



Forest & Wood Products Australia

Knowledge for a sustainable Australia

2010-2011

ANNUAL OPERATIONAL PLAN

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FOREST AND WOOD PRODUCTS AUSTRALIA LIMITED

ANNUAL OPERATIONAL PLAN 2010-2011

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 research and development (R&D) findings, manages the generic promotion of the forest and wood products sector and coordinates the sector's approach to timber standards and building codes.

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 2010-11 annual operational plan (AOP) establishes the direction for services and solutions to be provided by the company over the next 12 months to deliver on the organisation's commitments to stakeholders.

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 Strategic 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

In February 2010, the Minister for Agriculture, Fisheries and Forestry, the Hon. Tony Burke MP wrote to each of the rural research and development corporations (RDCs) to describe the rural industry research priorities and associated community outcomes of significance to the Australian Government: These priorities and associated community and industry outcomes are:

- **productivity improvement** — to generate new knowledge, which will lead to improved technology that will be adopted by producers to increase productivity.
- **climate change** — to reduce greenhouse gas emissions and improve soil management, and assist producers to adapt and change farming practices whilst boosting productivity.
- **sustainable environmental resource management** — to build and share our knowledge to ensure our soils, water and vegetation are managed properly and invasive pests are controlled.
- **maintaining and improving international market access opportunities** — through work to combat pests and diseases that can potentially be obstructive to trade and to guide production decisions in accordance with the requirements of consumers.
- **value chain effectiveness and efficiency** — investment in research and development must extend beyond the farm gate to ensure the whole value chain is able to operate at optimum levels.
- **biosecurity** — maintain our research capability to prevent and deal with disease outbreaks, particularly as such biosecurity threats are expected to become more prevalent with climate change.

- **workforce, skills, education** — the RDCs should be taking a strong role in educating future scientists, improving the knowledge and skills of producers and encouraging people to work in the sector.
- **diversity** — the RDCs should take on a greater role in building strong leadership capacity in the sector and encourage a diversity of people in primary industries, including a greater role for Indigenous Australians, women and young people
- **collaboration** — the National Primary Industries Research, Development and Extension Framework has progressed well to date, but it is important to maintain the momentum. RDCs support is needed in 2010, to finalise the sector plans, develop the cross-sectoral plans and work through implementation
- **evaluation** — RDCs should support the current joint RDC evaluation process to demonstrate returns on investment and guide future investment decisions.

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.

2010-11 budget allocations

In accordance with the company strategies, the AOP budget allocation is based upon an expenditure of \$13.90 million over the 2010-11 financial year. This expenditure represents a 34% increase over 2009-10 levels. The funds shortfall between income and expenditure will draw from the company's existing cash reserves (see income forecast, p.27).

2010-11 budget allocations to FWPA strategies

		% FWPA Expenditure	Budget (\$Mil)
Strategy 1	Generic industry promotion	30%	4.18
Strategy 2	R&D project investments	45%	6.34
Strategy 3	Capacity, adoption and promotion	21%	2.88
Strategy 4	Provision of industry services	4%	0.50
		100%	13.90

Note: The total expenditure that is eligible for Commonwealth matching payments is forecast to be \$9.82 million, which is 46% above the minimum requirement of \$6.73 million as specified in the SFA.

Accountability to levy payers

FWPA will quantify and report the investment benefits to levy payers. This is achieved by allocating funds to investment programs with 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 allow monitoring against sector levy contributions.

During 2010/11, FWPA will also complete a series of benefit cost evaluations of completed R&D programs in accordance with the 2009 protocols developed and endorsed by the Council of Chairs of Rural Research and Development Corporations. The evaluations will identify and measure the overall industry and community outcomes quantified by social, environmental and economic measures, from FWPA sponsored programs. The outputs from this evaluation will be further utilised in communication campaigns directed to all FWPA stakeholders and intended to highlight the benefits and opportunities arising from investment in collaborative pre-competitive R&D projects.

