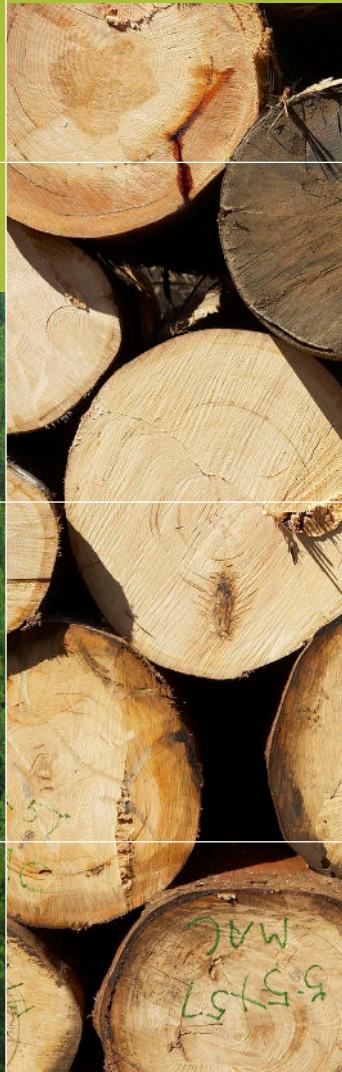
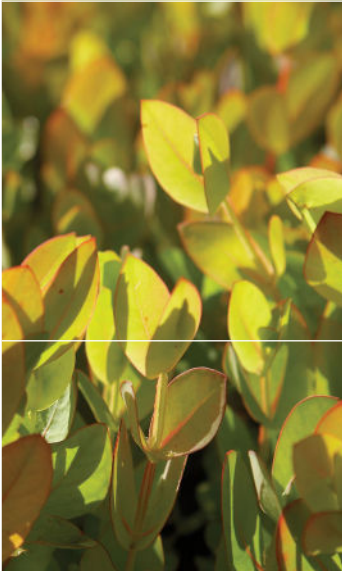




Forest & Wood  
Products Australia

# Annual Operating Plan 2019/20





# Contents

<b>Introduction</b>	<b>3</b>
<b>Overview of strategic framework</b>	<b>4</b>
<b>Scope of programs (2019-2024)</b>	<b>6</b>
<b>2019/20 budget</b>	<b>8</b>
<b>Program activities (2019/20)</b>	<b>10</b>
<b>Performance measures</b>	<b>16</b>
<b>Corporate governance</b>	<b>17</b>
<b>Organisational capacity</b>	<b>17</b>
<b>Collaboration</b>	<b>18</b>



# Introduction

This Annual Operating Plan (AOP) should be read in the context that is provided by the company's 5-year Strategic Plan (2019-2024), which is a rolling plan reviewed annually.

Based on the substantial groundwork undertaken in prior years, the focus of this year is to consolidate and implement a number of enhanced activities that will further deliver on the company's mission:

- Launch of the new The Ultimate Renewable™ TV commercial and supporting collateral.
- The expanded WoodSolutions midrise advisory team funded through voluntary contributions and matched Commonwealth funding.
- A new focus on technical extension to the builders and developers of Class 1 dwellings.
- Staged implementation of the forest research priorities as identified in the investment plans approved by the Grower Research Advisory Committee.

The reallocation of our consumer advertising from the prior financial year will allow the new TV advertisement to be launched with greater media expenditure to reach a wider audience more frequently.

From a financial perspective, the reallocation will result in an estimated unbudgeted surplus of \$943,000 for 2018/19 and a budgeted deficit of \$1.14 million for this year – a net zero impact across the two financial years.

The expansion of the voluntary-funded WoodSolutions midrise team to all building classes (except Class 1) in major metropolitan areas leverages the work of the three-year pilot. This activity, which is a face-to-face technical extension for builders and developers, addresses the technical and cultural impediments to greater use of wood. Importantly, it will support technical extension for the recent change to the National Construction Code, secured by FWPA, to allow a deemed-to-satisfy solution for lightweight and massive timber construction across classes 2 to 9 buildings up to 25 metres in height.

To complement the midrise team, FWPA will put in place a dedicated technical extension program aimed at Class 1 dwellings (i.e. detached houses and townhouses). This activity will be funded by a reallocation of resources within Program 2. Over recent years, it has become apparent that the industry faces significant threats from alternative materials in a wide range of applications in traditional markets (e.g. framing, decks, cladding, subfloors) and we need greater connectivity with builders and developers to understand their requirements and help drive innovation.

