



Forest & Wood
Products Australia
Knowledge for a sustainable Australia

INVESTMENT PLAN IN INDUSTRY STATISTICS APRIL 2010



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1. EXECUTIVE SUMMARY

The Fifth Estate has undertaken a review of the way in which FWPA invests in statistics. The review includes an analysis of the current program with a situation analysis, consulting with the industry to ascertain their requirements and comparing the current range of statistics available with demand from industry. The review also looks at how industry data provision is managed in other industries and jurisdictions, and assesses the benefits and risks of changes in funding arrangements.

A key objective of the review is the development of general investment guidelines to help FWPA shape future investment in industry statistics. These guidelines were applied to a set of statistical reports, the outcomes of which are described below.

2. SUMMARY OF FINDINGS

FWPA would benefit from changing the way it invests in industry statistics if it is to meet the requirements of its levy payers and members in an efficient way.

This would be achieved by considering industry statistics in a strategic context, taking a holistic and longer-term view as opposed to its current practice of reacting to funding requirements for independent programs. Further, FWPA would achieve a better investment outcome by modifying FWPA's investment strategy in accordance with shifting user requirements over time, identified by continual consultation.

The findings of this report outline the actions required, which include changes in the way investment is made in currently supported reports, as well as investment in new reports. These changes are cast in light of the suggested investment strategy guidelines, which are applicable both to the recommendations in this report, and also to any future proposals for industry statistics. A summary of the budget for the proposals in this report is shown below. The costs do not represent an additional investment by FWPA, but rather will replace the current investment in industry statistics. They should therefore be compared with the current spend to determine any net changes to overall investment.

Area of Recommendation	Estimated budget (\$)	
	Year 1	Ongoing (pa)
Help initiate Australian Hardwood Log Price Index	Nil – could be up to 5 000 to assist interested members in initiating index	Nil
Initiate socio-economic statistics	Nil	Quotation required, indicatively 80 000 per region (assume 1 region per year)
Disseminate data	Up to 10 000 Quotation required	Nominal
Publicise ABARE-BRS service offering	5 000 Quotation required	Nil
Initiate safety statistics	Nil – Member feedback from usual consultation	40 000 (approx) Quotation required
Initiate HIA survey	Nominal	Up to 50 000 Quotation required
Develop CSIRO synergy	Nominal	Nominal
Improve FWPS	Nominal	Nominal (unless changes are significant)
Change FWPS funding	Nil	Cap at approx 75 000
Utilise Levy Revenue Service	Nominal	Nominal
Change TMS funding	Nominal	Reduce to nil by 2013
Initiate sawmill study	Nominal	50 000 (approx) per report: 25 000 pa (if every 2 years) Quotation required
Consult members	Nil	Up to 10 000 Quotation required
Totals (approx)	20 000	280 000

The investment strategy guidelines have been distilled to address four specific questions based on the FWPA's Strategic Plan, industry feedback and its expectations.

1. Is the proposed investment important to levy payers and members across the various sectors of the industry?
2. Does the proposed investment help to meet the strategic goals of FWPA?
3. Is FWPA's proposed investment essential to the report's availability at reasonable quality and cost?
4. Does the proposed investment represent the most efficient way to access the information?

The relevance of these to FWPA and rationale for investment attention are depicted in the following investment criteria tables.

ABARE Forest and Wood Products Statistics

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The report is essential. The survey of the industry demonstrated its importance across the industry value chain. The report is used for analysing trends over time, regional and state comparisons, and market share.
2. Does it help to meet the strategic goals of FWPA?	Yes	It meets strategies on market trends, investment encouragement and improving competitiveness.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	It would continue to be available; however it would contain fewer data sets and therefore be less useful. Benchmarking of other reports indicates it would be less useful to industry and cease important trend data.
4. Does the proposal represent the most efficient way to access the information?	Yes	The organisation responsible has established systems, the data are available in Excel format, and there is funding available from the Government directly. There may be some fine tuning possible in the division between how FWPA and DAFF fund the report. Improvements in the accessibility and ease of use of the report are proposed.

Timber Market Survey

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The report is essential. The survey of the industry demonstrated its importance across the industry value chain. Particularly, it provides information on unit pricing, and users also state it is important to analyse trends over time.
2. Does it help to meet the strategic goals of FWPA?	Yes	It meets goals on investment encouragement and improving competitiveness, given the ability for users to compare their price structures with averages and indices.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	No	The importance of the TMS, particularly as it is specifically written into several contract review mechanisms, means that it would continue to be funded if FWPA reduced its investment.
4. Does the proposal represent the most efficient way to access the information?	Yes	At this time, URS is an appropriate organisation to undertake the work. Should FWPA continue funding, alternative suppliers, data collection methods and potential efficiencies should be explored. Improvements in access and dissemination are possible.

Timber product use

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance across the industry value chain. It would also be of specific value to FWPA in assessing the successfulness of generic marketing campaigns.
2. Does it help to meet the strategic goals of FWPA?	Yes	It would provide a quantitative indicator of growth of timber usage, and help identify opportunities for growth and threats to timber usage.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	These statistics are currently not available, and would require concerted investment by FWPA to commence. Other industries are unlikely to benefit or be appropriate funding partners.
4. Does the proposal represent the most efficient way to access the information?	Yes	Provided the quotation supplied is acceptable, it would seem the HIA proposal represents efficiency given its direct relationship with builders.

Sawn timber production

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance across the industry value chain and particularly growers and sawmillers. Current data availability on this particular information area was viewed as being weak, of low accuracy, and that the availability of source data has diminished over time.
2. Does it help to meet the strategic goals of FWPA?	Yes	It meets goals on investment encouragement and improving competitiveness. It also helps to understand usage.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	The report was undertaken as a one-off by ABARE in the past, but was discontinued due to lack of funding. FWPA's investment would be essential for its commencement. DAFF or other industry participants could be potential co-funders.
4. Does the proposal represent the most efficient way to access the information?	Yes	Further work is required to ascertain the exact cost and resources required. However, direct surveying is the only reliable way to access the data.

Socio-economic data

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance across the industry value chain, particularly industry associations and policy makers.
2. Does it help to meet the strategic goals of FWPA?	Yes	It meets goals on investment encouragement and improving competitiveness. It would also show trends in the industry in efficiency, growth, regional economic contribution and employment, and enable investment to be appropriately allocated.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	FWPA currently invests in one-off reports. To commence an ongoing report, FWPA's investment would be essential. Other funding partners may be able to be involved, such as Local, State and Federal Governments, regional development organisations.
4. Does the proposal represent the most efficient way to access the information?	Yes	A method for collecting, analysing and disseminating the data would need to be established. Currently, no other data source provides the information and so a specifically commissioned report is warranted.

Safety data

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance, and that there is a poor understanding in the industry of the current information available.
2. Does it help to meet the strategic goals of FWPA?	Yes	There are specific FWPA strategies which would be met with these data, in particular changing community attitudes and sustainability of products and services (that is, an industry with actual or perceived poor industry safety will not be sustainable).
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	Initially it is possible that FWPA will need to invest to establish baseline benchmark safety statistics, however ongoing funding may not be necessary. Ongoing funding may be more appropriate from organisations such as ForestWorks and Safe Work Australia.
4. Does the proposal represent the most efficient way to access the information?	Yes	This only applies to establishing the baseline data rather than the ongoing information, as per the comment above.

Resource base data (BRS)

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance across the industry value chain and industry associations and policy makers.
2. Does it help to meet the strategic goals of FWPA?	No	Resource base data don't specifically help to deliver on any FWPA strategies.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	No	The report is being prepared with funding from DAFF and not FWPA, and does not appear to be under threat.
4. Does the proposal represent the most efficient way to access the information?	N/A	Report funded without FWPA investment.

Data analysis and forecasting

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	Many survey respondents indicated that they currently purchase forecast information. It is expected that should FWPA invest in analysis and forecasting at a low or no cost to levy payers, its usage and importance would be high across the various industry sectors.
2. Does it help to meet the strategic goals of FWPA?	Yes	Forecast information would help FWPA direct its investment in its wide range of programs and would help focus the investment to the parts of the industry which would most benefit.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes/ Unknown	While there are several reports (especially consultant reports) available which provide forecasts, they typically address specific products and are therefore of limited usefulness to the full range of levy payers. FWPA investment is probably required to develop and make available general demand forecasts. Reasonableness of costs are unknown.
4. Does the proposal represent the most efficient way to access the information?	N/A	This question would need to be addressed when a specific proposal was under consideration and the actual cost and benefits are considered.

3. BACKGROUND

The Fifth Estate was commissioned to provide strategic advice to the FWPA on its investment in the collection and provision of industry statistics with a view to full implementation by 2013. This strategy is intended to inform FWPA on what it should support compared with its current investments in to ensure it meets defined member and levy payer benefits and outcomes.

The project therefore addresses the industry value chain from growing to end use, and takes into account the full constituency of the FWPA.

There are two major issues covered in this report:

- How the current statistics could be improved, and
- What statistics would be useful to members and levy payers which are currently not available.

Specific recommendations investment in industry statistics are presented at the end of this report, following a summary of findings from consultation, outcomes from research, and further analysis. Guidelines have been developed to direct future decision making on investment in industry statistics.

4. SITUATION ANALYSIS OF THE CURRENT PROGRAM

A situation analysis was undertaken to identify the strengths, weaknesses, opportunities and threats in relation to the current investment program in industry statistics. A summary of this analysis is shown in the table below. Each of these points is addressed at the applicable section of this report, and is considered in the recommendations.

Strengths	Weaknesses
<ul style="list-style-type: none"> • There is a large amount of information available, which covers the full scope of the industry and the majority of industry participants <ul style="list-style-type: none"> ◦ ABARE Forest and Wood Product Statistics ◦ BRS National Plantation Inventory, National Forest Inventory ◦ Timber Market Survey ◦ ABS Producer Price Index ◦ ABS Consumer Price Index, Dwelling Unit Commencements & Approvals ◦ A3P Timber Product Survey ◦ KPMG Australian Pine Log Price Index ◦ Customs import data ◦ HIA Housing Starts ◦ Safe Work Australia workers compensation claims data <ul style="list-style-type: none"> ▪ Consultant reports ▪ Building and housing trends, including projections of demand ▪ Specific forest product markets (eg pulp, paper, wood panels, sawn timber, woodchips, carbon) ▪ Key international markets ▪ Cost benchmarking (eg sawn timber, harvest and haulage) ▪ Reports which are supported are widely used and important • Helps meet some FWPA strategic goals, including those related to market trends, competitiveness, investment enhancement and sustainability • Relationship between FWPA and statistics providers • High quality resource base statistics, not requiring funding by FWPA • Long-run time series data which informs investment and policy decision making, necessary for industry with long investment horizon • High level of interest in industry statistics at the most senior management level of members and levy payers 	<ul style="list-style-type: none"> • Variable quality of data • FWPA lacks control of the way all funds are spent • Current investment doesn't provide all the data requirements of users • Funding is limited and current investment comes with opportunity cost, both to other statistics and other FWPA programs • Insufficient quality and quantity of feedback between users and statistics providers • Insufficient feedback from users to FWPA • Competitors (eg New Zealand) have better statistics available, fully government funded • Lack of wood product usage data and trends • Effectiveness of generic marketing campaigns is unable to be measured • Time lag between data points and publishing of reports reduces value in some industry sectors which necessarily have a short-term focus • Industry consolidation makes state-based comparison difficult or impossible • Wide range of unconnected data sources make it difficult and time consuming to access data • Not all industry sectors contribute to funding, but receive the benefit of statistics • Information on the size of the market is lacking
Opportunities	Threats
<ul style="list-style-type: none"> • Changes in government departmental structure • Investment in new statistics requested by industry • Improve cost efficiency of statistics collection • Restructure of FWPA investment to: <ul style="list-style-type: none"> ◦ Increase third party funding for existing investments ◦ Undertake new investments in identified areas ◦ Have third parties take over funding of new reports • Partnering with other organisations both within and outside of the industry, to provide new information, improve the quality of data, and share costs • Educate and assist industry access data currently available but not currently used, if at all • Provide information portal to simplify accessing data 	<ul style="list-style-type: none"> • Changes in government departmental structure • Changes in government funding of statistics • Variable quality of data may lead to lack of confidence of users • Interruption of time series data • Further consolidation of industry may make disaggregation of data impossible • Any reduction in the availability and/or quality in key base data could reduce the quality and usefulness of consultants' reports, particularly forecasts

5. STAKEHOLDER CONSULTATION

The levy payers, members and affiliated organisations were surveyed to provide focus on what information is important to FWPA stakeholders. These questions were necessarily preceded with a general survey to obtain an understanding of the data requirements of the industry. The survey was sent to the organisations' CEOs in the first instance, with a request that it be forwarded to the appropriate person in the organisation who dealt with statistics. In most cases, the CEO also completed the survey.

