



Forest & Wood Products Australia

Knowledge for a sustainable Australia

2009-2010

ANNUAL OPERATIONAL PLAN



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SECTION ONE

Introduction

Forest and Wood Products Australia (FWPA) Limited is the industry-owned services body that invests in outcome oriented research and development (R&D), encourages the adoption of R&D findings and coordinates the generic promotion of the forest and wood products sector.



The company is responsible to its members and levy payers, and to the Australian Government through a Statutory Funding Agreement (SFA) that allows for Commonwealth matching of appropriate expenditure on R&D.

The 2009-10 annual operational plan (AOP) establishes the direction for services and solutions to be provided by the company over the next 12 months to maintain and improve the forest and wood products industry.

Strategic plan

In May 2008, the FWPA Board approved the company's first 5-year strategy plan. This plan was formulated following a process of consultation with stakeholders that included an assessment of Australia's forest and wood products industry prospects and strategic imperatives.

The strategy plan states the vision, mission and strategies for the company:

VISION

*To be the industry's leading source of knowledge,
and investor in innovation and promotion.*

MISSION

To provide services to the industry, to increase its sustainability and international competitiveness, supported by its communities and markets. These services include direct and collaborative investment in:

- the provision of innovative solutions for the industry, and
- promotion of the industry's products, services and values.

STRATEGIES

1. Promote the benefits and usage of forests and wood products, in accord with changing community attitudes, environmental awareness, and market trends.
2. Invest in and co-ordinate research and development to improve the industry's competitiveness, inform its climate change response, enhance investment, increase usage, and ensure the sustainability of forests, wood products and services.
3. Grow the industry's capacity and capability in knowledge generation and adoption, and promotion, to facilitate expansion.
4. Increase FWPA's capacity and scope to provide services for the industry's benefit.

The Australian Government is a major contributor to FWPA programs through matching R&D funding. The 5-year strategy plan demonstrates how the company's investment priorities align with the Australian Government's national and rural research priorities. These priorities include:

- enhancing the sustainability and efficiency of production systems
- improving competitiveness through a whole of industry approach
- maintaining and extending markets for wood products
- responding to climate change and creating an innovative culture

This AOP should be read in conjunction with the 5-year strategic plan as it provides the strategic context for this plan in terms of drivers, priority themes and especially outcomes.

Commitment to transparency

The Board and management of FWPA are committed to the disciplined, transparent and efficient operation of the company and its finances. To this end, each program will be managed in accordance with clear objectives and stringent financial controls.

The success of the company's strategies will be tracked using appropriate key performance indicators (KPIs). However, it needs to be recognised that the measurable success of the company's activities, especially outcomes from R&D programs, can only be evaluated over the long term.

This AOP will be made available to all FWPA members and levy payers via the FWPA website and a summary will also appear in the company's Leading Edge newsletter.

2009-10 budget allocations

In accordance with the company strategies, the AOP budget allocation is based upon an expenditure of \$10.5 million over 2009-10 financial year. This expenditure is lower compared to the previous year because the forecast income of \$8.65 million is based on a decline in levies due to the current economic downturn. The funds shortfall between income and expenditure will be drawn from the company's existing cash balance (see income forecast, p.24).

2009-10 budget allocations to FWPA strategies

		% FWPA Expenditure	Budget (\$Mil)
Strategy 1	Generic industry promotion	32%	3.31
Strategy 2*	Investment in industry focused research and development	55%	5.70
Strategy 3*	Knowledge generation & adoption	10%	1.03
Strategy 4	Provision of industry services	3%	0.31
		100%	10.35

Note: the proportion of budgeted expenditure between the strategies is the same as 2008-09. Also, the expenditure that is eligible for Commonwealth matching is the minimum requirement as allowed within the SFA.

Accountability to levy payers

FWPA will quantify and report the investment benefits to levy payers. This is achieved by allocating investment programs in consideration to the source of levies received. For example, tree growers have a greater interest in project outcomes from the sustainability and resources program. Similarly, importers are primarily interested in the promotion and market access and development programs.

FWPA internally assigns and tracks sectoral benefits across projects and programs to ensure that the overall investment profile aligns to FWPA levy contributions. Regular portfolio profile reports are provided to FWPA's Board and Advisory Groups.

