to increase the volume and value recovery along the value chain and to help ensure products are fit for purpose.	NEW
	Explore mechanisms for improved information capture and dissemination along the value chain that can contribute to more timely and relevant decision-making.	EXPANSION
	Evaluate new market opportunities for forest and manufacturing residues.	NEW



	Activities	Status
<b>PROGRAM 4</b> Increasing resources and reducing risks	Develop a research investment plan that provides direction to current levy-based funds and provides a business case for additional investment by forest growers	EXPANSION
	Develop and deploy improved genetic stock, including possible genetically modified varieties that can increase value recovery and reduce risk to plantation owners and their customers.	EXPANSION
	Develop forest health and biosecurity systems that can minimise risk to forest owners and their customers.	ONGOING
	Ensure that forest management and forest operation tools deliver in-field practices that are scientifically sound, safe and compatible with international best practice.	EXPANSION
	Investigate mechanisms to understand and monetise the environmental benefits (e.g. carbon, biodiversity, catchment values) from tree crops to assist in an expansion of the commercial estate.	EXPANSION
<b>PROGRAM 5</b> Impacting decision making and industry capability	Develop and deliver leadership programs to improve industry capacity for innovation and collaboration consistent with the company's vision and mission.	EXPANSION
	In conjunction with willing industry participants, develop systems to aggregate data for a range of key management indicators—while protecting confidentiality—and make these available in an easily accessible form.	EXPANSION
	Improve understanding of key market drivers, including competition from alternative materials, to improve forecasting of key market segments.	ONGOING
	Provide ongoing support for the development and distribution of publicly available information, including that available through partnership with ABARES, that supports the economic, social and environmental contribution of the industry.	ONGOING
	Ensure that key historical data series are conserved and leveraged to improve current and future decision making.	EXPANSION

There are no current activities that will cease due to the new strategic plan. As a consequence, any expanded or new activities will be funded through an internal reallocation, draw-down on cash reserves, collaborative investments or new funding sources (e.g. voluntary funds).

A number of activities were identified as potential expansions to FWPA's activities in the prior 5-year strategic plan and the 2012 Business Case, but these have not been included due to a lack of stakeholder support and/or funding constraints:

- Restore the previous postgraduate scholarship program and mid-career prizes to target specific skill shortages
- Revamp the previous GrowingCareers program to promote the attractiveness of the sector as a career opportunity
- Develop a targeted campaign to maintain and/or increase access to native forests
- Develop a national program of extension to encourage the private native forest and plantation farm sector

- Fund scholarships and resource materials to support tertiary forestry education in Australia

This list may be revisited in future if there is a change in industry and government priorities or the company secures additional funds.



# 2018-19 budget

The 2018-19 budget and prior year comparison is shown below:

	2017/18 (\$m) Forecast	2018/19 (\$m) Budget
<b>INCOME</b>		
Processor Levy	3.771	3.500
Grower Levy	1.182	1.206
Voluntary Grower - States	0.447	0.456
Importer Charge	1.067	1.088
<b>Total Levy</b>	<b>6.467</b>	<b>6.250</b>
Interests and Others	0.312	0.431
Levies Matching	4.309	4.563
Voluntary Contributions (inc Midrise)	1.402	1.659
Voluntary Matching	1.382	1.659
Government Direct Project Funding	1.152	1.558
<b>Total Income</b>	<b>15.024</b>	<b>16.120</b>
<b>EXPENDITURE ALLOCATION</b>		
Promoting adv of wood products	2.364	2.628
Align products to market	4.676	4.566
Value chain optimisation	1.285	1.449
Increase resources and reducing risks	1.538	1.754
Decision making and capability	1.123	1.151
Voluntary Contributions Program (inc Midrise)	2.784	3.318
Government Direct Project Funding Expenditure	1.152	1.558
Provision for Importers refund	0.000	0.000
<b>Total Expenditure</b>	<b>14.922</b>	<b>16.424</b>
<b>Net Surplus / (Deficit)</b>	<b>0.102</b>	<b>(0.304)</b>
<b>Closing Funds Balance</b>	<b>4.953</b>	<b>4.649</b>

Note: Under the Statutory Funding Agreement, the company is required to have a cost allocation policy that ensures that all direct and indirect expenses are allocated to the programs.