The survey asked questions about:

- Which reports are used
- How important those reports are
- How the reports are used (application as well as point in time versus trend data)
- The perceived accuracy of the reports
- What information would be important and useful but which is not currently available
- The importance of statistics on wood product use
- How easy it is to provide data for the reports

A broad cross-section of the industry was canvassed and respondents are from the following general categories:

- Growers
 - Private
 - Public
- Processors
 - Hardwood
 - Softwood
 - Engineered wood products
 - Panels
- Distributors and importers
- Industry consultants and associations
- Data compliers and reporters

While consultants and associations are not direct levy payers or members of FWPA, their input is important because they represent or undertake analysis on behalf of levy payers and members.

The findings from this consultation are shown in the following section.

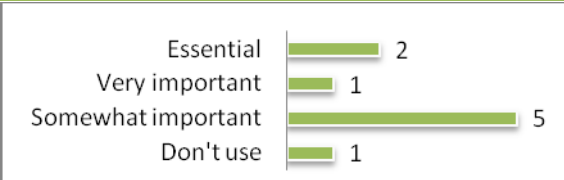
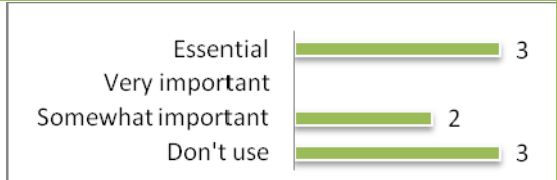
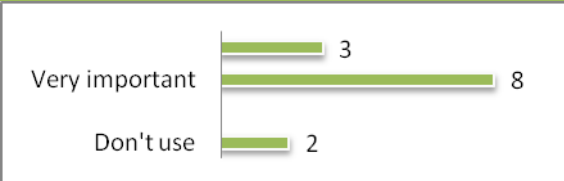
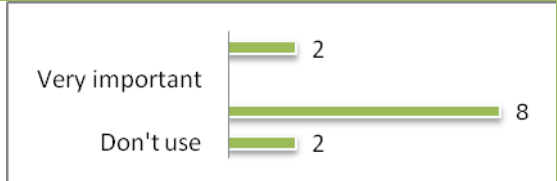
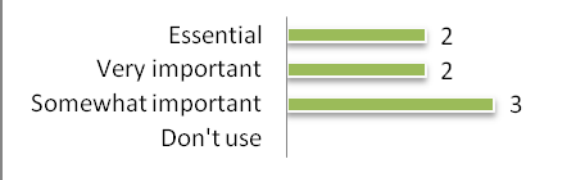

6. INFORMATION CURRENTLY AVAILABLE

The survey responses enabled a list of the most important reports to the industry to be generated. These are shown below, ranked in order of surveyed importance.

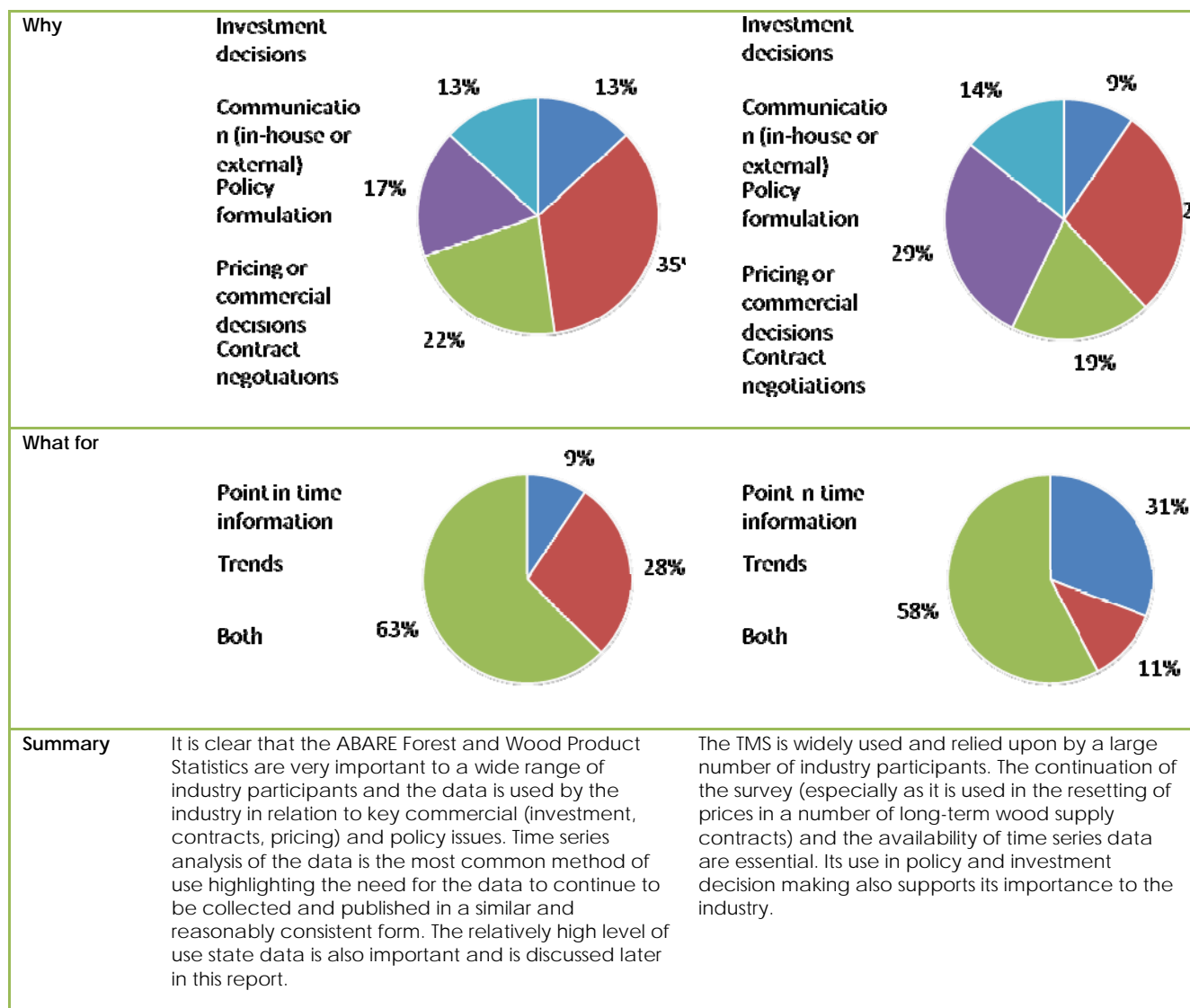
1. ABARE Forest and Wood Products Statistics
2. ABS CPI
3. HIA reports
4. BRS National Plantation Inventory
5. BIS Shrapnel
6. Timber Market Survey
7. KPMG Australian Pine Log Price Index (APLPI)
8. ABS – other surveys
9. A3P Timber Product Survey
10. Industry Edge and other industry journals
11. Customs import data
12. RISI reports and other consultant reports
13. ABARE commodity statistics

Additionally, several large financial consulting firms have data analysis capabilities and produce statistical reports on either a bespoke or subscription basis. These include KPMG (which produces, for example, the regular subscription series Australian Log Price Index), PricewaterhouseCoopers, and recently Deloitte. These firms may present opportunities to supply data services to FWPA or the industry in general in future.

FWPA contributes funding to two of these reports: the ABARE Forest and Wood Products Statistics and the Timber Market Survey. These two reports are summarised in detail.

	ABARE Forest and Wood Product Statistics	Timber Market Survey																
What	<p>The Forest and Wood Product Statistics is a publication of quarterly data on a biannual basis by the Australian Bureau of Agricultural and Resource Economics (ABARE). It focuses on the collection and presentation of statistics on:</p> <ul style="list-style-type: none"> • Production of logs, timber products and pulp and paper products • Trade (import and export data compiled from Customs data) <p>It also provides data (often sourced from 3rd party reports)</p> <ul style="list-style-type: none"> • The resource base (largely based on ABS reports) • Wages, salaries and employment • Price indices • Dwelling unit commencements 	<p>“The Timber Market Survey (TMS) provides comprehensive information on timber price movements and market trends in Australia. The TMS report is published quarterly. It contains national price indexes for a range of timber products, as well as an update on economic conditions influencing wood product markets and the latest trade data. TMS price data are collected through quarterly surveys of a representative sample of timber market participants in eastern Australia. The TMS reports for the March and September quarters contain pricing information for softwood timber, panel and engineered wood products. The June and December quarter reports also include hardwood timber products.</p> <p>“The TMS is prepared by URS Forestry. Funding is provided by Forest and Wood Products Australia, Forests NSW, Timber Queensland, VicForests, HVP Plantations, Forestry Plantations Queensland, the Department of Environment and Resource Management Queensland, Forestry Tasmania, ForestrySA and the Forest Products Commission Western Australia.”¹</p>																
Who: Growers	 <table border="1"> <tr><td>Essential</td><td>2</td></tr> <tr><td>Very important</td><td>1</td></tr> <tr><td>Somewhat important</td><td>5</td></tr> <tr><td>Don't use</td><td>1</td></tr> </table>	Essential	2	Very important	1	Somewhat important	5	Don't use	1	 <table border="1"> <tr><td>Essential</td><td>3</td></tr> <tr><td>Very important</td><td>2</td></tr> <tr><td>Somewhat important</td><td>2</td></tr> <tr><td>Don't use</td><td>3</td></tr> </table>	Essential	3	Very important	2	Somewhat important	2	Don't use	3
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	100% of consultants classified ABARE FWPS as “Essential”.																	

¹ URS website, <http://www.urscorp.com.au/Sectors/Forestry/TimberMarketSurvey/>, last accessed 20 April 2010.



Other data reports

ABS CPI:

- A long-term series of data published since 1948 on a quarterly basis. Commonly used in contract adjustments to take into account changing dollar values.

HIA reports:

- Most used report is on Dwelling Unit Commencements (housing starts), with additional breakdown that data available from ABS. HIA also provides a forecast which acts as a forward demand indicator.