* Activities supported under these strategies are reported as eligible for Australian Government matching payments as per the terms of the Statutory Funding Agreement.

OVERVIEW OF PRIORITIES AND PROGRAMS 2009-10

Program and funding	Strategic objectives
<p>Generic Industry Promotion \$3.31M</p>	<p>Initiatives funded within this strategy support the promotion of the benefits derived from increased usage of forests and wood products. Specifically, the campaign seeks to generate a positive disposition to the use of wood products and to have wood products specified more widely in both decorative and construction situations. This will be achieved by promoting the positive benefits of wood and addressing any real or perceived impediments to the usage of wood.</p> <p>Activities within the promotion program will often incorporate the results arising from FWPA funded R&D projects and technology transfer activities</p>
<p>Research and Development \$5.70M</p>	<p>R&D investments are managed and reported under three programs representing the industry value chain: (1) Market Access and Development; (2) Solid Wood Processing; and, (3) Sustainability and Resources.</p> <ol style="list-style-type: none"> 1. The primary outcome from the Market Access and Development program is the recognition, development and exploitation of new market opportunities for forest and wood products. 2. Projects funded within the Solid Wood Products program are targeted at identification and development of improvements to existing manufacturing through maximum value recovery from the resource. 3. The Sustainability and Resources program focuses upon the generation of knowledge of the impacts of management on the functional processes of forests managed for wood production, decision support systems for forest management, economically efficient and low environmental impact forest operations, scientifically based forest certification and provision of new environmental services
<p>Capacity, Adoption and Promotion \$1.03M</p>	<p>Outcomes from this strategy are delivered through investment in the dissemination of information and technology transfer activities including workshops, seminars, field trips, industry presentations by key researchers, scholarships, fellowships and research training and other professional skills development activities</p>
<p>Provision of Industry Services \$0.31M</p>	<p>Consistent with its expanded scope as an industry services body, the company is developing additional services and products for its members and the wider industry beyond R&D investment and industry promotion.</p>

SECTION TWO

Strategy 1 – Generic Industry Promotion

Overview

This strategy will promote the benefits and usage of forests and wood products.

Specifically, the campaign seeks to generate a positive disposition to the use of wood products and to have wood products used more widely in both decorative and construction situations. This will be achieved by promoting the positive benefits of wood and addressing any real or perceived impediments to the usage of wood.



Activities within the promotion program will often incorporate the results arising from FWPA funded R&D projects and technology transfer activities.

Priority themes

The following priority themes are identified in the 5-year Strategic Plan:

- Promote benefits of forests and wood products, with emphasis on carbon storage, low embodied energy, renewability, reuse and demonstration of the sustainability of the forest resource.
- Promote forests and wood products/applications over alternatives, and of new applications and services to meet emerging markets.
- Engage with regulators, standards bodies, opinion leaders and specifiers to maximise wood products' specification and utilisation.

Stakeholder benefits

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

- Improved market awareness of, and satisfaction with, forest and wood products.
- Increased consumption of the products and services from forests.

Current position

The generic promotion program, titled Wood. Naturally Better™ was launched at the inaugural Company annual general meeting in October 2008. This launch was preceded by an extensive program of industry and stakeholder engagement based on presentations and direct mail.

The launch of the campaign was strongly endorsed by Company members and levy payers. Words of support were also received by Commonwealth and State ministers. Generally, the overall response was that the campaign was well targeted and executed.

Initially, the campaign consisted of double-page advertising in weekend magazines and lifestyle magazines. The first flight of advertising went from October to December, 2008.

The second flight of advertising started in February 2009 and is scheduled to run to the end of the financial year and is supported by internet advertising on a range of lifestyle and home renovation sites.

The primary message of the advertising is that wood products can help reduce the impacts of climate change because they continue to store carbon – a fact that is not well understood in the community.

The campaign has its own website (www.naturallybetter.com.au) that provides supporting information to the print and internet advertisements.

Benchmark tracking research of the campaign was undertaken in September 2008 and will be followed up every six months. Preliminary concept research undertaken in late February 2009 provided encouragement that the campaign was hitting the right communication buttons.