The Grower Research Advisory Committee has helped establish consensus on the research priorities of the major growers through the completion of eight research investment plans. At this stage,

there are indications that the major growers will voluntarily commit additional funds to be managed on a collaborative basis by FWPA to deliver on these investment plans.

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 in research and market development 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, renewable 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

We will employ a range of strategies to boost demand, including:

- promoting the positive benefits of wood through education, promotion and advertising
- improving the product knowledge of specifiers and consumers
- addressing any perceived or real impediments to the use of wood in a range of applications.

### Increased Community Acceptance

We will increase the industry's social licence to operate by:

- using social research to inform strategy
- implementing targeted educational and promotional programs
- leveraging strategic partnerships
- making effective use of social and traditional media.

### Increased Productivity

We will increase value chain productivity and implied profitability by:

- pursuing greater alignment between the initial resource and the finished product (tree to market)
- improving market knowledge
- ensuring products are fit-for-purpose, safe and durable with performance that meets user expectations
- minimising strategic and operating risk.

### Increased Sustainability Credentials

We will enhance the sustainability credentials of forest and wood products by:

- assisting the industry to identify, measure and manage the environmental and social impact of products and management practices
- engaging with the community to engender positive attitudes to the industry.

### Increased Capability

We will influence decision making by providing readily accessible information that assists current and future industry participants to:

- adapt to changes in the business environment
- achieve better commercial outcomes.



## 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 (2019-2024)

The Company's rolling 5-year Strategic Plan broadly outlines the scope of work across the five programs. However, the emphasis and resource allocation across the programs will vary from year-to-year in response to stakeholder feedback, the key competencies (i.e. strengths, weaknesses) and the operating environment (i.e. opportunities, threats).

The scope of activities in the Strategic Plan is shown below:

PROGRAM 1	Activities
Promoting the advantages of wood products	Develop new promotional activities for The Ultimate Renewable™ aimed at the consumer that leverage off the partnership with Planet Ark and focus on a broad range of beneficial wood attributes with emphasis on the renewability of the forest resource.
	Leverage the current promotional activities to include the non-structural (and non-decorative) use of wood – such as landscaping and packaging markets – to respond to competition from alternative materials.
	Develop new virtual reality teaching resources to help increase the uptake and active use of teaching resources from the forestlearning.edu.au website.
	Ensure that the sector's investment in independent certification and other environmental credentials is not lost due to low market awareness.
	Develop a targeted campaign to improve the community's understanding and acceptance of the environmental credentials of bio-energy from sustainably managed forests.
	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
	PROGRAM 2
Aligning products to market needs	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.
	Promote and support the uptake of the 2019 building code changes by providing in-the-field information about key wood-building technologies to building specifiers and developers.
	Continue activities to remove unnecessary impediments to wood products in the National Construction Code and key building standards.
	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.
	Support skills development and product compliance mechanisms to ensure that timber systems are based on best practice.
	PROGRAM 3
Assisting value chain optimisation	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.
	Explore mechanisms for improved information capture and dissemination along the value chain that can contribute to more timely and relevant decision-making.
	Evaluate new market opportunities for forest and manufacturing residues.



**PROGRAM 4**

Increasing resource availability and reducing risk

**Activities**

Finalise a suite of research investment plans that provides direction to current levy-based funds and provides a business case for additional investment by forest growers.

Encourage and support the development and deployment of improved genetic stock, including possible genetically modified varieties, that can increase value recovery and reduce risk to plantation owners and their customers.

Develop forest health and biosecurity systems that can minimise risk to forest owners and their customers.

Ensure that forest management and forest operation tools deliver in-field practices that are scientifically sound, safe and compatible with international best practice.

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.

**PROGRAM 5**

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.

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.

Improve understanding of key market drivers, including competition from alternative materials, to improve forecasting of key market segments.

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.

Ensure that key historical data series are conserved and leveraged to improve current and future decision making.