BRS National Plantation Inventory:

- Project to collect data and report on Australia's plantations since 1993. Comprehensive map-based reports are published about every five years and update reports have been provided in other years. Data collected is used to provide:
 - An annual report to update basic resource data by State and Territory, public and private ownership and plantation type.

- A comprehensive spatial report, produced every five years, with data on the regional distribution of plantations.
- Forecast potential wood supply reports, produced with the comprehensive five year reports.
- Research and information to support plantation owners and the plantation industry.²

BIS Shrapnel:

- Data provided at a cost, including forecasts of supply and demand. Often used for strategic planning by the industry and its associations.

KPMG APLPI:

- KPMG is contracted to compile a list of pine log prices from a number of growers and presents this information as actual and an index in a time series.

ABS – other surveys:

- These include indexes on fuel prices, employment, and others.

A3P Timber Product Survey:

- A monthly survey on product trends, with data supplied by members and available to members in an electronic report.

Industry Edge and other industry journals:

- A range of other reports are available, which typically summarise trends in supply and demand dynamics, and include some analysis.

Customs import data:

- These data are collected at the ports and fed to the ABS, which publishes them. Data are grouped into like product types and data include volume and value.

RISI reports and other consultant reports:

- Several annual consultant reports are available which may include a more detailed breakdown of the industry on both the supply and demand side, and forecasts.

ABARE commodity statistics:

- Industries include crops, minerals, livestock and others.

It is important to recognise that many of the consultants' reports use publicly-available broad industry statistics as the foundation for much of their analysis and recommendations. A reduction in the availability and/or quality of base data would therefore reduce the quality and usefulness of the consultants' analyses and forecasts.

² Plantation Information Network, <http://adl.brs.gov.au/mapserv/plant/index.phtml>, last accessed 23 April 2010.

7. DATA ANALYSIS AND FORECASTING

Based on both the authors' experience and feedback from the consultation process, statistics are commonly used to develop forecasts, which then inform a number of the uses of statistics discussed in the previous section. These include:

- Investment decisions, about forests and processing facilities
- Marketing plans and programs
- Resourcing, especially contractual decision making
- Purchasing and stock management
- Policy, including government (at all levels), company and for industry associations.

The best example of existing forecast information is the 5-yearly BRS Australia's Plantation Log Supply reports. This document addresses the supply side (for plantations only: there is no equivalent data for native forest log supply) for many industry participants although it is necessarily at a high level and, although the analysis is regional, there are limitations on the precision of the forecasts.

We asked "What information would be important and useful to you, which is not currently available?" An issue which we suspect is widespread was addressed in the following response:

Accurate forward projection of usage of wood products throughout economic cycles. Domestic supply capacity versus imported volume throughout the cycle.

As with the Plantation Log Supply report, there is the possibility that generic, broad-based and industry-wide product demand forecasts may not deliver the precision required to address the uses detailed above. This is why the industry has tended to utilise specific reports on various products and sectors prepared by consultants.

Given the industry-wide nature of the interest in demand projections, the development of an ongoing forecast report series is likely to be expensive. Further, the cost will need to be borne by the industry (that is FWPA) rather than any individual company or sector. Once established, such a report could be partially funded on a user pays basis.

In determining whether investment in data analysis for the purpose of forecasting would be appropriate for FWPA, the investment strategy guidelines have been applied to the concept in general. Any specific proposals should be further tested against the guidelines and therefore the recommendations output in this report are preliminary only.

The conclusion drawn from the guidelines is that yes, FWPA should consider investing in analysis of forward projections. The summary table showing each of the guidelines is shown in the Recommendations later in this report.

8. PROCESS OF COLLECTING DATA

The survey specifically asked respondents to comment on the collection process, because it was suspected that it may have been a notable factor for the industry. However, of the 20 respondents who said that they provide data for statistics, only three said that it was costly, and one said that it took "too long" to provide.

Respondents from industry associations experienced problems in obtaining data from their members. Comments included:

We are unable to provide quality data as we do not have the resources to collect the information properly/completely, ABARE often ask us for our best estimate under these circumstances which makes us doubt the accuracy of their statistics overall.

And:

We help ABARE as much as we are able, but the statistics we provide are not our own, they are information we have collected from others. This can be difficult and time-consuming.

Following up the respondents and in discussions with ABARE, it is clear that these comments relate to the collection and publishing of data on sawn timber production. ABARE is unable to undertake regular sawmill surveys to collect production data and relies, in part, on data collected by state industry associations and deriving data based on the assumed recovery of sawn timber from the volume of logs harvested. These comments suggest that improvements are possible and desirable in both the collection of the raw data and the confidence users have in the data. Although using industry associations for the collection of this type of data to feed into statistical publications is cost efficient, alternative methods would provide a higher level of precision, repeatability and confidence in the data. It is therefore recommended that a primary survey is instituted on a regular basis to provide a cross-check to the derived data.

The full responses to the surveys are included in Appendix 1.

9. ACCURACY

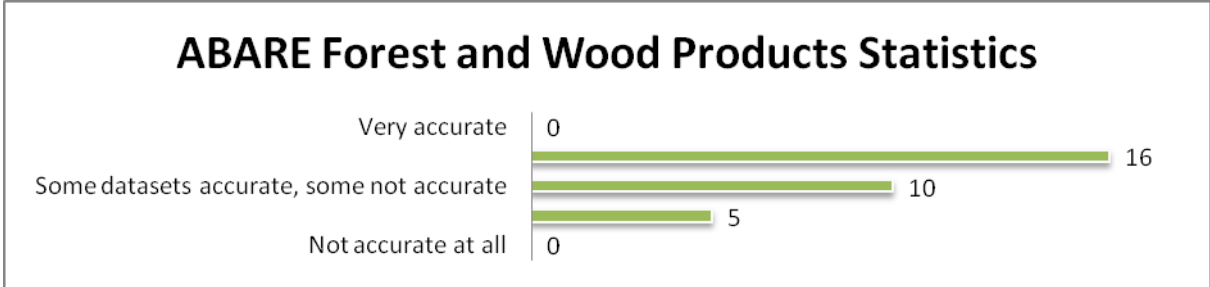
With respect to accuracy of statistical reports, a definition that high accuracy represents a closeness of a measurement or estimate to its true value has been assumed. The accuracy of the statistics is important to ensure its relevance. Further, if statistics users doubt the accuracy of even a small component of a data set, their confidence in the accuracy of the entire data set is undermined.

An analysis of data is only as good as the data upon which it is based, so stakeholders were asked "Do you feel other contributors provide an equal quality of data as you?" Responses covered the full range from "no", "probably not", "when they get around to doing it", "don't know", to "yes", however most responses were either negative or unsure. This indicates that there is a lack of faith that the companies' peers are submitting accurate data.

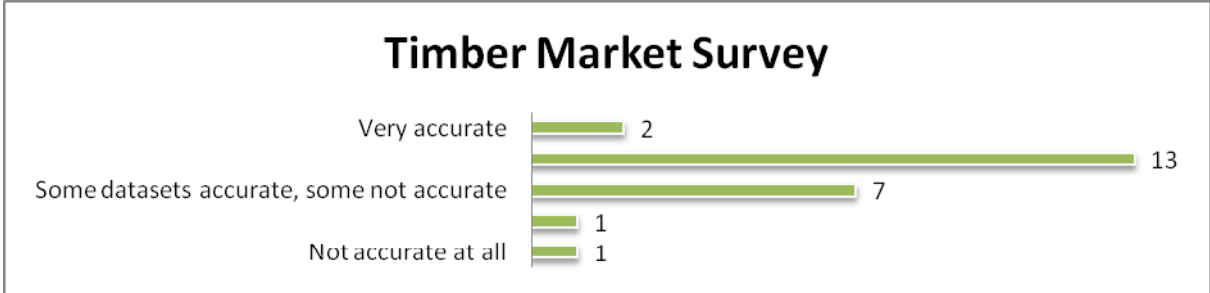
This could create a snowball effect, where companies become more lax in their responses, and then perpetuate further inaccuracy. It could also be that stakeholders are least trustful of their peers because of familiarity rather than having tangible concerns, because responses showed that when groups from outside the industry supplied the data (e.g. HIA) the reports were deemed more accurate than those which relied on the forest or wood product industry.

This lack of faith is represented in the results from our requests for stakeholders to rank the accuracy of the most commonly used reports.

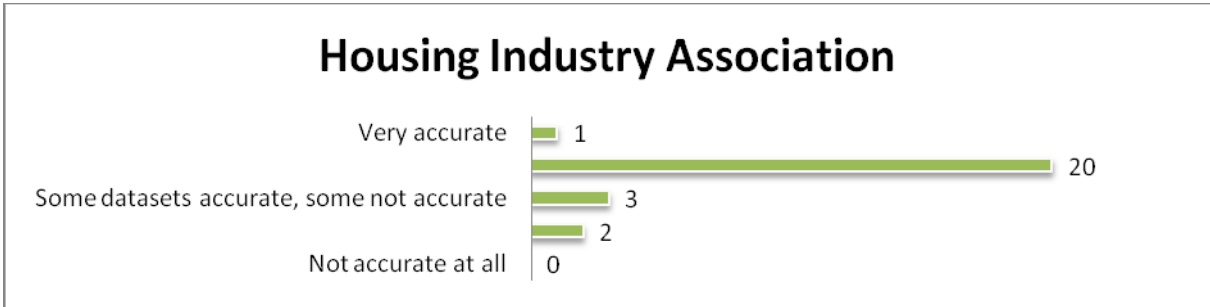
As the most important set of industry statistics, the ABARE FWPS scored relatively poorly on accuracy. In particular, there is little confidence in the sawn timber production statistics produced in the ABARE report.



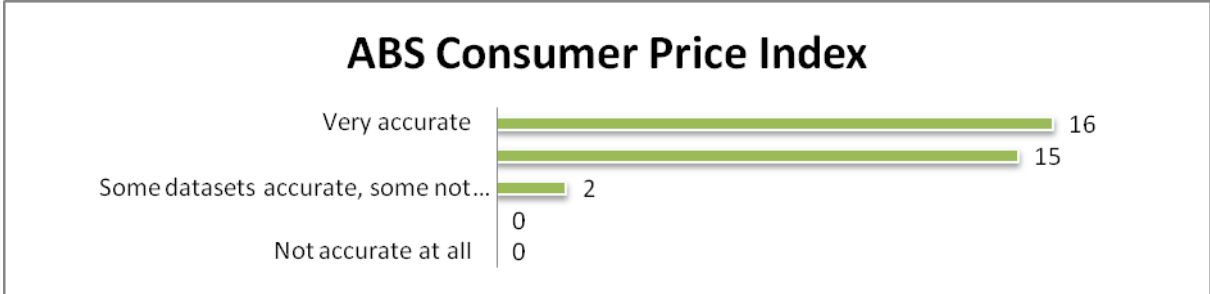
The Timber Market Survey was more trusted than the Forest and Wood Products Statistics, although there were some perceived weaknesses in the report.



The HIA report was highly used and regarded. This is a particularly strong endorsement given that a key component of the HIA data is forecasts where accuracy is notoriously difficult.