OVERVIEW OF PRIORITIES AND PROGRAMS 2010-11

Program and funding	Strategic objectives
<p>Generic Industry Promotion \$4.18M</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>R&D Project Investments \$6.34M</p>	<p>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; (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 and Processing 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 \$2.88M</p>	<p>Outcomes from this strategy are delivered through investment in the dissemination of information and technology transfer activities including report summaries, articles profiling research, support of seminars, field trips, and industry presentations by key researchers, scholarships, fellowships and other professional skills development activities.</p> <p>A substantial new activity within this program for 2010-11 is the implementation of the forest industry education program. In his letter to the rural RDCs in February 2010, Minister Burke highlighted the importance of RDCs and industry owned companies supporting activities directed towards the attraction and retention of a skilled and diverse workforce within the industry.</p>
<p>Provision of Industry Services \$0.50M</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. For the 2010-11, the only service provision will be the co-ordination of the industry's needs for timber standards and building codes.</p>

SECTION TWO

Strategy 1 – Generic Industry Promotion

Overview

This strategy aims to promote the benefits and usage of forests and wood products. Specifically, the program 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, especially in the specifier information program.

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, which can result in avoided carbon dioxide emissions by the substitution of more energy-intensive alternative materials.
- Increased sequestration of carbon dioxide in the built environment through the carbon stored in wood products and the avoided emissions from more energy-intensive alternative materials.

Current position

The generic promotion program, Wood. Naturally Better.™ was derived from extensive industry and stakeholder engagement and launched in October 2008. Initially, the campaign had a sole consumer focus and consisted of double-page advertising in weekend magazines and lifestyle magazines.

In 2009 the program was refined identifying three key activities:

1. Consumer Program
2. Specifier Program
3. Industry Partners & Key Purchasers Program

Each of these programs has undergone review and analysis to ensure activities integrate with the overall strategy for generic promotion and other corporate strategies.

Consumer Program

The consumer program aims to change the attitudes of consumers to increase the awareness of the positive attributes of wood, in particular that wood products help tackle climate change because wood stores carbon. Attitudinal change will be created largely through print advertising, internet advertising, public relations campaigns and building alliances with like-minded organisations.

In March 2010, the consumer advertising program was refined following in-depth consumer research. The research clearly showed that consumers, in general, were confused about the underlying science behind climate change and how they could make a difference. In response, the print advertising was modified to make the “call to action” stronger. Also, the advertising emphasised the scientific underpinning of the role of sustainably managed wood products as a critical tool to helping tackle climate change.

In addition to advertising, sponsorship of key events such as Sustainable House Day and distribution of promotional materials will further support these messages.

Specifier Program

The construction industry is the largest consumer of wood products and also represents one of the best opportunities for growth in the use of wood products. The decision making process for the choice of materials used in a construction project is complex as there is a need to balance performance and appearance with cost and time. The term “specifier” refers to any professionals involved in the building, design and construction process including architects, engineers, building designers and other building professionals such as quantity surveyors and sustainability assessors.

The Specifier Program aims to increase market consumption and industry returns for wood and wood products by improving the product knowledge and confidence of building specifiers for wood to be preferentially specified in building construction.

The Specifier Program focuses on three areas:

- Inspiration - providing inspirational examples of wood in both structural and decorative construction applications.
- Education - supporting tertiary education and continuing professional development (CPD) with relevant information about the use of wood.
- Information – consolidate industry knowledge on building and designing with wood and make it easy for specifiers to find.

The information component of the specifier program draws on R&D project outputs from investments under the market access and development program. As this is a technology transfer and adoption support activity, it is eligible for Commonwealth matchable payments under the SFA.

Partner Program

The wood and wood products industry is highly fragmented by comparison to other building material sectors. This creates barriers to an integrated approach for communication with the broad community and end-user markets. This has also inhibited generic promotion or branding in the markets, resulting in proliferation of product and/or segment messages that have added to consumer and specifier confusion.

The Partner Program aims to address this by encouraging all industry members to become licensed users of the Wood. Naturally Better.™ brand. Partners are encouraged to use the logo in their communication with customers to create broader market awareness and a consolidated image for the industry. Partners are also provided promotional materials to support communication of the Wood. Naturally Better.™ brand and messages.

The program also creates a communication channel to industry as the generic promotion program needs to engage more broadly than FWPA's members.

There has been enthusiastic support for the program with over 500 industry companies signing up.