# 2019/20 budget

The 2019/20 budget and prior year comparison is shown below:

	2018/19 (\$m)	2019/20 (\$m)
	Forecast	Budget
<b>INCOME</b>		
Processor Levy	3.465	3.361
Grower Levy	1.152	1.117
State Grower Levy	0.451	0.438
Importer Charge	1.398	1.358
<b>Total Levy</b>	<b>6.466</b>	<b>6.274</b>
Interests and Others Levies Matching	0.490	0.590
Commonwealth Matching	4.697	4.467
Voluntary Contributions	1.659	1.659
Voluntary Matching (including Midrise)	1.659	1.659
Government Direct Project Funding & Contributions	1.495	0.573
Grower Research Advisory	0.291	1.000
<b>Total Income</b>	<b>16.757</b>	<b>16.222</b>
<b>EXPENDITURE ALLOCATION</b>		
Promoting advantages of wood products	1.595	3.641
Align products to market	4.885	4.696
Value chain optimisation	1.075	1.243
Increase resources & reducing risks	1.766	1.756
Decision making and capability	1.389	1.135
Voluntary Contributions Program (including Midrise)	3.318	3.318
Government Direct Project Funding Expenditure	1.495	0.573
Grower Research Advisory	0.291	1.000
<b>Total Expenditure</b>	<b>15.814</b>	<b>17.362</b>
<b>Net Surplus / (Deficit)</b>	<b>0.943</b>	<b>-1.140</b>
<b>Closing Funds Balance</b>	<b>5.763</b>	<b>4.623</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 2018/19 budget that was published in last year's AOP included \$1 million expenditure of TV advertising under Program 1. Our media buyer recommended that the advertising scheduled for June 2018 be deferred to the next financial year because of increased competition post the Federal election. The Board approved this variance, so there will be a surplus in 2018/19 and a deficit in 2019/20. There is zero net effect across the two financial years and the company will have reached its target cash reserve of \$4.6 million by 30 June 2020.

The budget income for levies in 2019/20 is based on a 3% decline due an expected slow down in house construction and a reduction in exports to China.

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 \$233,000 currently unallocated due to projects approved in prior years and with the assumption of \$700,000 per annum being allocated the expanded WoodSolutions midrise advisory program.

The budget includes a nominal \$1 million in additional grower research based on the preliminary advise of the Grower Research Advisory Committee. Some of these funds may be used for voluntary matched research or leveraged through other research investment vehicles such as the National Institute for Forest Innovation.

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

	2019/20 Budget allocation of levy-based expenditure	5-year Strategic Plan expenditure allocation
<b>Promoting the advantages of wood products</b>	29%	18%
<b>Aligning products to market needs</b>	38%	47%
<b>Assisting value chain optimisation</b>	10%	15%
<b>Increasing resource availability and reducing risks</b>	14%	15%
<b>Impacting decision making and industry capability</b>	9%	5%
	100%	100%

The significant variation compared to the Strategic Plan is due the deferred advertising expenditure in Program 1 and the ongoing regional leadership training initiative in Program 5.

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 (2019/20)

## 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 on 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. According to the most recent market research (July 2018):

- 88% of consumers either 'like' or 'love' the look and feel of wood
- 82% of consumers associate wood with the term 'environmentally friendly'
- 69% of consumers associate wood with the term 'stores carbon'.

The market research clearly demonstrates the success of the program on a number of key consumer perception indicators

about wood as a material. However, there is ongoing concern among stakeholders that the sector is poorly understood by consumers and policy makers and there is a need for concerted action to lift acceptance and trust of the industry, especially in relation to the renewable nature of forest growing.

Over the last 12 months, there has been an intensive process of industry engagement and consumer and industry research to look at how the industry can reframe its story to create strong community and market support for the use of wood and expansion of the commercial forest estate.

This collaborative activity has been variously funded by the Australian Government, individual companies, State agencies and FWPA and has led to the creation of a new brand for the industry: The Ultimate Renewable™.

The brand has been trademarked by FWPA and will be provided free to all company members and other supporters of the industry.

In early 2019, FWPA commissioned focus groups in Melbourne and Sydney to discover the best way to deliver this message to the broader community. A number of TV scripts were tested and modified through this process, with the successful execution forging a link between renewables such as solar and wind power and the fact that forest and wood products are also renewable.

The new advertising campaign continues to feature Peter Maddison, Host of Grand Designs Australia, and our partnership with Planet Ark.