The Company is planning to draw down on its cash reserves by \$304K. After this draw-down, the company's cash reserves will remain comfortably above the limit set by the Board.

The forecast income for levies is based on a 2% adjustment on the previous year on a normalised basis. This is a simple assumption but has remained robust over recent years and the company regularly adjusts expenditure to match the target budget surplus (deficit).

The company is working with a range of interested parties to ensure that the Government's matching payments for voluntary contributions are fully committed in the operating year (i.e. \$1.659 million) with only \$396K currently unallocated. In most cases, the eligible projects will be managed externally and FWPA will be the contract manager in terms of milestone payments and post-project audits to provide accountability for the use of Government funds – a nominal

management fee of 5% will be applied to voluntary contributions.

For eligible projects that are managed internally within FWPA, such as the WoodSolutions Midrise Advisory Program, full accountability will be provided to voluntary contributors and the Government.

The budget allocation of levy-based expenditure, excluding voluntary contributions and expenditure, is shown in comparison to the 5-year strategic plan allocation:

	Budget Allocation of levy-based expenditure	5-year strategic plan expenditure allocation
Promoting the benefits of wood products	23%	18%
Aligning products to market needs	40%	47%
Assisting value chain optimisation	13%	15%
Increasing resource availability and reducing risks	15%	15%
Impacting decision making and industry capability	10%	5%
	100%	100%

As part of a half-yearly review, the Board will review and approve a re-forecast of income and expenditure and make adjustments in relation to any changes in the operating environment.



# Program activities (2018-19)

## Program 1. Promoting the advantages of wood products

This program promotes the benefits and usage of forests and wood products in response to changing community attitudes and it has been a key part of the company's activities since 2008.

The program is built upon a solid foundation of factual information based on scientific evidence and objective market research. This approach has been critical to the ongoing partnership with Planet Ark, one of Australia's most recognised and trusted organisations, and the development of the ForestLearning educational resources platform.

The program uses strong brand-based communication with a positive tone with the aim of promoting benefits rather than detracting from other materials or industries.

The primary message for the program is that sustainably sourced wood products help tackle climate change because wood stores carbon. The program has been extremely successful in improving consumer perceptions of wood products and their support for sustainable forest management. According to the most recent market research (April 2018):

- 87% of consumers either "like" or "love" the look and feel of wood
- 78% of consumers associate wood with the term "environmentally friendly"
- 70% of consumers associate wood with the term "stores carbon"
- 80% of consumers agree that "cutting down trees is okay as long as we replant them."

The market research clearly demonstrates the success of the program, which has lifted or maintained a number key consumer perception indicators. This has had flow-on benefits through the increased acceptance of the industry and its environmental credentials by key influencers like building professionals, school teachers and regulators.

The success of the program should not become an excuse for complacency. Community information programs need ongoing reinforcement to maintain presence and top-of-mind awareness.

In 2011, FWPA initiated a strategic alliance with Planet Ark to promote the use of sustainably managed wood products as a way to help tackle climate change. Planet Ark is one of Australia's most trusted sources of information about environmental issues and the use of their brand on the Wood. Naturally Better™. Television commercial is considered to be a factor in the commercial's strong performance. Planet Ark's Make It Wood Campaign includes a range of activities including community service announcements, an animated video program, print and bus advertising, consumer promotions. Currently, a total of 15 jurisdictions, including the State of Tasmania, have adopted a wood encouragement policy in Australia.

The TV commercial campaign features Peter Maddison, Host of Grand Designs Australia, who is viewed as trusted, likeable and credible. Peter has been a part of the program's success and he has agreed to ongoing participation in the company's consumer promotional activities. We currently have seven 15-second TV advertisement executions that cover the range of wood usage (e.g., framing, packaging, flooring) and the biophilic benefits of wood.