Proposed actions

Consumer Marketing Plan

- Continue the consumer advertising print and online campaign to create awareness of how wood can help tackle climate change because wood stores carbon for life.
- Undertake tracking research to measure attitudinal change to wood as a material.
- Sponsor relevant consumer focused events.
- Distribute promotional materials that support the ad campaign.
- Continue to develop the www.naturallybetter.com.au website.

Specifier Marketing Plan

- Develop case studies of inspirational designs and construction solutions featuring wood.
- Identify inspirational architects and engineers to speak at events for specifiers.
- Sponsor events that inform or inspire specifiers to use of wood in the built environment.
- Run a design competition for student architects and structural engineers to stimulate creative use of wood in concept designs.

- Develop education materials for tertiary institutes teaching architects and engineers.
- Create continuing professional development courses for specifier professions.
- Launch the WoodSolutions internet based knowledge database to provide information on wood as a construction material to building specifiers.
- Host WoodSolutions 2010, a one day seminar on wood for architects and engineers hosted in Melbourne, Brisbane and Sydney.
- Expand the set of design and construction guides and continue to distribute to specifiers.
- Run a public relations program focused on building specifiers to increase awareness of wood as a sustainable material for improvement in the environmental performance of buildings.
- Develop relationships with specifier peak professional bodies.

Partner Program Marketing Plan

- Continue to develop participation of the industry with the WNB program.
- Communicate program key messages to partners.
- Provide information and promotional materials for partner's customers.
- Identify opportunities for program member benefits.
- Further develop National Carpenters Day and Carpenter of the Year Awards for greater engagement with apprentice and their training organisations to support the program's specifier information program.

Investment budget

Investment Program	Budget allocation (\$Mil)	Existing commitments as at 30/6/2010 (\$Mil)	Available Expenditure for new Projects (\$Mil)
Generic industry promotion	4.18	0.18	4.00

Key performance indicators

The KPIs of this program will include the following:

- Consumer and specifier recall of the program activities and branding.
- 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 and carbon dioxide emissions

are reduced though increased use of wood products rather than substitute materials.

Strategy 2 – R&D Investment

Overview

Activities covered within this strategy constitute approximately 45% of the investments made by the company for 2010-11. 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; (3) Sustainability and Resources.

Industry and Government Priorities

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 can be utilised 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.

Activities supported under this program are closely aligned to the 2010 Ministerial priorities of: maintaining and improving international market access opportunities and workforce, skills, education.

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. These initiatives further complement the 2010 Ministerial priorities of value chain effectiveness and efficiency and productivity improvement

The Sustainability and Resources program supports the generation of knowledge of the impacts of management decisions on the functional processes of forests principally managed for wood production. Industry objectives sought from this program include 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. The industry and community outcomes sought from investments within this program are closely linked to the 2010 Ministerial priorities of: sustainable environmental resource management; and climate change and biosecurity.

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 (MAD) program are grouped around five investment priorities identified by the MAD advisory group:

- Information, analysis and interpretation of domestic and export markets: two active projects representing 3% of investment value.
- Timber construction in residential buildings: five active projects representing 11% of investment value.
- Timber construction in commercial and industrial buildings: three active projects representing 11% of investment value.
- Appearance timber products and markets: no current activity.

- Wood products in sustainable buildings: three active projects representing 2% of investment value.

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: no current activity.
- Maximising product yields and values from current resources. 14 active projects representing 34% of investment value.
- Maximising product yields and values from current resources. Two active projects representing 4% of investment value.

Current projects investments within the Sustainability and Resources program are aligned to the following FWPA investment priorities:

- Improving wood quality and yield, and tools for forest management: six active projects representing 14% of investment value.
- Genetic improvement and delivery for increased wood yield and quality and for managing risks: four active projects representing 7% of investment value.
- Water use efficiency, access to resources and balanced policy outcomes: two active projects representing 4% of investment value.
- Forest biosecurity and preparedness: two active projects representing 8% of investment value.
- Mitigation of and adaptation to climate change and the management of the carbon cycle in plantations and native forests: one active project representing 1% of investment value.

In addition FWPA will support additional project investments that are not implicitly linked to the endorsed R&D priorities. In order to secure FWPA support these projects must demonstrate direct relevance to industry needs and deliver sufficient public good benefit to be approved by exception. Within the current portfolio there is one active project quantifying the biodiversity impacts of introduced conservation reserves within production forest landscapes. This project represents 1% of ongoing portfolio value.