FWPA's strategic alliance with Planet Ark to promote the use of sustainably managed wood products as a way to help tackle climate change remains a cornerstone of our consumer activities. Planet Ark is one of Australia's most trusted sources of information about environmental issues and its co-branding of the TV advertising enhances the cut-through and credibility of the campaign. Planet Ark's Make It Wood Campaign involves a range of activities, including community service announcements, an animated video program, print and bus advertising, consumer promotions. Currently, 19 jurisdictions, including the State of Tasmania in Australia, have adopted a wood encouragement policy.

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

The ForestLearning website now has around 66 resource materials that have been independently reviewed to ensure alignment to the national curriculum for all school years from kinder to year 12.

The resources are suitable for teaching a wide number of 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 more than



250,000 teachers in Australia and they are a 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, FWPA 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 virtual reality learning tool will be developed and promoted.

### Priorities for 2019/20

- Launch the new consumer advertising program promoting The Ultimate Renewable™ featuring Peter Maddison and Planet Ark.
- Refine 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 curriculum materials through industry champions, advertising, sponsorships and direct mail.
- Develop a new virtual reality learning tool for ForestLearning.

## 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 FWPA's focus and success since its inception, especially in the creation of WoodSolutions, changes to the National Construction Code and the National Centre for Timber Durability and Design Life.

The program is underpinned by research to better understand current market needs and trends. The aim is to identify information gaps and opportunities for new or modified products and systems for the built environment, industrial markets and other key segments to ensure a better matching of product performance (i.e. strength, durability and aesthetics) to market needs.

The program is 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 developing 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, FWPA'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 so would 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. This is supported through partnership arrangements with professional associations, technical design guides and face-to-face presentations.

FWPA has been successful in securing a number of key changes to the National Construction Code (NCC) especially in the acceptance of 'deemed to satisfy' prescriptions to all building classes for both lightweight and massive timber systems. Understanding and uptake of these changes has been promoted via the WoodSolutions program with a key focus on building certifiers and quantity surveyors.



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 courses with 40 learning modules covering topics such as midrise construction, design for durability, and timber grades. The aim is to significantly expand the modules to cover all topics relevant to designers, builders and merchants.

Based on the success of the three-year pilot for the WoodSolutions Midrise Advisory Team, industry partners have agreed to voluntarily fund a national expansion of the program to all major metropolitan areas to all building classes (except class 1) for another three years. As a technical extension activity, it is eligible for Commonwealth matching funds.

To complement the midrise team, FWPA will put in place a dedicated technical extension program aimed at Class 1 dwellings (i.e. detached houses and townhouses). FWPA has previously covered this market segment with targeted market research and the development of specific design guides, but we have not directly engaged with builders

or developers. Recently, it has become apparent that the industry faces significant threats from alternative materials in wide range of applications in traditional markets (e.g., framing, decks, cladding, subfloors) and we need greater market connectivity to assist in the development of new products and services especially to the top 100 builders.

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.

The National Centre for Timber Durability and Design Life has become fully operational and undertaken widespread engagement with industry. Professor Jeff Morrell leads the Centre and is busy recruiting postdoctoral and postgraduate students to support its research agenda.

## Priorities for 2019/20

- Expansion of the WoodSolutions Midrise Advisory Team to cover all major metropolitan areas and other building classes.
- Implement an extension program to builders and developers of Class 1 buildings with a focus on the top 100 builders.
- Continued development of the WoodSolutions program, with new design guides and learning modules within WoodSolutions CAMPUS.
- Undertake industry-wide consultation to identify priorities for building codes and standards.
- Update key Australian 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 recovery options 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 access to 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 2019/20

- In conjunction with other RDCs, evaluate big data tools and augmented and virtual reality platforms for integration into stakeholder operations.
- 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 is currently developing long-term research plans for eight areas of focus. These plans 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 adaptation 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. These include 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 2019/20

- Develop eight investment plans that will provide 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 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.



## 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)
- softwood processor OH&S and manufacturing benchmarking
- forest grower volume, price and production costs.

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 contract with ABARES was renewed in 2018.

National and regional socio-economic research across the sector has been undertaken in partnership with the University of Canberra, which is intended to develop a more detailed understanding of the social and economic contribution of the sector and to develop management tools to improve the sector's social licence to operate. This research has been used by industry and governments and helps support the shift towards a focus on regional hubs where forestry is a dominant economic activity.