The ForestLearning platform and membership of the Primary Industries Education Foundation of Australia (PIEFA) are focussed on developing and promoting curricula materials for school teachers.

The ForestLearning website now has around 60 resource materials that have been specifically developed and accredited to the National curricula for all school years from kinder to year 12. The resources are suitable for a wide number of teaching subjects including agriculture, biology, history, science, technology, English and maths.



The focus of the program is now moving from content creation to encouraging uptake by school teachers. There are over 250,000 teachers in Australia and they are a very difficult audience to reach due to their time constraints, wide geographical coverage and diversity of communication channels. In addition, the communication environment is highly cluttered due to a large number of other organisations also seeking the attention of teachers. Despite these difficulties, the company is pursuing a multi-prong approach including the recruitment of industry champions to promote ForestLearning to their local schools.

To capture the increased use of technology in forest management and wood processing, a new digital-based learning tool will be developed and promoted.

## Priorities for 2018-19

- Continue with the consumer advertising program featuring Peter Maddison and Planet Ark based on seven different 15-second videos featuring different industry products
- Refinement of the Planet Ark's 'Make It Wood' activities with a focus on local governments, ethical investments, education and health authorities and key influencers in the built

environment supporting the message around the positive benefits of sustainably sourced wood products

- Increasing uptake of the ForestLearning curricula materials through industry champions, advertising, sponsorships and direct mail
- Develop a new digital-based learning tool for ForestLearning
- Develop communication materials to support the environmental credentials of bioenergy from sustainably sourced wood products

## Program 2. Aligning products to market needs

This program aims to ensure that the industry's products and services are fit-for-purpose, appropriately aligned to market needs and better communicated to key influencers. This has been a major part of the company's focus since inception.

Research will be undertaken to understand current market needs and trends with the aim of identifying information gaps and opportunities for new or modified products and systems for the built environment, industrial markets and other key segments. A key focus will be on better matching of product performance (i.e. strength, durability and aesthetics) to market needs.

The program is effectively an information conduit from, and to, the market. Market needs are determined through research, international experience, product testing and feedback from stakeholders. This information can

be utilised by industry participants in the development of their products and services. The information can also assist end users and specifiers in the use and application of wood-based products.

The program assists in information flow to the market through WoodSolutions the company's branded platform, and through building codes and standards.

WoodSolutions was established with the objective of creating a one-stop source of authoritative information on wood products in the Australian market. It was intended to address concerns that building specifiers found wood products too complex and difficult to use and would thus specify more homogeneous products like concrete or steel.

The cornerstone of WoodSolutions is the website, which has become the most visited wood information

website in the English speaking world, and this is supported through partnership arrangements with professional associations, technical design guides, and face-to-face presentations.

WoodSolutions CAMPUS is the online education and skills development for people working with wood and wood products. Completing WoodSolutions learning modules and the accompanying assessment tasks can earn CPD points (subject to the requirements of individual professional associations) or provide a pathway to further education and VET training. There are currently 13 learning modules covering topics such as midrise construction, design for durability, and timber grades. The aim is significantly expand the modules to cover all topics of relevance to designers, builders and merchants.



Several key changes to the National Construction Code (NCC) have been included in the consultation draft document including the expansion of the deemed to satisfy prescriptions to all other building classes for both lightweight and massive timber systems. If accepted by the Australian Building Codes Board in late 2018, then these changes will become available in the 2019 NCC and heavily promote to all building specifiers.

Utilising voluntary contributions, FWPA is managing a three-year pilot for a WoodSolutions Midrise Advisory Team in Victoria and Queensland. FWPA has commissioned an independent review of the pilot to determine whether the program should be continued and the geographic and market scope.

The Industry's products and services are highly influenced by a suite of material and building standards, as well as by the regulatory environment. The program will work with industry to optimise the material and building

standards to ensure a robust system that is evidence-based, inclusive and improves the market opportunity and competitiveness of wood products.