New project investments

During 2010/11 FWPA intends to spend \$6.38 Million in support of research and development projects and programs aligned to the outcomes identified within investment plans for its identified R&D priorities. Wherever possible, FWPA seeks to leverage the value of its investment through the use of matching and in-kind contributions provided by research partners and industry sponsors for each project. Where project outcomes are of value to the broader primary industry community, FWPA seeks to actively collaborate with other relevant RDCs.

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

1. *Information, analysis and interpretation of domestic and export markets*

The supporting investment plan for this priority is expected to be finalised in June 2010 and will outline the range of programs and projects as endorsed by stakeholder groups. Subject to availability of funding resources it is anticipated that a number of longer term projects will be commenced in this field during the second half of 2010.

2. *Timber construction in residential buildings*

Development of the investment plan for this research priority will be commenced in the second half of 2010. In light of the number of active projects currently underway within this program it is unlikely that substantial new investments will be initiated during the 2010/11 financial year.

3. *Timber construction in commercial and industrial buildings*

Current project commitments within this program constitute 11% of active FWPA projects by value. It is anticipated that the development of the investment plan for this research priority will be commenced in the first half of 2011. In light of the number of active projects currently underway within this program it is unlikely that substantial new investments will be initiated during the 2010/11 financial year.

4. *Appearance timber products and markets*

The investment plan to support this R&D priority is presently under development. Future project investment decisions within this priority will depend on the outcomes of the investment plan consultations.

5. *Wood products in sustainable buildings*

The investment plan supporting this priority has been in effect since May 2009. A number of ongoing projects are currently active under the guidelines of the plan and during 2010/11 it is anticipated that the remaining Priority1 projects will advertised for response by the research community. In line with the available funding levels the commencement of these projects will need to be staggered over the year to ensure that the priority projects identified within other investment plans can be supported and or initiated.

6. *Development of secondary products and markets for them*

Development of the investment plan for this investment priority will commence during the first half of 2011. In light of the available funding allocations it is unlikely that any substantial expenditure will be committed during 2010/2011. It should be noted that a number of subprojects within the Solid Wood Initiative consortium (Project PNB131-0809) are investigating the production of secondary products and market impediments for lower value pine logs.

7. *Solid wood, engineered wood and pulp and paper products: performance and yield*

Active projects within this priority constitute 34% of the current FWPA portfolio by value and represent the close alignment of project investments to direct levy payer identified issues. Development of the investment plan for this priority will be initiated early in the 2010/11 year and it is likely that a number

of projects addressing product grading and increases in product recovery levels will be initiated during the coming year. It should also be noted that two of the four programs within the Solid Wood Initiative (SWI) consortium (Project PNB131-0809) are focussed directly upon this issue and that the outcomes of the SWI projects will be communicated to FWPA stakeholders as they are finalised during the year.

8. Maximising product yields and values from current resources

The development of the investment plan for this priority will be commissioned during the first half of 2011. It is unlikely that any substantial investments will be committed during the 2010/2011 year.

9. Improving wood quality and yield, and tools for forest management

Given the level of uncommitted funding available for 2010/11 it is unlikely that this investment plan will be developed during the coming financial year. The industry outcomes expected from active projects within this priority group are also closely interlinked to the research programs of the CRC for Forestry as well as activities within the CSIRO Division of Plant Industry. FWPA will therefore have no substantial investments in this area until the corresponding investment plan has been completed during 2011/12 and sufficient project funds become available.

10. Genetic improvement and delivery for increased wood yield and quality and for managing risks

The investment plan for this priority is in final draft form and expected to be presented for Board endorsement in June 2010. Once implemented it is anticipated that at least one major project will be initiated during 2010/2011. The levels of remaining FWPA resources and co-sponsor contributions will direct the likelihood of any additional projects being initiated under this priority.

11. Water use efficiency, access to resources and balanced policy outcomes

The development of the investment plan for this project will be commissioned during the first half of 2011. It is unlikely that any substantial investments will be committed during the 2010/2011 year.