The campaign is also underpinned by an innovative use of public relations. Case studies of interesting uses of wood and the people involved in the industry have been prepared and pitched to various media channels.

On April 21 2009, the campaign launched the first ever National Carpenters Day, which celebrates the role of carpenters in the economy and the environment – because the use of wood (www.carpentersday.com.au). Media coverage of the day was excellent and there was considerable interest in the launch of the program to find Australia's first National Carpenter of the Year.

Other public relations activities are aimed at specifiers such as architects and engineers. Wood. Naturally Better™ is the major sponsor of the 10th Annual Timber Design Awards, which has been significantly expanded and upgraded.

The Partner Program engages with members of the industry and the broader value chain. The program provides access to promotional materials, insider information on the campaign and right to use the Wood. Naturally Better™ brand and logo in marketing materials. There has been enthusiastic support for the program which saw over 200 members sign up in the first few months.

Proposed actions

- To refine the current print campaign based on tracking and concept research.
- Develop a more interactive and integrated approach to the internet that clearly explains the unique selling proposition for wood-based products to consumers and to a wide range of specifiers.
- Expand the National Carpenters Day so it leverages off partners to the *Wood. Naturally Better™* program.
- Develop and launch 2nd stage engagement program directed towards architects and specifiers
- Build stronger alliances with key stakeholders and influencers to get a wider exposure of the key messages.
- Linkages to other industry promotion initiatives will be developed.

Investment budget

Investment Program	Budget allocation (\$Mil)	Existing commitments (\$Mil)
Generic industry promotion	3.31	0.3

Key performance indicators

The KPIs of this program will include the following:

- Consumer and specifier recall of the program activities.
- Improvement in consumer and specifier perceptions of wood and forest products
- Increase in purchase intent by consumers and specifiers of wood and forest products in decorative and construction applications.

The above KPIs are proxy measures for the program's success. In the long-term, the program will be successful if wood and forest products maintain or increase their market share across a range of applications. However, market shares will be impacted by activities outside the company's control (e.g., price, distribution, availability), so they cannot be used as workable KPIs.

Strategy 2 – R&D Investment

Overview

Activities covered within this strategy constitute approximately 55% of the investments made by the company for 2009-10. R&D project investments are managed and reported under three programs representing the industry value chain: (1) Market Access and Development; (2) Solid Wood Products and Processing; and, (3) Sustainability and Resources.

The primary outcome from the Market Access and Development program is the recognition, development and exploitation of new market opportunities for forest and wood products. Priority research areas include increased understanding of market attitudes to the use of wood, as well as the environmental and design attributes of timber building products. The results from this program will be used by industry to support the expansion of current markets as well as assist in the removal of regulatory and market barriers to the use of timber products in domestic and commercial building applications.

Projects funded within the Solid Wood Products and Processing program are targeted at identification and development of improvements to existing manufacturing to generate maximum value recovery from available resources. Priority areas include optimisation of energy, chemical and process water use, waste stream utilisation and the development of new products including hybrid materials.

The Sustainability and Resources program supports the generation of knowledge of the impacts of management decisions on the functional processes of forests managed for wood production, decision support systems for forest management, economically efficient and low environmental impact forest operations, scientifically based forest certification and provision of new environmental services. Other priorities include applied knowledge of the wood properties of the forest resource, development and adoption of improved techniques for the segregation of standing trees, logs, timber and fibre to the most appropriate use and identification of methods to improve wood properties.

Priority themes

There are seven priority themes within the FWPA 5-year Strategic Plan to guide FWPA's R&D investment activities:

- Evaluate market trends nationally and internationally to enable industry to develop business and industry development strategies.
- Maintain and expand markets for wood products and the new products and services required to meet these markets.

- Develop knowledge and technology to improve existing production and utilisation processes.
- Characterise the properties and variability of wood resources and maximise value recovery.
- Enable genetic improvement and the management of biotic or abiotic risk factors.
- Develop systems and technologies to optimise water productivity and efficiency.
- Evaluate strategies for forest management under climate change and maximise greenhouse advantages of forest products.