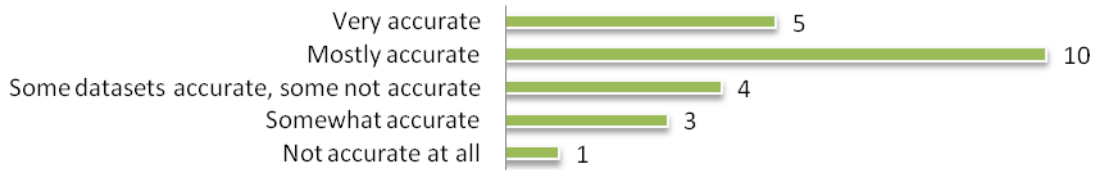


The CPI index is highly trusted, probably because of its wide community, political, economic and business use and media reporting. Confidence is important because it is essential to many industry contracts and remuneration agreements.



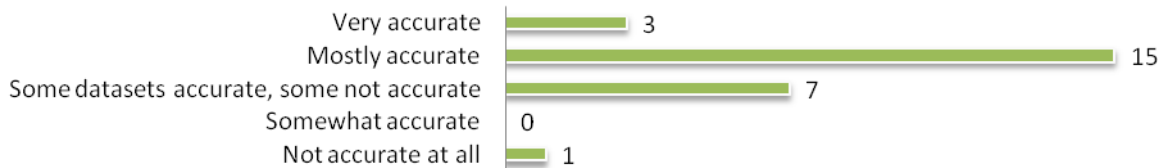
The APLPI is regarded as reasonably accurate. Again, confidence is important, as it is used in many industry contracts for price setting and renegotiation. It is our experience that growers have more confidence in this data than log buyers.

Australian Pine Log Price Index



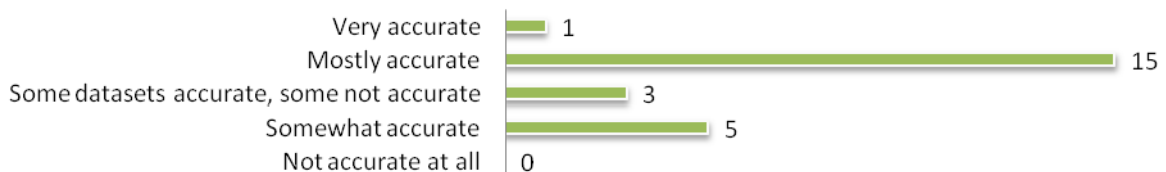
The BRS NPI data are viewed as accurate; the main concern being the time it takes to publish the data. It is expected that the responses mainly relate to the inventory update and not BRS's Plantation Log Supply forecast, which can only be considered as accurate when the assumptions and data collection methods are clearly understood. It is our experience (although this did not show up in the survey data) that relying on the forecast availability data without understanding the assumptions can be misleading.

National Plantation Inventory



It is our experience that when someone pays for data, as is the case for the BIS Shrapnel reports, they assume it is more precise than if the same data is supplied at no cost to the user. This assumption may be influencing the perception of accuracy of the BIS Shrapnel reports as surveyed. It is also our experience that some subscription data may actually be from a very small sample size, which is not necessarily disclosed when the report is published (note that this is not a specific criticism of BIS Shrapnel, but of this type of data in general).

BIS Shrapnel



10. INFORMATION USERS WANT BY CATEGORY

The user profile of the two FWPA-supported surveys was shown earlier. This section provides general feedback on the way in which each stakeholder type uses statistics in general.

Growers	<ul style="list-style-type: none"> • Statistics were essential to growers • Most would prefer additional differentiation in current information • Most saw that there were gaps in data availability and provided recommendations of what additional data would be useful to them (details of responses are included anonymously in Appendix 1 on page 62) • The information important to growers ranged widely across the respondents
Processors	<ul style="list-style-type: none"> • Processors are mainly interested in statistics which indicate demand, production and trade • Most are interested in statistics on timber product usage trends • Forecasts are used via consultancy reports
Distributors & importers	<ul style="list-style-type: none"> • Companies surveyed use market statistics in a limited way • Figures are deemed to lack sufficient detail and frequency to be used as a base for business decisions • Data of interest is that which illustrates demand, such as consumer confidence and housing starts. Import data is also used to a limited extent • One respondent said that they can be interesting to 'get a feel' for what was happening in the market, however even if they were more detailed and accurate, they still wouldn't be the basis for business decisions because of limited relevance • Decision making is made on a much shorter time frame in this part of the industry and statistics that report, for example, trade six months after the trade has occurred are of limited value.
Consultants & associations	<ul style="list-style-type: none"> • Most found statistics in general to be essential • All respondents provided information on additional statistics they require, which focused on additional detail (including state breakdowns and species) and higher accuracy • Given that other industry participants rely on consultants and associations to deal with issues that they are unable to address directly or as individual companies, their feedback is important.

In conclusion, all sectors of the industry use a wide range of market data. However, and based on the analysis following in this report, the feedback does not present compelling reasons to fund new data collection programs, except in the area of wood products data and socio-economic data, and potentially safety benchmarking.

Information not available which would be useful "Wish list" of ideas

The survey responses identified a number of reports which are not currently available but which would be valuable to the industry. These included:

- Hardwood log price index
- General industry statistics, particularly socio-economic
- Production by state
- Imports by port by source
- Benchmarking data on safety, costs and prices
- More frequent forest updates

These are commented on below.

Hardwood Log Price Index

The introduction of a Hardwood Log Price Index (AHLPI) was investigated by KPMG on request from VicForests in 2007.

A number of impediments prevented the successful establishment of the AHLPI, including:

- The AHLPI did not want to replicate some of the perceived problems with the APLPI which significantly dampens the actual log price movements and potentially has a regulating impact on actual prices. A number of price review mechanisms in long term log supply contracts use the index to (in part) determine how log prices should be adjusted. A small or no change feeds into a formula that outputs a small or no change, effectively providing a feedback loop that ensures minimal price movement. This process therefore provides an index for logs sold under long term supply agreements which will be much less volatile than short term or spot sales. It is often the price in the spot market for the uncommitted log supply that is of most interest and these prices may be significantly different to the prices shown in the index for a particular period.
- Because softwood logs have similar characteristics in most regions, the APLPI does not need to consider these issues. The same does not apply for hardwood logs where species, quality, harvesting and transport costs and supply and demand may be much more variable between regions.
- The dominance of a small number of sellers and some being the only supplier in a particular region.
- Difficulty in determining the most appropriate price point (stumpage or delivered).
- Lack of historical data would mean that a meaningful price series could not be developed for a number of years.
- Cost.

The APLPI is now well established without FWPA investment and, given the difficulties outlined above, it is not recommended that FWPA direct investment towards an Australian Hardwood Log Price Index. However, should the idea be developed by industry and there is clear financial support, some investment from FWPA to assist in the establishment of the index (but not the ongoing funding) is justified on the basis that it would be supported by levy payers and members.

Socio-economic statistics

Currently, FWPA funds specific reports on areas of particular socio-economic interest on an *ad hoc* basis. Also, there is high-level information provided in the ABARE Forest and Wood Product Statistics.

Additional information on employment and regional contribution will be helpful to the industry and policy makers. National, state and regional socio-economic statistics are essential for policy development but it is common that these data are required on an ad hoc basis (even when the information is time series related, for example, change in employment over time) and at short notice. National level data provided in the ABARE statistics are helpful but have been compromised by changes in data collection methods, categorisation, lack of precision (acknowledged by ABARE) and interrupted time series. The availability of State and regional data is limited. The finding of this report, supported by the Fifth Estate's direct experience, are that regional data, rather than state based socio-economic data, may be more relevant and useful to industry and policy makers. It is clear that in many instances state borders are irrelevant to the industry (e.g. the Green Triangle, Murray Valley and South East Queensland/Northern NSW regions) and that regional data is much more relevant.

To meet the requirements of its levy payers and members, FWPA should continue investment in regional socio-economic studies continues. Further consideration should be given to the potential that the highest return on investment will likely be achieved by periodic studies in regions that already have a base line of data so that reliable time series can be established.

Production by state

Consultation revealed an interest in more state breakdown of data. There are two main impediments to this:

1. There is a limited number of industry participants in each state, and in some cases, breaking data down to this geographic level would expose confidential data on individual companies. This would mean that the breakdown would not be available in that state, limiting the point of the exercise. Further industry consolidation is likely, which decreases the opportunities for state-level data.
2. There are currently insufficient resources available to obtain data on a more disaggregated basis.

The A3P is unable to collect timber production statistics on a state-by-state basis because of insufficient companies operating in the states and therefore difficulty in maintaining confidentiality. Further, and as noted above, state boundaries, and therefore state based data, are becoming less relevant. It is expected that this trend will continue.

There is a general request for greater disaggregation of data (for example, see the section below on imports by port and source country) however the interest in and relevance of specific disaggregated data is confined to narrow and specific user group. State based data are particularly in demand from state based industry associations where they are attempting to influence state based policy making. It is uncertain if investment in the collection of these statistics fits the objectives of the FWPA's national focus.

It is recommended that FWPA keeps a watching brief on member interest in state-based data, but it is not recommended to supply additional investment in the collection and dissemination of this data. FWPA should advise its members that ABARE is able to undertake further analysis of available data on a fee for service basis.

Imports by port by source

The collection and dissemination of these statistics is not likely to be particularly difficult or expensive as it is sourced from customs data. However and as with state based data, the interest in and relevance of specific disaggregated data is confined to narrow and specific user group of users and it is therefore questionable whether investment in the collection of these statistics fits the objectives of the FWPA's national focus.

It is not recommended that additional investment in the collection and dissemination of these data is committed, but that FWPA inform members that ABARE is able to undertake further analysis of available data on a fee for service basis.

Benchmarking on safety, cost and prices

Safe Work Australia (formerly the Australian Safety and Compensation Council) compiles and makes available data based on workers' compensation claims. The fact sheets which are produced aggregate agriculture, forestry and fishing. Additional data related to the number of claims made on a more detailed basis are available, at the National On-line Statistical Database (<http://nosi.ascc.gov.au/Default.aspx>), under the headings of:

- Number of Claims
- Incidence Rate
- Frequency Rate
- Median Time Lost From Work
- Median Total Compensation Payments

The data can then be disaggregated to the "Forestry and Logging" industry. These data can be exported automatically to Excel or in CSV format.

Safety is an issue of national interest and industry participants in the growing and processing sectors in particular are interested in understanding how they perform against relevant national benchmarks. It is our experience that workplace health and safety is taken very seriously at the board and senior management level of most, if not all, industry participants and that there is likely to be support for FWPA investing in the provision of industry and national baseline statistics. It should be noted that it may only be possible to acquire the statistics on a national basis.

It is probable that the industry is not making full use of the currently available information, and that it still may not provide sufficient data to allow individual organisations to benchmark their performance within like business types (for example, sawmilling), because the data is aggregated for the entire forestry and logging industry.

FWPA should assist members and levy payers to access that information currently available in the first instance. At the same time, FWPA should canvass members and levy payers to determine specifically what additional industry safety data for benchmarking would be beneficial to them, and then undertake feasibility analysis if warranted.

Many industry participants have a keen interest in benchmarking their costs as indicated by the importance of the APLPI data which helps mills compare the costs of their major input. However, it is important that the raw data is provided by the log suppliers and it is unrealistic to expect manufacturers and growers to provide cost data. There may not be sufficient incentives for accurate representations, and many organisations would fear their competitiveness would be threatened. Further, there is general industry cost benchmarking data available in reports such as the *Global Lumber/Sawn Wood Cost Benchmarking Report*³. On occasion, growers also organise cost benchmarking studies to be undertaken by consultants. It is not recommended that FWPA invest in the collection and dissemination of cost benchmarking data.