The results will also help remove unjustifiable regulatory and market barriers to using timber products in domestic and commercial building applications.

Following significant stakeholder consultation and market research over the last two years, FWPA announced the establishment of a new National Centre for Timber Durability and Design Life in November 2016. Unfortunately, due to personal issues, the proposed Centre head Professor Phil Evans could not take up the position. Following another round of recruitment, the role has been offered to Professor Jeff Morrell from Oregon State University.

Jeff will take up the role mid-year, and following industry consultation on key issues, will recruit his postgraduate and postdoctoral team.

## Priorities for 2018-19

- Development of research program for the National Centre of Timber Durability and Design Life.
- Continued development of the WoodSolutions program, with new design guides and learning modules within WoodSolutions CAMPUS.
- Technical and stakeholder support for the new proposed changes to National Construction Code.
- Review of the WoodSolutions Midrise Advisory Team
- Undertake product performance testing in relation to the National Construction Code to open up new market opportunities and support future proposals-for-change.
- Update some key standards and design tools, especially related to connectors and design life.

## Program 3. Assisting value chain optimisation

This program is about increasing the value and volume recovery from existing resources to ensure that all wood fibre is utilised to its highest and best use. As FWPA is funded along the full value chain (i.e. growers, processors, market), it is well placed to work with all value chain participants to help identify opportunities for improved optimisation.

There is a strong interaction between this program and program 2 (aligning products to market needs) and program 4 (increasing resource availability and reducing risk), as they will provide market and resource information inputs.

One of the impediments to full utilisation within the sector is often the lack of viable markets for forest and mill residues. Some traditional residue markets such as newsprint and communication papers are in decline, although the market for hygiene and packaging

papers remain strong. There is also growing interest in development of bio-chemicals, composite materials and bioenergy around the world and the challenge in Australia will be to adopt these technologies at an appropriate scale to match regional wood fibre availability.

FWPA is currently soliciting industry views regarding the possible establishment of a new national research centre to address two long running industry priorities; (1) developing a value added use for processing residues and low quality



logs; and (2) identification of high value products from plantation resources sufficient enough to stimulate further expansion of Australia's plantation resource base. The centre would investigate potential product option recoveries obtainable from the existing plantation estate under a range of reduced rotation scenarios to determine if the production of next generation engineered wood products from younger age rotations could underpin the greenfield expansion of shorter rotation plantings.

The Australian forest and wood products sector has increasing availability of data along the value chain from forests to mills to markets but this information is often poorly integrated into decision support tools. The interconnectivity of data collection devices (i.e. 'Internet of Things') and improved data analytical tools (i.e. 'Big Data') have the potential to revolutionise the sector.

This will involve identifying and developing improvements to forest management, harvesting, transport, manufacturing processes, product development and information systems to provide value to all participants in the value chain.

Research areas will include improved understanding of wood properties, resource characterisation, wood handling and processing, manufacturing systems and improved fit-for-purpose products, and information capture, storage and dissemination along the value chain.

Identifying key knowledge gaps will involve industry and other stakeholders, as well as international liaison, to minimise unnecessary duplication of effort and to ensure the knowledge has a pathway to adoption.

There are also opportunities for increased automation of data collection through harvesting heads and automation of log processing

and handling within mills. For hardwood sawmilling, robotic log and sawn timber handling can help improve recovery rates and capture data for use down the value chain.

## Priorities for 2018-19

- In conjunction with other RDCs, evaluate big data tools and bio-refinery opportunities.
- Ongoing research in modelling wood qualities and resource characterisation.
- Evaluate new opportunities for forest and manufacturing residues, including opportunities for plantation hardwoods, through a new National Research Centre.
- Explore opportunities for automation of data capture with harvester heads and the use of robotics within processing facilities.

## Program 4. Increasing resource availability and reducing risk

This program aims to increase the availability of wood fibre to support an expanding market and associated manufacturing capacity.