Stakeholder benefits

The Company's R&D investments are required to deliver clear benefits to stakeholders (members, levy payers and the Commonwealth government):

- Improved new products matched to market needs.
- Increased industry profitability and efficient use of inputs throughout the industry's value chain.
- Improved industry investment confidence through reduced risk.
- Enhanced sustainability as measured in economic, social and environmental terms.

Ongoing activities

Current FWPA funded projects in the Market Access and Development program are grouped around five investment priorities identified by the MAD industry advisory group:

- Information, analysis and interpretation of domestic and export markets
 - ABARE Forest and Wood Product Statistics
 - Timber market survey
- Timber construction in residential buildings
 - R&D elements of emerging codes and standards issues
 - Inspections of model timber window decay test
 - Prevention of nail-plate tooth withdrawal in plated timber trusses
 - Pine timber roof environments in Western Australia and its susceptibility to European House Borer
 - Timber flooring – advanced research into floor performance issues
 - Specification guide for timber windows
- Timber construction in commercial and industrial buildings

- Consulting services to develop generic timber connector design software
 - Structural Timber Innovation Company
 - Reducing fire regulatory barriers and standards on timber and wood products
 - Technical resources program – supporting CPD, tertiary and trade education and training (TRP).
 - Innovative engineered timber building systems for non-residential applications
- Appearance timber products and markets
 - No current activity
- Wood products in sustainable buildings
 - Review of timber procurement policies
 - Dynamics of carbon stocks in timber in Australian housing
 - No bills and best five star houses

Ongoing projects within the Solid Wood Products and Processing program include characterisation and improvement of systems relating to the following:

- Development of secondary products and markets for them
 - Determination of acceptable levels of preservative treated timber in timber re-use applications
- Solid wood, engineered wood and pulp and paper products: Performance and yield
 - Industry response to Draft Standards Committee (TM001) proposals for AS1720.1 and AS/NZS 4063
 - Characterisation of plywood properties manufactured from plantation grown eucalyptus
 - Review of, and recommendations for, internal and surface check research
 - Evaluation of super-heated steam vacuum drying viability and development of a predictive drying model for Australian commercial hardwood species
 - Accelerated H3 decay testing
 - Assessing the decay resistance of preservative treated glulam before and after gluing.
 - Measurement of formaldehyde and other emissions from wood panels using the 1m³ chamber and desiccators test methods
 - Durability of isocyanate-based adhesives in engineered wood products
 - Assessing the ability of a large scale fire test to predict the performance of wood poles exposed to bushfires and the ability of fire protective formulations to reduce loss of wood poles exposed to severe bushfires
- Maximising product yields and values from current resources
 - Western Australian Softwood Resource Evaluation

- Field-based application of NIR as a predictor of pulp quality across site and species
- Development of selection and implementation guide for the use of onboard systems for Australian forest operations
- Selected strength and stiffness predictors from in-line systems and vibration analysis devices using chemo-metrical tools for structural grading of slash pine and radiata pine.
- Impact of sapwood on the properties and market utilisation of plantation and young hardwoods

Current projects within the Sustainability and Resources program are aligned to current FWPA investment priorities

- Improving wood quality and yield, and tools for forest management
 - Fertiliser usage in forestry: current status and prospects for increasing its efficiency & profitability
 - Growth predictions in private spotted gum dominant forests in Queensland and N/NSW
 - Mapping leaf chemistry using hyper-spectral satellite images.
 - CRC Forestry
 - Calibrations and modelling for *Pinus radiata* inventory at the stand and tree scale using lidar and camera imagery.
 - Compromised wood.

- Genetic improvement and delivery for increased wood yield and quality and for managing risks
 - Comparison of solid wood quality and mechanical properties from 3 species and 9 provenances of eucalypts grown in clearwood regimes across southwest Western Australia.
 - Industry wide genetic analysis of tree breeding data using treeplan
 - Breeding *P. radiata* to maximise profits by incorporating risk traits
 - Managing subtropical pines for improved wood production based on a better understanding of genetics, silviculture, environment and their interactions
 - The hottest 100: improving pulp yield of plantation eucalyptus by gene printing

- Water use efficiency, access to resources and balanced policy outcomes
 - Methods to accurately assess water allocation impacts on plantations
 - The impact of plantations on water security – review and scientific assessment of regional issues and research needs.
 - Predicting and managing the impacts of commercial plantations on catchment water balances.