Price data are available to an extent through the Forest and Wood Product Statistics⁴, where a number of products with price series are reproduced (for example, some engineered wood products) and through the Timber Market Survey. Additional price data is available in the ABS Producer Price Index series (catalogue number 6427.0⁵). Industry members are particularly cautious about sharing price information and it is expected that further surveying in this area would not be fruitful. Therefore, we do not find that it would be beneficial for FWPA to invest in the collection and dissemination of price benchmarking data.

³ <http://www.pwc.com/qx/en/forest-paper-packaging/2009-lumber-sawn-wood-cost-benchmarking-report.jhtml>

⁴ http://www.abareconomics.com/publications.html/afwps/afwps_10/afwps_10.html

⁵ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6427.0>

More frequent and/or timely forest data updates

This request relates to the BRS National Plantation Inventory and Plantation Log Supply reports and updates. These reports are widely used and are considered important by almost 75% of respondents however the updates have a lag of approximately one year between data and publication and log supply reports are only produced every five years. Although quicker and more frequent reporting is desirable, this is not seen as a high priority. The data collection and publication is funded by the Federal Government and is subject to regular reviews of its funding source. Loss of these statistics would be significant although funding is currently not threatened. In fact, discussions with BRS provided an impression that arguments for additional and ongoing funding could be successfully mounted due to the importance of the data for a wide range of important and high profile policy issues such as water and carbon. Although these are important national industry statistics, there is no need for FWPA to invest in their collection and there would be little value in investing in their quicker and more frequent publication.

Wood products usage data

Respondents were interested in:

- Steel versus masonry versus timber framing
- Timber usage per new home
- Competing product price trends
- Solid timber versus reconstituted and engineered timber price data
- Why a substitution is being made
- Growth in timber versus competing products

FWPA and respondents to the survey indicated that they were interested in knowledge of market trends.

Timber usage per new home, and steel versus masonry versus timber framing

These two types of data are discussed together here, given the likelihood that their corresponding data inputs would be collected from the same organisations (namely, builders).

Filling in this data gap would provide indicators of the size of the market for specific product types, and how it is changing over time. For example, it would be possible to determine whether there is an increase in usage of timber-based building products compared with steel. This is valuable to industry producers because they can ascertain whether their market share within the timber products segment is increasing, or if the total market for particular building products is increasing, and amend their business strategy accordingly. It would be extremely valuable information to FWPA, because it

would allow for a baseline to be developed against which the effectiveness of generic wood marketing campaigns could be measured.

A recent investigation by BPIC concluded that "Little data is available from official sources on the types of building materials used in new buildings across Australia."⁶

The report concluded that HIA would be able to undertake a meaningful regularly survey to address this deficiency. HIA provided a proposal for the work; however they have advised us that this proposal is now out of date and would need to be requoted.

The BPIC report raised the proposition of working in partnership with other product industry associations, which would appear be an ideal situation, primarily from a funding perspective. However, it appears other industries are not receptive to the concept, based on our discussions with the brick and steel industries. The brick industry formerly prepared market statistics but ceased in the early 1990s based on both the reluctance of companies to provide data, and concern regarding trade practices legislation. The steel industry is either not interested in the collection of market statistics on product use for the benefit of its members or already collect data (steel frame fabricators and/or installers) on the number of houses built with steel frames each year, on a financial year basis. They are interested in growing the market share of steel house frames in a similar manner to FWPA. It is expected that the steel industry would not be interested in partnering to establish the HIA survey. They may, however, be interested in comparing their own survey with an equivalent timber frame survey (not the HIA survey); however they have doubts about how comparable data could be collected. It is therefore unlikely that a mutually beneficial relationship with the steel industry could be established to either help fund the HIA study or establish a new house frame-specific survey.

The previous HIA proposal was generated from a general building products point of view rather than timber specifically. This, however, is unlikely to materially affect the nature of the proposal, because an understanding of use of other building product types is required to obtain a complete picture. It could actually be an advantage to undertake the project from the point of view of a single building product type, given the feedback from other industries.

The outline of the HIA proposal included the following elements:

- HIA will conduct a survey of all builder members. The survey will be designed in both mail-out form and in e-form using in-house survey questionnaire software well known to HIA members.
- The questionnaire will be developed in consultation with FWPA.

⁶ BPIC, 2009, *Scoping Study – Materials used in new Australian Residential and Light Commercial Construction*.

- Large, medium, and small volume builders will be surveyed utilising HIA member databases.
- Surveys would be conducted at three monthly intervals.
- The survey will aim to gather regular information on building materials usage to form a comprehensive database. A number of building materials categories will be contained within the questionnaire such as: floor areas; decks; wall framing; wall cladding. A complete list of categories will be finalised in consultation with the FWPA.
- A cash prize of \$1,000 per quarter will be offered to a survey winner as incentive.

Our discussion with HIA indicated that two outstanding factors which were not fully resolved in the previous proposal: firstly that the precise nature of the survey was yet to be determined, and secondly that the survey was designed to mirror the BRANZ survey in New Zealand on the understanding that there was free information transfer in terms of survey layout and information preparation. This may not be the case should the project be refocused to FWPA only, however it is foreseen that consultation with FWPA will be undertaken on the precise questions and layout of the survey prior to its implementation.

An additional potential source of wood product use data is in the software designed to measure new homes' energy efficiency, such as CSIRO's AccuRate. The types and quantities of building materials used, amongst other factors, are input into a model which generates estimates of the energy consumption required to maintain the house at a comfortable temperature throughout the year.

The model is operated as a desktop-based program, with outputs generated (energy) being sent to the relevant regulatory body. The software has been designed in such a way that it is not possible to collate any of the input data, including building products' type. The software supplier's technical section has advised that it would not be possible to modify the software to enable these data to be extracted.

It is understood, however, that CSIRO wishes to develop a more advanced model which would provide a picture of the Australian building industry in general. It is also understood that the project has not yet had funding committed, and if it is, it remains a highly ambitious task with a lack of certainty of success. It would be at least two to three years until such a program is able to be developed, and longer until it would be implemented. Should it be successful, it has the potential to be an efficient and accurate tool for collecting wood products data.

Wood product use statistics compared with other building products would have value for FWPA and its members and it is recommended that investment in the collection of these statistics to establish a baseline and time series

should be seriously considered. Given the high level of credibility that survey participants placed on HIA data, FWPA should refresh the proposal from HIA to undertake the project, and initiate the industry statistics collection should the proposal be acceptable.

It would also be beneficial for FWPA to establish a link with the CSIRO team responsible for developing models relating to buildings in the Climate Adaptation Flagship, so that future models are designed to be able to collect wood product data. The HIA member survey should still be initiated in the meantime, and potentially phased out if the new CSIRO model is able to supply the data in future.

Competing product price trends

The ABS Producer Price Index (6427.0 Producer Price Indexes, Australia, Tables 16 and 17 Materials used in house building, index numbers and percentage changes by state capital city⁷) shows price changes in a range of products:

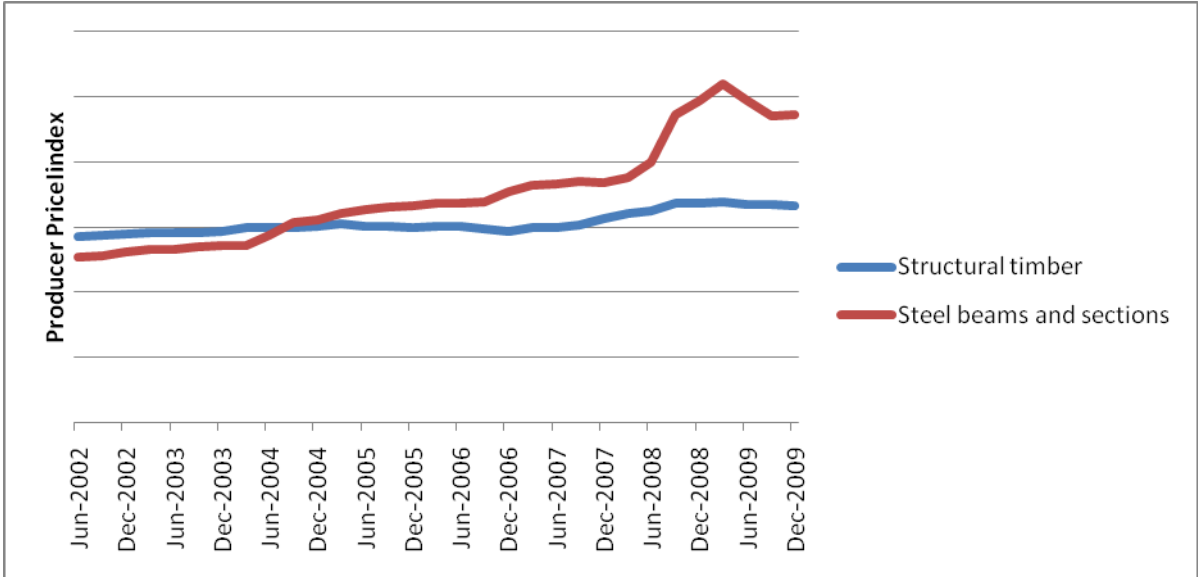
- Timber board and joinery
- Ceramic products
- Concrete, cement and sand
- Cement products
- Steel products
- Other metal products

⁷ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6427.0>

Also available as a weighted average of capital cities are more detailed data under these categories, including data in the following areas.

Timber board and joinery	Ceramic products	Concrete, cement and sand, and cement products	Steel and other metal products
<ul style="list-style-type: none"> Structural timber Plywood and board Timber doors Timber windows Cupboards and built-in furniture 	<ul style="list-style-type: none"> Clay bricks Terracotta tiles Ceramic tiles 	<ul style="list-style-type: none"> Readymixed concrete Cement Sand Cement products Fibrous cement products Concrete tiles Concrete bricks 	<ul style="list-style-type: none"> Steel beams and sections Steel house frames Steel door frames Reinforcing steel Aluminium windows and doors Metal garage doors Metal roofing and guttering

These data are capable of generating trend information, such as the following chart.



It is recommended that FWPA emphasise to the industry that these data are available. FWPA should facilitate the availability of this data by including a link to the FWPA website, and potentially undertaking some preliminary analysis and providing graphs similar to the above. This recommendation is discussed in more detail on page 42.

Solid timber versus reconstituted and engineered timber price data

As mentioned above, there is unit price data available on some traded timber and engineered products in the ABARE Forest and Wood Product Statistics and in the Timber Market Survey which provides index (rather than absolute) data on prices for a range of products. Additionally, the Producer Price Index provides an overview of differences in trends between the product types, as shown in the list above.

FWPA should assist members and levy payers to access existing information in this area, but it is not recommended that investment in any additional or specific reports be undertaken.

Why a substitution is being made

One respondent to our survey made the observation that they:

Need to understand why the substitution is being made. Is it cost, is it because builders are lazy and steel is easy, is it a green perception (e.g. thermal). Add same for concrete etc.

The comment was made by a grower, but is likely to be representative of the wider industry. It is likely (and our experience) that a wide range of quantitative and qualitative demand drivers are at work in the decision making process. Some of these will be covered by the analysis of comparative price data for competing products but this will not answer the whole issue. Understanding these drivers is not only important for members but also for the FWPA in assessing the effectiveness of their investment in generic marketing and influencing where that investment should be directed. Given that the data must be collected from builders and architects, an efficient way to collect some of the qualitative data would be through the HIA. FWPA should have HIA expand the scope of their revised proposal to cover this detail, but separately cost the additional component (if significant).