Following several rounds of consultation, a new Grower Research Advisory Committee (GRAC) has been established with a dedicated program manager. This Committee will develop a long-term research plan for forest growers based on an agreed common objective and investment plans for key thematic areas (e.g., biosecurity, fire, nutrition and silviculture). This plan will be used to inform FWPA's investments using levy funds and may form the business case for additional

investments by forest growers.

Increased resource availability is most likely to come from improved productivity and utilisation of the existing plantation and government-owned native forest estate. There are opportunities to expand production forests through green field plantations, especially in conjunction with the farm sector, and to expand management of privately-owned native forests.

Under the Commonwealth's R&D4Profit program, FWPA is providing funds to a CSIRO-led project on developing decision support tools for agro-forestry and a Victorian consortium has

been funded under the voluntary matching program to investigate new business models for incentivising land owners to support commercial plantations.

Climate change modelling suggests that many of Australia's forestry regions may face drying conditions that could require adaption strategies in terms of silviculture, species selection or breeding strategies. In the shorter term, drier sites also offer a potential for green field expansion if commercial forest crops could be developed.

Improved genetics for existing and potential commercial species remains one of the key strategies to



increasing resources and reducing risks. FWPA has consistently supported improved genetics and deployment. The FWPA Board has supported a large, multi-year genetics program through matching of voluntary contributions from the major forest growers. In addition, there is ongoing research into the genetic conservation and utilisation of radiata pine germplasm and marker-assisted selection in Australia's major plantation eucalypts.

Remote sensing technologies are evolving quickly and offer increased accuracy of resource information at lower costs. Research is ongoing in the deployment and integration of remote sensing data and in the use of dense point cloud data for plantation inventory.

Forest growing is a long-term venture that is exposed to environmental risks (e.g. pests, fire, climate change). In conjunction with other plant-based RDCs, FWPA is providing funding for a coordinator

to work with Plant Health Australia and also support to develop a specific forest sector biosecurity plan.

In addition to wood products, commercial forest crops can produce a wide range of environmental and societal values that may not be currently captured or valued by the forest owner or the community. This includes carbon storage, recreation, water catchment and biodiversity values. FWPA has secured additional research funds under the Commonwealth's R&D4Profit program for a CSIRO-led project on developing methodologies for natural capital accounting.

## Priorities for 2018-19

- Develop a research investment plan that provides direction to current levy-based funds and provides a business case for additional investment by forest growers

- Continue investment in identification and deployment of improved genetic stock that can increase value recovery and reduce risk to plantation owners and their customers
- Support for biosecurity and forest health initiatives based on regional needs and risk assessments
- Continue investment in remote sensing tools to improve data accuracy and reduce collection costs
- Explore the use of natural capital accounting to understand and monetise the environmental benefits (e.g. carbon, biodiversity, catchment values) from tree crops to assist in an expansion of the commercial estate
- Develop a comprehensive plan of investigation into commercial tree crops in drier areas within the recognised wood production hubs

## Program 5. Impacting decision making and industry capability

This program will help ensure that the industry has the skills and systems necessary to support improved decision making by all players across the value chain.

Much of the key data required for better decisions that the sector needs resides at the individual company and organisational level. A major focus of the program is to aggregate this information in a confidential manner and then provide it to participants in an accessible and easy to understand format. Data aggregation is now fully operational in the following areas:

- Softwood sawn timber volumes and pricing
- Hardwood sawn timber volume and pricing
- Forest grower occupational health and safety indicators (OH&S)
- Forest grower volume, price and production costs

Softwood processors have expressed an interest in the establishment of an interest group on occupational health and safety with a focus on improved benchmarking of performance. The company will also continue to investigate other data series that participants are willing to contribute

to on an aggregated basis that can impact on decision-making within the sector.

Increasing the availability and accessibility of key economic data via the dashboard and StatisticsCount email newsletter are key mechanisms for information uptake. FWPA maintains a strong partnership with the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) with a focus on improving the accuracy and timeliness of publicly available statistics and improved short-term and longer-term forecasting. The



current contract with ABARES is due for renewal and provides an opportunity to develop a longer term workplan.