- Forest biosecurity and preparedness
 - Introduction of a parasitoid/s for the bio-control of pine aphid in south eastern Australia

- Mitigation of and adaptation to climate change and the management of the carbon cycle in plantations and native forests
 - Carbon in forests within a national emissions trading scheme – methodologies and mechanisms
 - Review of alternative pine species for low rainfall zones of Australia
 - Climate change and Australia's plantation estate – risks and management to mitigate impacts

New investments

At this stage, we are exploring the following new investments in the Market Access and Development program:

- Information, analysis and interpretation of domestic and export markets
 - Development and implementation of survey and analysis methodologies to report building product usage statistics within national commercial and residential construction markets.
- Timber construction in residential buildings
 - Input of relevant AS1684 issues to BCA 2010
- Timber construction in commercial and industrial buildings
 - Development of Ecopanel concept
 - STIC outcomes
 - Incorporation of EWP systems into commercial design software
- Appearance timber products and markets
 - Survey and analysis of consumer and architect/specifier preferences and design trends
- Wood products in sustainable buildings
 - Phase 1 Implementation of Ezard Strategy
 - Initial LCA case studies
 - Carbon calculator

New projects within the Solid Wood Products and Processing program include the following:

- Development of secondary products and markets for them
- Solid wood, engineered wood and pulp and paper products: Performance and yield

- Maximising product yields and values from current resources
 - Identification and development of alternate higher value timber products from early age plantations

New investments within the Sustainability and Resources program include:

- Improving wood quality and yield, and tools for forest management
 - Optimisation of logistical aspects of forest management and harvesting systems
- Genetic improvement and delivery for increased wood yield and quality and for managing risks
 - Benefit cost evaluation of the relative impacts and industry returns from investment in tree breeding and improvement strategies as compared to silvicultural practices across softwood and hardwood estates
- Water use efficiency, access to resources and balanced policy outcomes
 - Optimisation of forest estate management tools to accurately account for water inputs into decision support systems
- Forest biosecurity and preparedness
 - A national audit of industry readiness and preparedness for biosecurity incursions
- Mitigation of and adaptation to climate change and the management of the carbon cycle in plantations and native forests.
 - Extension and expansion of current research activities investigating the likely industry impacts, opportunities and threats to the plantation sector from climate change and long term drought

Investment budget

Investment Program	Budget allocation (\$Mil)	Existing commitments (\$Mil) (as at 15 Apr 09)
Market access and development	2.1	1.0
Solid wood processing	1.5	0.3
Sustainability and resources	2.1	0.7
Total	5.7	2.0

Key performance indicators

The short term indicators of program success are the following:

- Compliance with the Statutory Funding Agreement.
- Projects completed on time and on budget.
- Projects developed and contracted in line with Advisory Group input and priority themes.
- Agreed adoption plans for major project outputs and dissemination of project outputs in a timely fashion.

In the longer term, the measures of success will include adoption of research findings and improved commercial and environmental outcomes.

Strategy 3 – Capability, adoption and promotion

Overview

Outcomes from this strategy are delivered through investment in the dissemination of information and technology transfer products and activities including workshops, seminars, field trips, industry presentations by key researchers, scholarships, fellowships and research training and other professional skills development activities.

Priority themes

The following priority themes for this strategy were identified in the 5-year Strategic Plan:

- Disseminate R & D outputs and maximise and accelerate knowledge adoption and technology uptake.
- Assist industry to access knowledge and technologies developed elsewhere.
- Enable industry's continuous improvement & adoption of best practice.
- Selectively develop educational initiatives to lift people's interest in, and skills for, the industry, its networks and research providers.

Stakeholder benefits

The Company's investments in this strategy are required to deliver clear benefits to stakeholders (members, levy payers and the Commonwealth government):

- Increased awareness and adoption of FWPA products and services.
- Increased availability of skilled personnel.
- Improved industry image.
- Increased focus on continuous improvement.