Growth in timber versus competing products

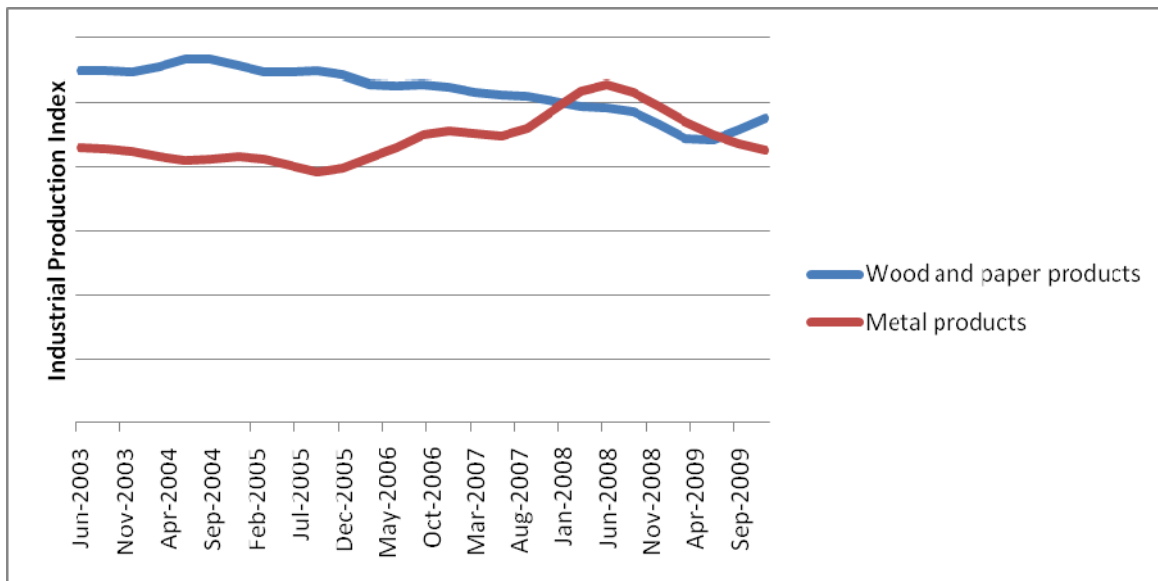
Broad production level data of timber, steel and other materials are available from ABS.

Quarterly data is available on Indexes of Industrial Production (series 5206.0 Australian National Accounts: National Income, Expenditure and Product, Table 37, Indexes of Industrial Production⁸). These are very broad data, which includes changes in manufacturing production in:

- Wood and paper products
- Metal products

⁸ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/5206.0>

Such data are able to generate trend information such as the following chart.



While a trend in these data provides an indicator of the relative growth in the industries, the highly aggregated nature of this series may limit its usefulness in a specific application, particularly because of the large range of products made from wood and metal.

It is possible that disaggregated ABS data is available in some form and it is recommended that, as an initial step, FWPA facilitate the dissemination of this data by approaching the ABS to identify what specific data is available and identifying if that data is useful to members. There is likely to be a relatively small pool of users of this data and, assuming there is a cost involved in making it available, the cost should ultimately be borne by those users rather than FWPA.

11. FUNDING OF INDUSTRY STATISTICS

This report has thus far discussed the two main branches of industry statistics: those which are currently available, and those which are not available but which would be of benefit to FWPA members.

The funding arrangements of data collection and reporting, and equivalent projects in other industries and jurisdictions are important, as is an assessment of the rationale of why FWPA has a program to invest in industry statistics.

12. MATCHING INVESTMENT WITH FWPA OBJECTIVES

In order to determine where FWPA's investment focus should be directed, an assessment of what statistical reports would assist FWPA to achieve its strategic goals is required.

The table below shows FWPA's four key strategies and how they relate to market statistics.

Strategy ⁹	Importance of statistics
<i>Promote the benefits and usage of forests and wood products, in accord with changing community attitudes, environmental awareness, and market trends</i>	<p>It is important to understand how wood products are used and in what quantity in order to provide a benchmark for any promotion. The availability of quality time-series statistics is essential in understanding market trends. These data are available in the ABARE Forest and Wood Products Statistics and the Timber Market Survey.</p> <p>Statistical data on the other two drivers listed in the strategy (changing community attitudes and environmental awareness) is outside the scope of this report because it is unlikely these qualitative issues could be statistically analysed. However collection of such information would directly help to achieve the strategy and therefore funding by FWPA is justified.</p>
<i>Invest in and co-ordinate research & 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</i>	<p>The issues pertaining to this strategy are:</p> <ul style="list-style-type: none"> • Industry competitiveness: a thorough knowledge of production, imports and exports units and values is important for companies to obtain a measure of their competitiveness and changes in competitiveness over time. Without this information, either new investment will not occur, or investment may be directed towards inappropriate and ultimately unsuccessful ventures. • Climate change: not directly relevant to current industry statistics, however issues such as carbon sequestration and storage in forests and manufactured wood products could make these data important to collect • Investment: feedback from industry has shown that many companies use statistics to inform investment decisions • Usage: as above, the availability of quality time-series statistics is essential in understanding usage and usage trends • Sustainability: not directly relevant to the current industry statistics, however issues such as biodiversity and water use are becoming increasingly important, and where possible a sound statistical base would be helpful to direct investment in research and development in these areas
<i>Grow the industry's capacity and capability in knowledge generation and adoption, and promotion, to facilitate expansion</i>	<p>Industry data are key to knowledge of the industry, and assist companies make appropriate decisions about investment in the industry and therefore growth.</p>
<i>Increase FWPA's capacity and scope to provide services for the industry's benefit</i>	<p>The industry relies on statistics, and FWPA funding of relevant data collection and dissemination is an important service.</p>

The provision of funding for industry statistics therefore fits within each of the key strategies of FWPA, and justifies a significant commitment to a data program. The extent to which FWPA's overall funding resources should be directed to the collection and dissemination of this information is less clear, as is how this resource should be allocated to specific statistical reports. To gain a clear understanding, it is important to look at how levy payers and members use the information.

⁹ Forest and Wood Products Australia Limited, 2008, *Forest and Wood Products Australia – Strategic Plan 2009-2013*, accessed online from http://www.fwpa.com.au/proxy.aspx?s=1&f=Resources/About/5year/Strategic_Plan_2009_2013.pdf.

13. MATCHING INVESTMENT WITH USER REQUIREMENTS

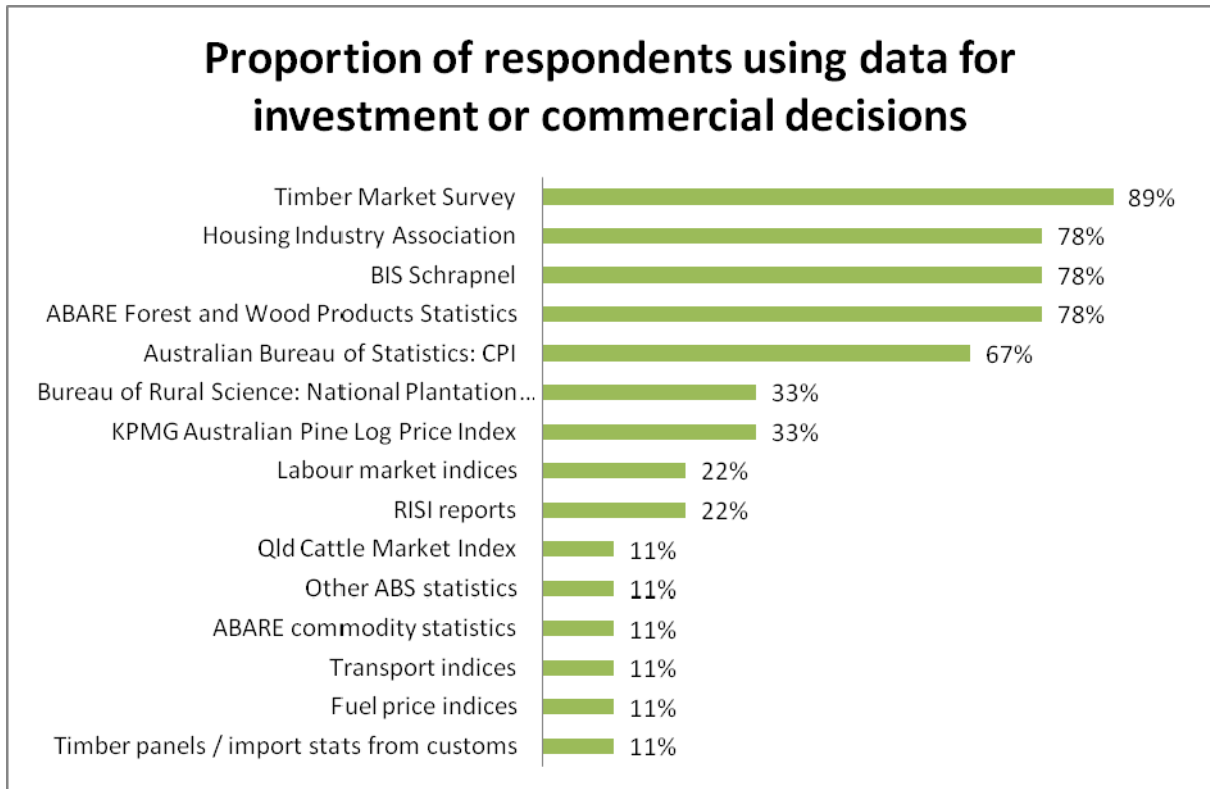
Bearing in mind the goals of the FWPA, the statistical products it supports should reflect a desire to attain those goals. Specific feedback from the industry has been obtained as to why they used this information, broadly categorised into:

- Investment decisions
- Communication (in-house or external)
- Policy formulation
- Pricing or commercial decisions
- Contract negotiations

The outcome of this survey for the ABARE Forest and Wood Product Statistics and the Timber Market Survey was shown in the section on

INFORMATION CURRENTLY AVAILABLE.

While all of these uses broadly fit within the mandate of FWPA, the uses which are most aligned with FWPA's strategies are "investment decisions", and "pricing and commercial decisions". The number of respondents who use statistics for these purposes is shown in the following graph.



This feedback has shown that the five reports relied on most heavily in this area are:

- Timber Market Survey
- Housing Industry Association
- BIS Shrapnel
- ABARE Forest and Wood Products Statistics
- ABS CPI

The survey results support the continued funding of both the Timber Market Survey and the ABARE Forest and Wood Product Statistics. Further, should some of the identified gaps be filled through investment by FWPA, it would appear that having work undertaken by the HIA would be supported by the industry. This does not necessarily mean that FWPA should or must continue funding of these statistics according to the current arrangement, and the basis for investment decisions should be informed by the

Implement investment strategy **guidelines** identified on page 48.

Overseas forest industry statistics funding New Zealand Ministry of Agriculture and Forestry

Given that New Zealand is a direct competitor for a significant part of the Australian forest and wood products industry, a comparison of their statistics collection and funding is informative.

Forest and wood products industry statistics collection and reporting are fully funded by the NZ Government:

Funding for data collection and report production originates solely from MAF for our forestry statistics programme. We directly survey mill operators and use trade data produced by Statistics NZ. For the National Exotic Forest Description we directly survey forest owners and work with the Forest Owners Association and Farm Forestry Association to secure their members cooperation. All data collection and printing costs are paid by MAF. Our wood availability forecasts are generated from NEFD data and harvest intentions from surveyed forest owners. Pastoral, horticulture and arable stats are also funded solely by MAF.