12. Forest biosecurity and preparedness

Future project investment priorities within this area will be guided by the findings of the current project titled "An audit of forest biosecurity arrangements and preparedness in Australia" (PNC159-0910). Once the conclusions of this audit are finalised and presented they will form the basis of the investment plan for this area. It is again unlikely that substantial project investments will be committed against this priority in 2010/2011

13. Mitigation of and adaptation to climate change and the management of the carbon cycle in plantations and native forests

Development of the investment plan for this priority was initiated in March 2010. It is anticipated that the plan will be finalised by July 2010 and that initiation of any substantial projects will be guided by the recommendations of the investment plan and the availability of funding resources.

R&D Investment budget

Investment Program	Budget allocation (\$Mil)	Existing commitments as at 30/6/2010 (\$Mil)	Available Expenditure for new Projects (\$Mil)
Market access and development	1.71	0.83	0.77
Solid wood processing	2.22	1.47	0.77
Sustainability and resources	2.41	1.73	0.77
Total	6.34	4.03	2.31

Key performance indicators

The short term indicators of program success are the following:

- Completion and promulgation of at least draft four investment plans in accordance with the R&D priorities.
- Ensure that R&D expenditure levels within budgets agreed by FWPA Board.
- Finalisation and implementation of the PISC endorsed Forest and Wood Products RD&E plan including facilitation of the first National R&D Forum.
- Improve the average processing time for proposals to be less than 3 months from submission by researcher to funding decision (6 months for unsolicited proposals).
- Introduce new terms of reference, including performance indicators, for the industry advisory groups. Also, establish a register of interested individuals willing to participate in advisory groups and planned rotation process for advisory group members.

Strategy 3 – Capability, adoption and promotion

Overview

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

During 2010-11 FWPA will commence the implementation of its forestry and forest products industry education program developed in response to industry and government concerns relating to access to and retention of skilled employees within the industry. Activities under this initiative will be resourced against 9 programs described in the industry education investment plan as approved by the FWPA Board in June 2010 and provided to the Rural Research and development Council and the Department of Agriculture Fisheries and Forestry.

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):

- Improved adoption and uptake of research findings that lead to productivity and improved environmental outcomes.
- Increased availability of skilled personnel.
- Improved industry image.
- Increased focus on continuous improvement.

Capability

Two of the Ministerial priorities relate directly to the investment in capability:

- *Workforce, skills and education* – educating future scientists, improving the knowledge and skills of producers and encouraging people to work in the sector.
- *Diversity* - build strong leadership capacity in the sector and encourage a diversity of people in primary industries, including a greater role for Indigenous Australians, women and young people.

Encouraging people to work in the sector

- Facilitation of industry education programs – an online resource where industry agencies can share their education programs and materials to reduce duplication of effort and maximise distribution and use of materials.
- Development of an industry careers promotion program, highlighting key career opportunities and benefits through website and advertisement campaign.
- National coordination of education activities to ensure that existing and new industry focused education activities are well coordinated and mutually reinforcing
- Support and coordination for the updating of online resource materials developed for primary and secondary curricula relating to the forest and wood products sector and provision of limited support to reactivate National Forestry Education and Awareness Network (NFEAN).
- Development and implementation of an industry awareness campaign to highlight the career opportunities and benefits available within the forestry sector to undergraduate candidates and 2nd/3rd yr undergraduates investigating study transfer options.
- Continue ongoing support towards the development and delivery of undergraduate curriculum materials related to forest products processing and manufacture.

Diversity

- Facilitation of development programs for indigenous Australians working in the forest and wood products industry through an annual forum.
- Development of an Industry Network for Women in Forest and Wood Products including an annual event and communication network to support professional development including leadership skills.

Scholarships and Prizes

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 2010-2011 FWPA will offer the following:

- Two 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 also fund postgraduate students

- Ongoing Scholarship support for 11 existing PhD 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.
- Leadership training activities will be explored in conjunction with the Australian Rural Leadership Program.
- 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:
 - Gold sponsor of the Forest Industry Engineering Association (FIEA) events which runs four conferences a year and will include ScanTECH 2010, Wood Manufacturing 2010 and ForestTECH 2010.
 - 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.