Capability

Supporting growth in the capability and capacity of the forest and wood products industry is done largely through prizes, scholarships and fellowships to enable further education.

In 2009-2010 FWPA will offer the following:

- Three Postgraduate scholarships offered to students wishing to pursue postgraduate studies in an area of research relevant to FWPA research priorities. This is in addition to the skills development supported through R&D strategy investment in CRC's who have a key focus on training and skills development and fund numerous postgraduate students

- The World Forest Institute (WFI) fellowship supports an internship at the World Forest Centre in Portland Oregon, USA for one year
- The Denis M Cullity Research Fellowship which is awarded to fund the professional development of individuals with the potential or capability of providing high calibre research which will advance an internationally competitive and sustainable Australian forest wood products industry
- The Russell Grimwade prize is awarded to encourage forest science in Australia and the successful applicant is to use the prize to meet the costs or part of the costs of undertaking post graduate forestry study at any tertiary educational institution in Australia or elsewhere.
- The Australian Rural Leadership Program Scholarship is awarded to an individual from the forest wood products industry that can benefit from the program which develops and supports leaders to advance the viability and sustainability of rural Australia. Graduates of its programs are equipped to address the problems and opportunities presented by rapidly changing social, environmental, business and structural factors in rural, regional and remote Australia.
- An industry prize in the Bureau of Rural Sciences Young Scientist Competition to recognise an emerging talent.
- FWPA also sponsors a number of scientific conferences and events to support the continued growth of relevant research disciplines. Some of the events FWPA will sponsor include:
 - The 17th Australasian Plant Pathology Society Conference
 - Gold sponsor of the Forest Industry Engineering Association (FIEA) events which runs four conferences a year and will include Saw Tech 2009 and Forest Tech 2009.
 - The Institute of Foresters of Australia conference
 - Australian Forest Growers Annual Conference

Adoption

Through its R&D investment plan(s), FWPA sees the enhancement of the knowledge of industry best practice and the creation of new technologies. The benefit of such activities are only realised when adopted by the industry in their commercial practices. FWPA's strategy for adoption includes consideration of technology transfer in all research proposals to ensure the suppliers are engaged in the process.

Further, FWPA runs a knowledge broker program which draws on the skills of industry veterans to facilitate two way exchange of information between users and researchers.

In 2010, FWPA will have a knowledge broker for ecologically sustainable development in building materials and a knowledge broker for forestry and processing.

Other adoption activities will include seminars, workshops, site tours/demonstrations, publication of fact sheets, reports and summaries tailored to specific project and target audience needs.

Promotion

All stakeholders need to be aware of the social, environmental and economic benefits of the research outputs and outcomes that are driven by FWPA investment in research and development for the forest and wood products industry.

Successful promotion requires a good understanding of your audience and how to reach them. Until recently FWPA was operating without a tool to effectively manage contact information. A new contact database tool was setup in 2009 which provides the capacity to segment or categorise contacts into groups like, forest growers, levy payers, members etc. A key element to improving FWPA promotion will be expanding and improving the contacts listed in this database to include key people from every stakeholder organisation.

The Leading Edge Newsletter is one of the main ways that FWPA communicates directly with stakeholders. The newsletter has recently undergone a change in format from print to email.

The advantages of email format include the allowance for significant growth in the distribution with minimal effect on cost. More importantly we can track in detail which articles are being read and develop a detailed picture of our readers. As we collect this information over the year, we will look at ways to enhance the newsletter.

The web has been identified as the best channel to communicate with all of the different audiences that FWPA must reach. The nature of the medium means it is the most flexible and easily tailored to reach such a range of people. In 2010 we will finalise the approach and begin implementation of a new web strategy that will see a central location for all industry information. The site will employ technologies that allow information to be cross linked and indexed for searching. There will also be the capacity for dynamically generated content (ie people who read this also read) and user generated content (such as comments and information updates) to provide an information resource that can answer questions from stakeholders, architects, engineers right through to consumers.

Traditionally FWPA has relied on the publication of research reports and the researcher communication plan to promote individual research outcomes. The knowledge broker program allows for a review of these activities to assess their

effectiveness and to identify opportunities for enhancement. A key brief to knowledge brokers is to look across research projects to identify themes and opportunities for presentations of consolidated bodies of work that contribute to a key issue for industry.