There are no private or organisational [funding] contributions to MAF's statistics programme.

Data available comprises the following.

Quarterly Statistical Releases

- Logs and Roundwood Removals
- Sawn Timber
- Panels
- Pulp, Paper and Paperboard
- Wood Chips

Annual Forestry Production and Trade

Forestry production and trade statistics covering roundwood removals, logs, sawn timber, wood pulp, paper and paperboard, panel products and other forestry products on an annual basis.

- Logs and Roundwood Removals
- Sawn Timber
- Panels
- Pulp, Paper and Paperboard
- Exports of Forest Products
- Imports of Forest Products
- Forestry Employment

Other Forestry Releases

- Forest Ownership Maps
- National Exotic Forest Description
- Wood Availability Forecasts
- New Zealand Forest Industry Facts and Figures
- Log Prices
- Roundwood Removals
- New Zealand Forestry Statistics 2000

The New Zealand forest and timber industry is in direct competition with the Australian industry. The fact that comprehensive, reliable, frequent and timely data is available from the NZ Government, and that equivalent data are not available from the Australian Government, puts our industry at a competitive disadvantage.

Other competitors

In the US the US Department of Agriculture Forest Services (USDA) produces a five-yearly report, similar to BRS' National Forest Inventory, called "Forest Resources of the United States". This is fully funded by USDA.

US trade, usage and price data is provided on a fee for service basis by a large number of organisations. The data is very good and is available on a very regular basis, often weekly, on a subscription basis at low cost. Similar data is available for Canada.

Chilean data availability is poor and there does not appear to be a focus on providing industry data through any government or non-government organisation except at the very high international trade level.

Why don't governments fully fund forest and wood product statistics?

As described earlier in this report, there is a variety of funding arrangements for different jurisdictions in the forest and wood products industry in Australia (as there are in different industries). The common theme is that governments use statistics in policy formation. The extent to which statistics are produced for the benefit of the government or for the benefit of industry is important to establish when looking at "who pays for what".

A problem in Australia is that funding for statistics is tightening, and work which used to be fully funded by the government is now supported by industry contribution (such as the ABARE fisheries statistics) or discontinued altogether (such as state-based timber production statistics). Statistical bodies in Australia are therefore forced to obtain some of their funding from outside government.

With regards to the forest and wood products industry, the long-term nature of forestry means that ongoing statistical collection is required in order to be meaningful. This is in contrast to the modern government trend to commission specific reports when intelligence is required in a particular policy making space. If reliable long-term historical trend information was not available in this industry, it would cast doubt on the reliability of any one-off report, because of potential discrepancies in survey methods from point to point. In some cases, historical information may not be available at all (for example, it would be difficult to ascertain the number of timber processing facilities that existed 10 years ago, and if an estimate existed, whether a comparison with modern figures would be meaningful or represent an "apples with oranges" exercise).

The dichotomy presented makes it difficult to imagine that it would become possible for existing reports to be entirely funded by the government. A reduction in funding could result in the reports being either scaled back or discontinued. This would cause immediate problems for the businesses which rely on the data, and future problems when there is inadequate data to inform robust policy formation.

In conclusion, while it is in government's best interest to promote a healthy forest and wood products industry, it is difficult to mount a case for why

existing reports should be fully government funded. The individual cases for the reports currently funded by FWPA are discussed in further detail below.

ABARE Forest and Wood Products Statistics

In the case of the ABARE Forest and Wood Product Statistics, there are arguments which could be mounted both for and against 100% funding by the Government.

On the “for” side, our stakeholder consultation has demonstrated that the industry relies heavily on market information in the running of businesses. The Government has a policy position to support the forestry industry in general, and the provision of such statistics is central to this objective.

In addition, long-term trends are important for Government policy development. The forest and wood products industry necessarily has a long-term outlook due to the growing cycles of the trees and the productive life of processing facilities (e.g. pulp mills). Therefore appropriate decisions can only be made in cognisance of industry trends over a significant period. One-off “snapshot” reports are not an appropriate information source because there are likely to be distinctive differences in the data collection methods, making direct comparisons irrelevant.

Our assessment and informal discussions with Australian Government policy makers indicate that some policies requiring detailed data include the following.

Carbon and climate change policy:

- The importance of forestry in any response to climate change is recognised in Australia and internationally and quality forest data, specifically in relations to plantations, is required for appropriately informed policy. Further, a debate continues on the possible inclusion of the carbon stored in wood products should be counted as carbon sequestered, and whether trees are assumed to emit all their stored carbon when harvested. Any potential policy change in this area would require detailed and accurate data on what products are produced and how long they are likely to store the carbon.

Balance of trade:

- The forest and wood products industry’s negative balance of trade has been used as an incentive to encourage plantation establishment. The data and analysis provided in the ABARE statistics are essential for understanding the extent and nature of balance of trade, and how it could be affected by government policy.

Socio-economic and regional development policy:

- The socio-economic data currently available on the industry is poor. Decisions with regard to the importance of the forest industry to regional areas, addressing skills shortages, social and commercial

infrastructure, immigration and many other areas covering regional policy development require access to high quality, time-series socio-economic statistics. This information is not covered in the ABARE statistics.

Because these policy areas require reliable, long-term time series data, a case should be made to the Government to fully fund the statistics. Industry funding of statistics collection and reporting in Australia contrasts with the situation in New Zealand, where the Ministry for Agriculture and Forestry provides full funding for the data produced in that jurisdiction. As explained earlier in this report, the data are comprehensive, reliable and regular. These data are therefore able to provide an excellent basis for investment and other commercial decision making for that region. The proximity of New Zealand to Australia, and the similarity of products produced in the respective industries, means that any inferiority of Australian data puts the industry at a notable competitive disadvantage.

On the "against" side, it could be argued that it would be reasonable for the industry to help support the data collection it relies upon. The case of the funding arrangement in New Zealand may be tempered by the fact that governments typically only require data at a very high level, whereas industry typically expects more disaggregated and frequent information. Governments can also commission specific one-off reports when making decisions which affect particular sections of the industry. (This report discussed previously the risks involved in using snap-shot data, particularly in an industry with long-term planning and investment requirements.)

Further, industry can request more specific data and analysis services directly from ABARE at a cost, on a "user pays" system. It is recommended the FWPA encourage members and levy payers to liaise directly with ABARE staff should they require additional information and that ABARE is requested to prepare a fact sheet on services which could be provided and the costs associated with this service. FWPA could assist with the dissemination of this fact sheet.

However, this review has found that there is a significant risk of loss of data continuation should investment funding for the Forest and Wood Products Statistics reduce. Feedback from the industry suggests that any further simplification or aggregation of data would not be desirable. It is therefore considered necessary that FWPA continue to fund the ABARE report. Despite the recommendation that FWPA contributions continue, there is no apparent reason why this should be at 50% of costs.

It is recommended that FWPA move to providing a specific amount (rather than a percentage of the cost) towards the collection of the ABARE statistics to encourage efficiency, and that this amount be no more than the current annual investment. The amount should directly correlate to an actual ABARE cost, for example, one full-time equivalent analyst, at a cost of approximately \$75 000 per annum.

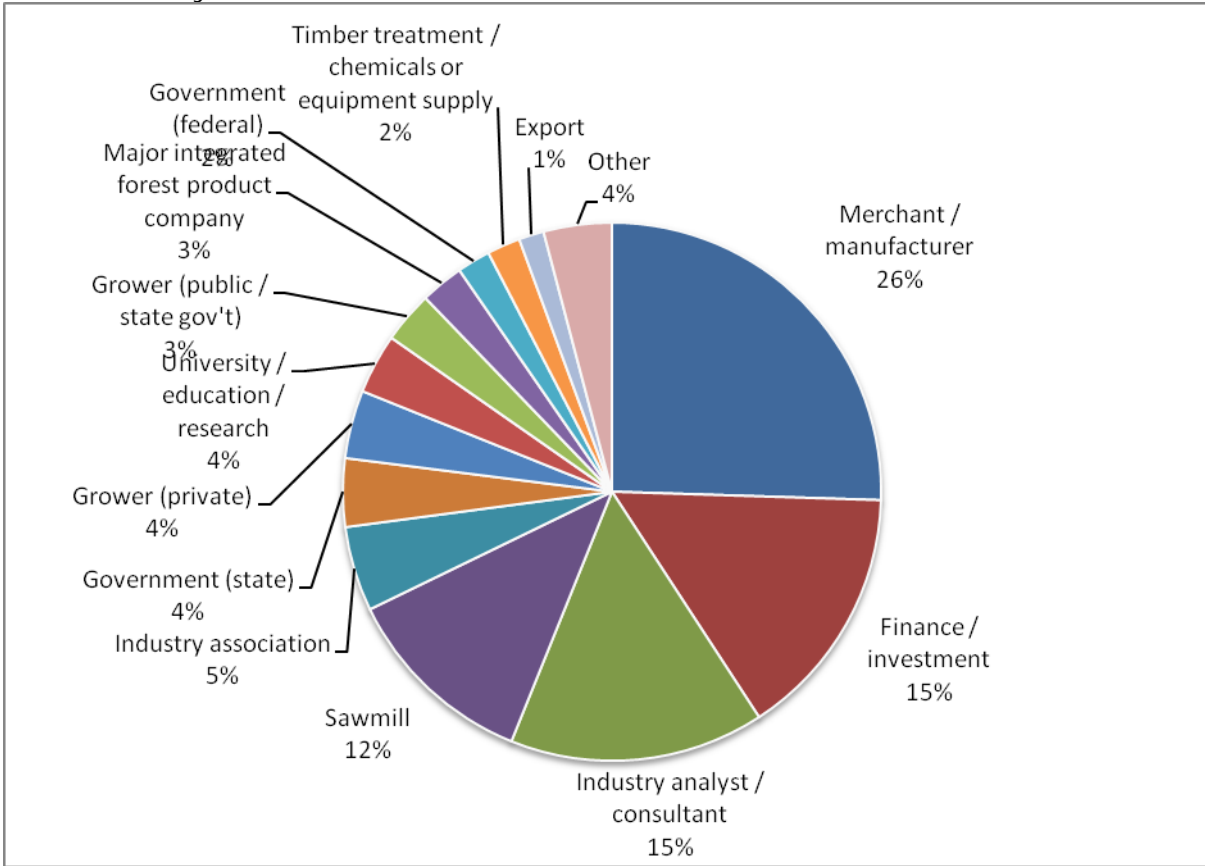
It is also recommended that a feedback system is instituted. This is discussed further in the Recommendations section on page 47.

There is some cross checking of data between ABARE and BRS. It is expected that the recent merger between ABARE and BRS will not substantially alter the product offering, and may have some benefits due to an increase in efficiency.

Timber Market Survey

FWPA funds 50% of the cost of preparing the Timber Market Survey (TMS). The remainder of funding is derived from state growers and industry associations. In the case of the TMS the most common uses of the information presented are communication and pricing or commercial decisions. It is also commonly used in policy formation and contract negotiations. However, the quality of the data is not universally regarded as robust.

In contrast to ABARE, URS collects data on the type of user which downloads the TMS. Below is a chart showing the breakdown of user types for the most recent survey.



Source: URS

It is understood that the following conclusions were drawn from the data on users:

- Over 500 copies of the TMS reports have been downloaded since May 2009, by people representing around 250 different organisations.

- Approximately 20% of the organisations that have downloaded a TMS report were international organisations.