The regional and collaborative leadership program, For Our Future, has gone through its second year with 48 participants from Tasmania, Gippsland and South East Queensland. Feedback from participants and industry executives has been excellent and another round is planned for 2019/20, although Australian Rural Leadership Foundation is currently considering adjustments to the program to increase the number of applicants.

### Priorities for 2019/20

- Continue the regionally based leadership program to assist in building capability and regional collaboration.
- Develop a new longer-term social and economic research program.
- Undertake detailed analysis of the market usage of engineered wood products.
- Expand usage of the data dashboard and readership of StatisticsCounts.



# Performance measures

## Increased Demand

### Key measures

- Increase wood consumption at a rate of 1% above GDP growth.
- Achieve (and maintain) consumer and building specifier perception that 'wood is good' greater than 75%, based on tracking studies.
- Increase the use of WoodSolutions resources by 10% per year.

## Increased Community Acceptance

### Key measures

- Achieve (and maintain) community acceptance of timber harvesting is above 60% based on tracking studies.
- Increase the use of ForestLearning teaching resources by 10% per year.

## Increased Productivity

### Key measures

- Increase the productivity of the forest estate by at least 1% per year.
- Increase productivity along the value chain (output per person) at rate of 2% per year.
- Provide industry benefits from company's investments at least double the investment (i.e. benefit-cost analyses (BCA) greater than 2).

## Increased Sustainability Credentials

### Key measures

- Achieve (and maintain) the credibility of the forest and wood products industry a source of information on the environment at greater than 60%, based on tracking studies.

## Increased Capability

### Key measures

- Increase the use of the statistics aggregation system and StatisticsCount by 10% per year.
- Achieve positive industry endorsement of the Regional and Collaborative Leadership program.
- Attractiveness of the sector is in the top four comparable industries based on tracking studies.

## Priorities measures for 2019/20

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

The Board's governance responsibilities include:

- establishing FWPA's vision, goals and strategic direction
- commissioning the preparation of, and approving, a 5-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.

The Board operates with two subcommittees with approved terms of reference:

- Audit, Finance and Risk
- Nominations and Human Resources

The Board seeks to operate in accordance with best practice corporate governance, which includes a periodic external performance review, regular reflection on Board performance and continuous stakeholder engagement.

The company has implemented all the recommendations from the 2017 independent performance review.

The Board's governance charter and other key policies are published on the corporate website.

## Organisational capacity

FWPA is a relatively small organisation with 10 full-time staff and two part-time staff working on core activities that are funded through levies and matching payments.

An additional two full-time staff and one part-time staff are directly employed by FWPA to deliver the WoodSolutions midrise advisory program and this will increase to six as part of the national expansion.

The current staff mix is reasonably diverse. Out of 15 staff, the mix is the following:

- 9 males (6 in the senior executive team, including the MD)
- 6 females (3 in the senior executive team)
- 4 from non-English speaking backgrounds (1 in the senior executive team)
- Average age of 49 (2 under 30 years old and 4 over 60 years old)
- A wide range of professional backgrounds (e.g. forester, chemist, economist, engineer, marketer, teacher, accountant, architect)
- A wide range of thinking styles and personality types.

The company adopted a diversity and inclusion policy that is published on the corporate website.

The organisation has a strong focus of occupational health and safety, including the mental health and wellbeing of staff and their personal and professional development. Staff are regularly offered group and individual training to ensure they are given the opportunity to expand their skills and professional development.

The organisation is very lean and the continuity of some key program activities (e.g. statistics, building codes) are highly reliant on skills and experience of single individuals. This is a significant risk to the organisation and will be addressed through the recruitment of three assistant program managers in 2019/20.



# Collaboration

Collaboration is one of the core competencies of the Company. Given the size and scope of FWPA's activities, it would be difficult to achieve outcomes without collaboration with other RDCs, industry members, industry representative bodies, research providers, governments, professional associations and other like-minded organisations.

For example, FWPA has assisted the Australian Government and the governments of Tasmania and South Australia in supporting the research nodes of the National Institute for Forest Products Innovation. Other examples of collaboration include support of Australian Research Council investments, work with building professional associations via the WoodSolutions program, and our ongoing relationship with Planet Ark.

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 or trees as part of a diversified farm portfolio.

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

- Natural Capital Accounting
- Bio refineries
- Agroforestry decision support tools
- Plant biosecurity.

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 where possible.