Professional communications staff will support FWPA by generating news articles, media releases and other communications about research and development projects and other FWPA activities.

Investment budget

Investment Program	Budget allocation (\$Mil)	Existing commitments (\$Mil)
Capability, adoption and promotion	1.03	0.2

Key performance indicators

The short term indicators of program success are the following:

- Increased consumption of research findings through download from the Internet or other methods (e.g., attendance at seminars).
- Number of page views at the FWPA websites.
- Stakeholder feedback on the relevance and useability of our communication program.

In the longer term, the measures of success will include adoption of research findings and improved commercial and environmental outcomes.

Strategy 4 – Provision of industry services

Overview

This is a new area of activity for FWPA. Consistent with its expanded scope as an industry services body, the company will develop additional services and products for its members and the wider industry beyond R&D investment and industry promotion.

Priority themes

The following priority themes were identified in the 5-year Strategic Plan:

- Grow FWPA's role in industry services provision through the creation of new revenue streams.
- Improve the value of FWPA's outputs, increasing stakeholders' use of its services.

Stakeholder benefits

The Company's investments in this strategy are required to deliver the following benefits:

- Increased industry understanding of, and support for, FWPA.
- Increased FWPA investment on services and increased cost-efficiency.
- Reduced cost of delivery of services.

Proposed actions

In consultation with members and other industry groups, FWPA will identify and invest in industry services that meet the following criteria:

- Important to all (or major proportion) of levy payers.
- Services that can be delivered in a known time frame.
- Have the potential for new revenue (additional levy, fee-for-service) or cost sharing with other interested parties.
- Have clear measures of success.
- Can be implemented with clear reporting and accountability to FWPA Board.
- Will fit within 5-year strategy funding guideline (i.e. 3% of expenditure budget, say \$300-400K pa).

The company made a two-year commitment to provide funding to the Australian Forestry Standard Limited to assist in the promotion of the Australian standard, which was consistent with the above criteria.

In addition, FWPA is exploring whether it can play a role in the development and management of timber standards that is consistent with the criteria.

Investment budget

Investment Program	Budget allocation (\$Mil)	Existing commitments (\$Mil)
Member services	0.3	0.1

Key performance indicators

- The acceptance by industry that FWPA's involved in industry services is consistent with the stated criteria.
- Industry services undertaken, or supported, by FWPA deliver the benefits that were identified in their original business case.

SECTION THREE

Corporate governance

The management of FWPA is accountable to the Board and aims to provide accurate, timely and meaningful information to the Board, and also to key stakeholders. All key company functions are undertaken by FWPA staff, but where necessary, additional resources may be contracted on an “as needed” basis.



The Board oversees and determines policies consistent with the Strategic Plan and emerging industry needs, and exercises direction over resources and the way in which strategies are implemented in accordance with the Company’s delegation authority.

The Board is expected to meet at least six times during the year. At least one of these meetings will be in a regional location that is important to the forest industry.

For 2009-10 the Board will

- Oversee a Director Selection process leading the election of a new Board in October 2009
- Undertake a Board evaluation process

Compliance reporting

For 2009-10 FWPA will meet all obligations and compliance requirements set out in the following:

- The Constitution of Forest & Wood Products Australia Ltd
- The Statutory Funding Agreement between FWPA and the Commonwealth of Australia, represented by the Department of Agriculture, Fisheries and Forestry
- Enabling legislation in the form of the Forestry Marketing and Research and Development Services Act 2007 (Cth)
- The Corporations Act 2001 (Cth) as amended from time to time
- The Australian Security and Investments Commission

Proposed actions

- Maintain a program of internal audit to review and improve internal control procedures, especially those issues identified in the Risk Management Plan.
- Undertake appropriate training of staff based on a skills gap analysis.
- Continue interactions with Levies Revenue Service to ensure full coverage and efficient collection of revenue.
- Refine management reporting to provide accurate and timely information, especially on program expenditures.
- Undertake membership recruitment to achieve a minimum of 100 voting members and develop a policy for recruiting and approval of associate members.
- Support Industry Advisory Groups (R and D) and other stakeholder forums to assist in priority identification, project development and knowledge dissemination.
- FWPA will continue its' participation in the Council of Chairs of Rural Research and Development Corporations' (CCRRDC) project and program evaluation programme.
- Updating of company policy and procedure manual as the company system and process have significantly matured and changed

Performance indicators

- Clean audit reports received both internal and external.
- Maximum revenue received via levies collection.
- Complete evaluations to meet requirements of the COC RDCs programme.