In 2017, FWPA launched a two-year pilot program aimed at upskilling regional and collaborative leaders under an initiative called For Our Future. While only two of the four planned workshops occurred in the current financial year, it is planned to offer the program in the following four regions during 2018/19:

Gippsland (VIC); Tasmania; North Coast NSW; Queensland.

## Priorities for 2018-19

- Expand the scope and participation of data aggregation within the sector with the publishing of previously developed data series for hardwood sawmilling, softwood sawmilling performance benchmarking, including OH&S

- Renew the ABARES partnership with a revised longer term work program
- Continue the regionally based leadership program to assist in building capability and regional collaboration.

## Performance measures

The program activities outlined above are intended to directly influence the desired outcomes established within the 5-year strategic plan. Each of these outcomes has a number of direct and indirect (i.e. proxy) measures as shown below:

Increased Demand	Increased Community Acceptance	Increased Productivity	Increased Sustainability Credentials	Increased Industry Capacity
<p><b>Key measures</b></p> <p>Increased wood consumption at a rate of 1% above GDP growth.</p> <p>Achieve (and maintain) consumer and building specifier perception that 'wood is good' greater than 75% based on tracking studies.</p> <p>Increase the use of WoodSolutions resources by 10% per annum.</p>	<p><b>Key measures</b></p> <p>Achieve (and maintain) community acceptance of timber harvesting is above 60% based on tracking studies.</p> <p>Increase the use of ForestLearning teaching resources by 10% per annum.</p>	<p><b>Key measures</b></p> <p>Increased the productivity of the forest estate by at least 1% per annum.</p> <p>Increased productivity along the value chain (output per person) at rate of 2% per annum.</p> <p>Industry benefits from company's investments are at least double the investment (i.e. benefit-cost analyses (BCA) greater than 2).</p>	<p><b>Key measures</b></p> <p>Achieve (and maintain) the credibility of the Forest and Wood Products Industry as source on information on the environment is greater than 60% based on tracking studies.</p>	<p><b>Key measures</b></p> <p>Increase the use of the statistics aggregation system and StatisticsCount by 10% per annum.</p> <p>Positive industry endorsement of the Regional and Collaborative Leadership program.</p> <p>Attractiveness of the sector is in the top four comparable industries based on tracking studies.</p>

## Priorities measures for 2018-19

- Ongoing consumer and building specifier perceptions survey
- Benefit-cost analysis of our research project portfolio in accordance with the agreed methodology of the Council of Rural RDCs
- Ongoing website tracking statistics
- Ongoing tracking of e-newsletter communications
- Market consumption and/or share statistics



## Corporate governance

Under its Statutory Funding Agreement (SFA) with the Australian Government, FWPA is required to constantly pursue best practice corporate governance. The performance review was completed by GHD in February 2017 and has been published on the FWPA website and promoted via the ForWood newsletter. The review found the following:

***FWPA has met all of its obligations under the SFA and has also delivered benefits to levy payers and the industry generally, including communicating effectively with stakeholders. The Company is pro-active in ensuring that its operational processes comply with the various policies it has established by regularly conducting system audits by external consultants and correcting the relatively***

***minor issues identified. This approach is evidence of FWPA's philosophy of 'continuous improvement' in its operations to ensure the efficient and effective use of levy funds and matching government contributions.***

The company has implemented (or is the process of implementing) all the recommendations from the independent review.

On the corporate website there is a copy of the Board governance charter and other key policies.

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, annual operating plan, Investment plans and annual report
- 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, evaluating and reporting on FWPA's performance, including that of its staff and the Board.

## Communication

To ensure greater engagement and ownership of FWPA's activities, a number of formal committees have been established to provide input into the company's investment decisions. The structure and composition of these committees have varied over time and have been based on product sectors and functional areas.