- Research knowledge broker program - draws on the skills of industry veterans to facilitate two way exchange of information between users and researchers.
- Knowledge broker for ecologically sustainable development in building materials to provide advice on the trends and impact of regulation on timber as a construction material.
- Publication of research reports along with development of communication plans for key projects that consider communication activities such as creating fact sheets, report summaries, seminars and workshops tailored to the target audience.

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.

- Science Communication Program –to develop key messages of outcomes for each project and provide simple summary information online as well as develop other communication items such as media releases and summary reports for key projects.
- Leading Edge Newsletter – provides quarterly email updates on FWPA activities and highlights key research projects.
- Redevelopment of presentation of R&D reports online to increase searchability and provide summary information alongside published reports.

Investment budget

Investment Program	Budget allocation (\$Mil)	Existing commitments as at 30/6/2010 (\$Mil)	Available Expenditure for new Projects (\$Mil)
Capability, adoption and promotion	2.88	0.66	2.22

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

In January 2010, the Board of FWPA adopted a strategy to undertake the coordination of building codes and standards as an industry service. This service will utilise all available funds for industry services.

Previously, the development and maintenance of national timber product standards and linkages with building codes and standards has been completed in a disjointed ad-hoc way using various inputs from industry, research agencies and professional associations.

FWPA is taking a leadership role in a strategic and co-ordinated way for the future development of industry codes and standards. This will be done with close consultation and engagement with FWPA members that expressed interest in being involved with the standards network.

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

Develop a reference group from industry representatives across different sectors to assist FWPA in setting the work program prioritising the development/ amendment of relevant industry standards for 2010/11. The reference group will also assist by:

- Identifying the appropriate pathway each Standard will be processed through
- Seeking co-funding and resources from industry groups to progress Standards development

- Effectively communicating activities to the industry via email, newsletters, FWPA website, etc.
- Working closely with Standards Australia to ensure cost effective Standards are delivered
- Promoting the use of standards through SAI Global
- Promoting knowledge transfer to industry through workshops and industry presentations

Investment budget

Investment Program	Budget allocation (\$Mil)	Existing commitments as at 30/6/2010 (\$Mil)	Available Expenditure for new Projects (\$Mil)
Industry services	0.50	0.20	0.30

Key performance indicators

The operational structure will allow members who have nominated for the network to raise issues that are affecting their business. The reference group will consider the issue, rate the importance and place it on the work program subject to other issues including resources and budget. All activities and outcomes from the reference group will be communicated back through the Industry network for their information. Other key measures include:

- Delivering timely & effective outcomes for Industry
- Positive feedback from Industry
- Working within budget
- Demonstrating a strategic approach to delivering industry services
- Demonstration and recognition that FWPA is taking a leadership role
- Showing transparency in all activities
- Increasing the use of wood based products

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 and wood products industry.

For 2010-11, the Board will:

- Oversee a director selection process leading the election of at least two directors in October 2010.
- Finalisation of the Board corporate governance evaluation process commenced in 2010 and begin implementation of identified improvements.

Compliance reporting

For 2010-11, FWPA will meet all obligations and compliance requirements as 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 requirements.

Proposed actions

- Full engagement and participation by both FWPA and its stakeholders in the Productivity Commission Inquiry into the Australian Government Research and Development Corporations Model. Submissions to the Inquiry to be guided by the results of the benefit cost evaluations of previously completed FWPA projects and programs.

- Establish a supplier database to improve the implementation of EFT payments and introduction of Attache 'Alex' for reporting and remittance advice creation and automation.
- Complete the minimum two internal audits as proposed in the internal audit scoping.
- Continue development of staff training plan with appropriate use of the training budget, improving staff skill and maintaining staff number as appropriate within the current revenue constraint.
- Complete evaluations to meet requirements of the Rural RDCs programme.
- Review and update of the current policy and procedure manual.
- Continue interactions with Levies Revenue Service to ensure full coverage and efficient collection of revenue.
- Continue to develop and maintain the FWPA member base and develop a policy for recruiting and approval of associate members.
- Support the FWPA industry and member liaison groups: R&D Advisory Groups, Promotions Reference Group, Codes and Standards Coordination Group and other stakeholder forums to assist in priority identification, project development and knowledge dissemination.
- FWPA will continue its' participation in the Council of Rural Research and Development Corporations' (CRRDC) project and program evaluation programme.