Income forecast

Projected FWPA income for 2009-10 is \$8.68 million, a decrease of \$1.0 million on estimated actual income for 2008-09 of \$9.65 million.

Types		Income	
		2008-09 Estimated (\$m)	2009-10 Forecast (\$m)
Processor Levy			
	Cypress	0.04	0.04
	Woodchip	0.38	0.30
	Hardwood*	0.56	0.48
	Ply Veneer	0.08	0.07
	Softwood Sawlog	1.97	1.66
	Wood Panel	0.09	0.10
	Softwood LG & RW	0.13	0.11
Compulsory Grower Levy		0.67	0.58
Voluntary Grower Levy		0.67	0.58
Importer Charge		0.62	0.62
Total Levy		5.21	4.54
Interest		0.78	0.78
Government Matching		3.66	3.33
Total Income		9.65	8.65

Income levels for FWPA depend on economic activity, especially construction and level of imports) and levels of R&D expenditure. For 2009-10 it is expected total levy income will decline by 12% over 2008-09 estimated actual. Government matching is based upon half of budgeted R&D expenditure of \$6.73 million.

SECTION FOUR

Addressing rural research and national research priorities

The new Rural R&D Priorities complement and are informed by the Australian 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. The alignment of FWPA R&D strategies and investment programs against Rural R&D Priorities and corresponding national Research Priorities are shown in Table 1 and Table 2.

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.

TABLE 1 - R&D expenditure estimates across Rural Research Priorities – 2009/10

Rural R&D Priorities (RRDP)	Productivity and Adding Value (\$m)	Supply Chain and Markets (\$m)	Natural Resource Management (\$m)	Climate Variability and Climate Change (\$m)	Biosecurity (\$m)	Supporting the Priorities		Other Research (\$m)	Total (\$m)
						Innovation Skills (\$m)	Technology (\$m)		
Market access and development	0.7	0.7	0	0.7	0	0	0	0	2.1
Wood processing and products	0.3	0.3	0	0.3	0	0.3	0.3	0	1.5
Sustainability and resources	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0	2.1
Technology transfer and industry knowledge adoption	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0	1.0
RDC Program									
Total Expenditure	1.44	1.44	0.44	1.44	0.44	0.74	0.74	0	6.73

TABLE 2 - R&D expenditure estimates across NRP Goals – 2009/10

National Research Priorities (NRP)	An Environmentally Sustainable Australia (\$m)							Promoting and Maintaining Good Health (\$m)				Frontier Technologies for Building and Transforming Australian Industries (\$m)					Safeguarding Australia (\$m)					Total (\$m)
	A1	A2	A3	A4	A5	A6	A7	B1	B2	B3	B4	C1	C2	C3	C4	C5	D1	D2	D3	D4	D5	
Market access and development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.14	0.14	0.14	0.14	0.14	0.35	0.0	0.35	0.0	0.0	2.1
Wood processing and products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.1	0.1	0.1	0.1	0.1	0.25	0.0	0.25	0.0	0.0	1.5
Sustainability and resources	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.14	0.14	0.14	0.14	0.14	0.35	0.0	0.35	0.0	0.0	2.1
Technology transfer and industry knowledge adoption	.05	.05	.05	.05	.05	0.0	.05	0.0	0.0	0.0	0.3	0.06	0.06	0.06	0.06	0.06	0.15	0.0	0.15	0.0	0.0	1.0
RDC Program																						
Total	0.15	0.15	0.15	0.15	0.15	0.0	0.15	0.0	0.0	0.0	1.5	0.44	0.44	0.44	0.44	0.44	1.1	0.0	1.1	0.0	0.0	6.73