To reinforce the program structure and the company's commitment to transparency, FWPA has restructured its industry engagement to create a two-tiered approach consisting of Industry Advisory Groups (IAGs) and Interest Groups (IGs) that are aligned to the five programs. IAGs are primarily focussed on providing

advice on strategic direction and resource allocation and are open to all FWPA voting members with multiple participation available. IGs are open to all stakeholders, including associations, researchers and consultants, and are responsible for information flow and developing investment proposals.

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

The company delivers most of its communication via electronic means using the following periodic e-newsletters:

- ForWood
- R&DWorks
- Statistics Count
- WoodSolutions
- ForestLearning
- Wood. Naturally Better Partner Program

In addition, company members receive periodic updates and a copy of the 5-year Strategic Plan, Annual Operating Plan and Annual Report. All newsletters, plans and reports are published on the company's websites.

The company is actively expanding its use of social media especially Facebook, Twitter, Instagram and LinkedIn.



# Collaboration

## RD&E Framework

FWPA has previously provided resources for the development of the national forest industries research, development and extension (RD&E) framework. Operating under the Agriculture Senior Officials Committee (ASOC), the RD&E framework seeks to identify and implement a coordinated collaborative approach to research development and extension activities undertaken by the research community.

A forest industry RD&E Forum was established with senior representatives of the forest products industry, government and research stakeholders. However, the decline in research funding and capacity has meant that there was little for the Forum to discuss, and as a consequence, it has not met for over three years.

The introduction of Government matching payments for voluntary contributions has stimulated new R&D investment in the sector. Also, FWPA has been able to leverage its activities through new Australian Research Council (ARC) industry transformation hubs and the Department of Agriculture and Water's R&D4Profit program.

In addition, the Australian Government and the governments of Tasmania and South Australia have provided funds to support research centres to be based at Launceston and Mt Gambier as part of a move towards establishing a National Institute for Forest Products Innovation. FWPA is entering into a contract with the Australian Government to provide administrative support for the centres, which will help ensure that there is no unnecessary duplication of research and extension activities.

## Working with other RDCs

FWPA is a financial member of the Council of Rural Research

and Development Corporations (CRRDC) with active staff involvement in a number of Council structures, working groups and programs. As a relatively small RDC, the company values these interactions as a means of understanding the broader policy environment, identifying industry trends and best practice, as well as creating leveraged investment opportunities.

Where possible, the company will seek to co-invest with other RDCs but the opportunities are usually limited to platform technologies, trees as part of a diversified farm portfolio and social licence-to-operate.

During 2018-19, FWPA will maintain its investment in the cross-sectoral climate change research strategy for primary industries program.

In addition, FWPA has co-invested in four R&D4Profit research initiatives that have been funded by the Department of Agriculture and Water:

- Natural Capital Accounting
- Bio refineries
- Big data for decision making
- Agroforestry decision support tools.

## Rural research and national research priorities

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

National research priorities address areas of strength, opportunity or need in Australian research. FWPA seeks to align its investment programs against rural R&D

priorities and corresponding national strategic research priorities.

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

## Balanced portfolio of investments (and activities)

In the strategic plan, the company outlines its approach to maintaining a balanced portfolio of investments and activities. In short, the aim is to provide a balance across stakeholders (i.e., geography, forest type, position in the value chain, domestic versus import), timeframe to impact, collaboration, ongoing activities versus new initiatives and the level of risk.

As stated earlier, the company has a number of key investment plans that are scheduled to be completed over the next 12 months such as:

- The renewal of the contract with the Australian Bureau of Resource Economics and Science (ABARES)
- The future direction of the WoodSolutions midrise advisory team
- The viability of the regionally based leadership training program (For our Future)
- Explore the feasibility of a new National R&D Centre on Small Log Processing
- Possible investment into new generation timber framing
- Consumer communications and brand architecture
- Long-term research investment plan for forest growers

In reviewing these activities, the key criteria will be the maintenance of a balanced portfolio of company activities that will ensure ongoing stakeholder support for the company.



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