Performance indicators

- Clean audit reports received both internal and external.
- Maximum revenue received via levies collection.
- Benefit Cost evaluations finalised in line with Council of RDCs protocols and reporting framework.

Income forecast

Projected FWPA income for 2010-11 is \$10.74 million, an increase of \$2.03 million on estimated actual income for 2009-10 of \$8.71 million.

Types		Income	
		2009-10 Estimated (\$m)	2010-11 Forecast (\$m)
Processor Levy			
	Cypress	0.01	0.04
	Woodchip	0.19	0.30
	Hardwood*	0.51	0.61
	Ply Veneer	0.07	0.08
	Softwood Sawlog	1.80	2.00
	Wood Panel	0.10	0.10
	Softwood LG & RW	0.13	0.14
Compulsory Grower Levy		0.50	0.58
Voluntary Grower Levy		0.60	0.67
Importer Charge		0.80	0.83
Total Levy		4.71	5.35
Interest		0.62	0.48
Government Matching		3.38	4.91
Total Income		8.71	10.74

Income levels for FWPA depend on economic activity, especially construction and level of imports) and levels of R&D expenditure. For 2010-11 it is expected total levy income will increase 23.3% over 2009-10 estimated actual.

Government matching is based upon half of budgeted R&D expenditure of \$9.82 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.

The list of priorities and outcomes as communicated by the Hon Minister Burke MP in February 2010 identifies the anticipated industry and community outcomes expected from FWPA investments in precompetitive R&D.

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 – 2010/11

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	0.57	0.57	0	0.57	0	0	0	0	1.71
Solid wood products and processing	0.44	0.44	0	0.44	0	0.44	0.44	0	2.22
Sustainability and resources	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0	2.41
Technology transfer and industry knowledge adoption	0.24	0.24	0.24	0.24	0.24	0.24	0.24	1.23	2.88
Total Expenditure	1.59	1.59	0.58	1.59	0.58	1.02	1.02	1.23	9.22

TABLE 2 - R&D expenditure estimates across NRP Goals – 2010/11

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	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.54	0.11	0.11	0.11	0.11	0.11	0.27	0.00	0.27	0.00	0.00	1.63
Wood processing and products	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.72	0.14	0.14	0.14	0.14	0.14	0.36	0.00	0.36	0.00	0.00	2.15
Sustainability and resources	0.13	0.13	0.13	0.13	0.13	0.00	0.13	0.00	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.15	0.38	0.00	0.38	0.00	0.00	2.28
Technology transfer and industry knowledge adoption	0.07	0.07	0.07	0.07	0.07	0.00	0.07	0.00	0.00	0.00	0.41	0.08	0.08	0.08	0.08	0.08	0.21	0.00	0.21	0.00	0.00	1.65
Total	0.20	0.20	0.20	0.20	0.20	0.00	0.20	0.00	0.00	0.00	1.67	0.49	0.49	0.49	0.49	0.49	1.22	0.00	1.22	0.00	0.00	7.71

Note: This table amount does not equal amounts in Tables 1 and 3.

TABLE 3 - R&D expenditure estimates across Ministerial priorities – 2010/11

Ministerial Priority (RRDP)	Productivity improvement (\$m)	Climate change (\$m)	Sustainable environmental resource management (\$m)	Maintaining and improving international market access opportunities (\$m)	Value chain effectiveness and efficiency (\$m)	Biosecurity (\$m)	Workforce, skills, education (\$m)	Diversity (\$m)	Activities with other RDCs (\$m)	Evaluation (\$m)	Total (\$m)
Market access and development	0.00	0.00	0.00	0.94	0.00	0.00	0.77	0.00			1.71
Wood processing and products	1.11	0.00	0.00	0.00	1.11	0.00	0.00	0.00			2.22
Sustainability and resources	0.00	0.75	0.77	0.00	0.22	0.67	0.00	0.00			2.41
Technology transfer and industry knowledge adoption	0.20	0.20	0.20	0.20	0.20	0.20	1.41	0.20	0.03	0.04	2.88
Other matchable											
Total Expenditure	1.33	0.92	0.99	1.16	1.55	0.89	2.21	0.22	0.03	0.05	9.22