While both stakeholder consultation, and the URS user feedback confirm that the report is important to the industry (across the user types), it is not given that specialist pricing data enhances FWPA's service offering, or helps it achieve its strategic goals. Indeed, considering that such a large proportion of users were from overseas and/or from outside the industry, FWPA investment could be better directed to programs which directly benefit the industry in Australia. Given the reliance on the survey for contracted price adjustment, it is likely that the ongoing funding of the survey would be supported by the users of the data. The current funding arrangements (50% growers and 50% FWPA) could be changed over time with the processor and other users replacing the FWPA's funding.

It is therefore recommended that prior to the next contract renewal for funding, FWPA consider reducing its support for the TMS report so that investment can be allocated to other key statistics collection programs, such as socio-economic data. The reduction of the funding could be phased in, for example, reduced from 50% to 0% progressively by 2013.

RECOMMENDATIONS

The recommendations have been grouped in accordance with the two main issues addressed in this report: improving existing reports, and investing further in new areas of importance. General recommendations are also made. In summary, the following recommendations are made:

1. Improve accuracy of FWPA-supported datasets
2. Provide additional data in targeted, high-value areas
3. Improve consultation
4. Improve the accessibility of current statistics

ABARE Forest and Wood Products Statistics

Fixed investment

A fixed annual investment (rather than 50% of ABARE's costs) is recommended to encourage efficiency, and that this amount be no more than the current investment.

Improve user metadata

In the case of the ABARE Forest and Wood Product Statistics, this review identified that the report is important across the value chain. It found that it

would be valuable to collect a broad classification of information user at the point of download to establish a clear picture of who is using the information. For example, when a download is initiated, a box could appear which prompts a response, which is automatically added to a database. For example:

Thank you for your download.
Please indicate whether you are:

- Forest grower
- Government
- Consultant
- Industry association
- Wood processor
- Student
- Other

This information would need to be made available to FWPA.

Formalised feedback

It has been shown that there is limited confidence in some areas of the ABARE Forest and Wood Products Statistics reports, for example. In some cases, individuals may have insight in a particular area which makes it apparent which sections of a report may be erroneous, and which have not been picked up on by the standard error checking process. In these instances, it would be helpful to have a quick system where feedback can be sent as people review the reports. For example, the Forest and Wood Product Statistics home page could have a feedback link where users can indicate which part of the report they wish to question, and then submit to ABARE for review. Even if such a system was not widely utilised, its existence would bolster people's trust in the reports because it would be clear that there is an informal peer review mechanism. It would be the responsibility of ABARE to determine how best to address the error, depending on its severity and impact on other tables. A similar system could be implemented for the Timber Market Survey (if FWPA continues to fund it) or any other reports commissioned by FWPA.

In addition, there may be structural improvements to the report which are not currently capable of being captured in a formalised feedback process. For example, stakeholder feedback indicated that the import data should be further disaggregated by country of origin, which be a relatively simple for ABARE to implement. Further improvements may be possible in wood products consumption and timeliness in general.

ABARE is able to provide additional consultancy services to the industry, and feedback from users indicates that this service is being underutilised by industry. It is recommended that FWPA requests ABARE to prepare an

information sheet on services available and their cost for dissemination to members.

Data collection process

Detailed discussions with the two service providers of FWPA-supported statistics (ABARE and URS) have taken place as part of this review. These discussions have given confidence in the methods used to collect data, whether they are based on sample sizes and derivation, or whether they are based on primary data collection. There are some areas which could be improved upon however this would only be possible should additional resources be applied to the reports, which is unlikely.

An opportunity to improve the accuracy of data collection is to utilise statistics generated through the levy collection process, run by the Levy Revenue Service (LRS). In our discussions with Government agencies, it was apparent that a significant amount of useful data resides with LRS but there is a degree of sensitivity on this matter. It seems that the major impediment to utilising levy contribution data is legislation surrounding confidentiality, although it is believed that this may be a perceived rather than a real issue, as individual names could be removed and like groups aggregated to protect individual companies. This issue is addressed in "further work required" below on page 53.

In conclusion, the feedback is the key to improving data accuracy, and that large-scale changes are not warranted at this time. A review of this situation should be undertaken at each contract renewal (if applicable).

Timber Market Survey

Reduce investment over time

This review finds that the Timber Market Survey is important to the industry and widely used. Because it is used in a way which advances FWPA's strategic goals, it may appear that it should be supported by FWPA. However, this review finds that it is so critical to several companies and built into contract price negotiations that if FWPA withdrew its funding, it would continue with a smaller pool of funding contributors.

It is therefore recommended that FWPA withdraws its funding over approximately a 5 year period to enable investment in the collection of industry data in other areas.

Provide additional data in targeted, high-value areas

Timber product use

Feedback from industry has shown that there is significant interest in establishing data series showing trends in the use of timber and wood products, and comparisons with usage trends of other building products. Some information which respondents have requested is already available, although difficult to find (for example, Producer Price Indexes on ABS have comparisons between steel prices and timber prices).

There remains a desire to expand knowledge of general market share of timber products versus alternatives. In 2009, a proposal was provided by HIA to commence a new survey of builders to develop a picture of materials used in construction. This is likely to be very valuable to FWPA members.

HIA has indicated that both the cost and content of the survey need to be updated given the duration since the previous proposal was prepared, and the change in its proposed sponsor. It is assumed that the cost would be similar, given that the scope of work has not changed since the initial proposal. HIA has a desire (as would FWPA, it is assumed) to undertake detailed consultations to ensure that the content of the survey matched user requirements, to ensure an appropriate baseline of data was available from the outset.

To meet member and levy payer requirements, FWPA should therefore update the HIA proposal and, assuming it meets both the members' and FWPA's requirements, commence with a direct investment by FWPA.

FWPA should also establish a link with the CSIRO team responsible for developing models relating to buildings in the Climate Adaptation Flagship, so that future models are designed to be able to collect wood product data.

The HIA member survey should still be initiated in the meantime, and potentially phased out if the new CSIRO model is able to supply the data in future.

Sawn timber production

The ABARE Forest and Wood Products Statistics provide information on production of timber products. The data for sawn timber production are the weakest subset of these data as it is derived from logs harvested, rather than being specifically collected, or sourced from third parties. This process means that the data are coarse, potentially inconsistent (reducing the value of time series data) and does not reflect other changes in the industry, for example, technology improving recovery.

ABARE undertook a sawmill survey for the 2006-7 year on a one-off basis. This was valuable because it allowed for cross-checking of the production data in the Forest and Wood Product Statistics.

The review finds that establishing a regular sawmill survey is important, and should be investigated further by FWPA and DAFF. Such a survey could be undertaken on a two or three yearly basis, and would provide the regular data necessary for business and policy decision making. Funding should be supplemented by the major beneficiaries of the data such as sawmilling companies and log suppliers.

Socio-economic data

There has been a significant level of interest demonstrated in socio-economic data particular to the forests and wood products industry. This review finds that the collection of such data would not only benefit levy payers and members, but also FWPA in its strategic planning for the industry. It would also be beneficial for government decision makers in their policy formulation, and those seeking to influence policy.

It is therefore recommended that investment by FWPA in regional socio-economic statistics collection continues and that the highest return on investment may be achieved by periodic studies in regions that already have a base line of data so that reliable time series can be established. This may provide better quality information that can be extrapolated to regions not specifically covered in the studies rather than attempting to undertake studies in all regions.

Safety

FWPA should canvass members and levy payers to determine specifically what additional industry safety data for benchmarking would be beneficial to them, and then undertake feasibility analysis if warranted.

Improve consultation

The key to providing information which is important to stakeholders is to understand their requirements. There was a very positive response to the survey of the industry, and several participants praised the effort to obtain feedback on this specific area. This goodwill and involvement should be encouraged and continued.

It is recommended that an annual survey of levy payers and members is conducted, along the lines of the survey used in this report, to ensure that need are being met. This would need to be a quick and easy process to ensure the maximum response rate. Responses should be synthesised to provide feedback on what areas require further attention. FWPA should fund

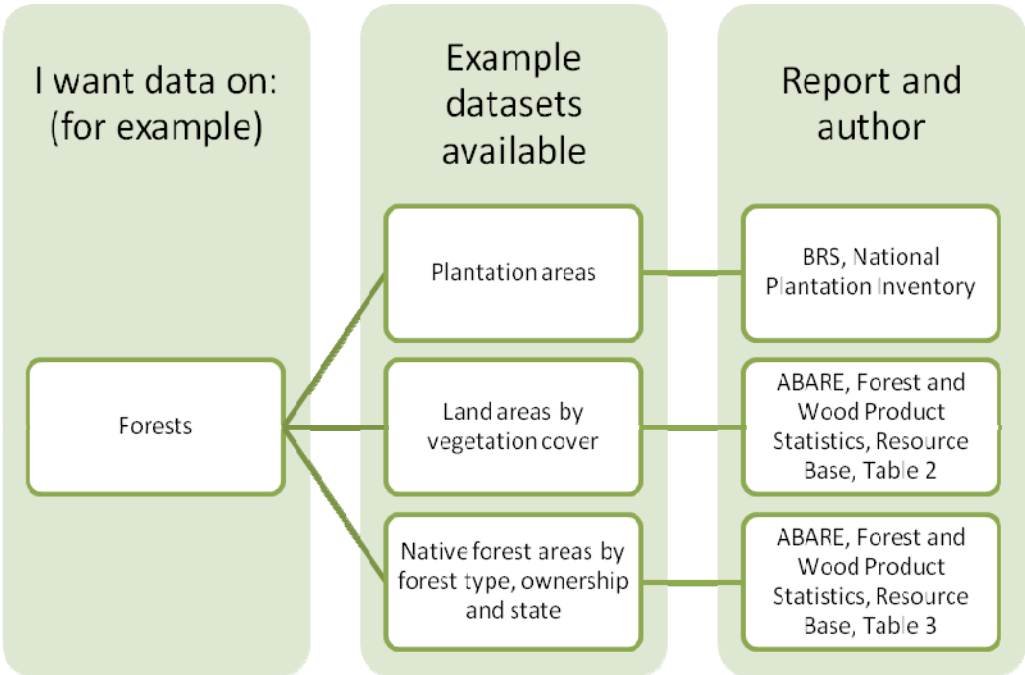
this survey which would be relatively inexpensive and could be done in-house.

In addition, FWPA should jointly issue information (electronically) to members and levy payers on the range of consultancy service offerings available from ABARE-BRS. ABARE-BRS should be consulted to explore the possibility of sharing the cost.

Improve the accessibility of current statistics

There is a wide range of sources for industry information, and this divergence is either causing confusion amongst stakeholders about where to get the information they need, or taking longer than it could. To remedy both of these issues, it is recommended that FWPA establishes a "market information" page on its website to enable easy access to different information sources.

It is recommended that such information should be depicted by showing only the left hand column first, then expanding to the next column to the right when clicked, and so on. This would keep the site simple while still containing the detail required. An example of some content for "forests" is shown in the following table.



While for comprehensiveness it would be advantageous to include the data available from consultants for a subscription fee, it may be commercially inappropriate for the FWPA to assist in the promotion of specific reports available through subscription.

Implement investment strategy guidelines for statistics

Based on the findings of this review, investment strategy guidelines have been prepared which will help the decision making process of directing FWPA's funds to where levy payers and members receive the most useful and reliable data. It is suggested that a checklist such as the following one be used to interrogate each proposed investment.

1. Is it important to levy payers and members across the various sectors of the industry?
2. Does it help to meet the strategic goals of FWPA?
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?
4. Does the proposal represent the most efficient way to access the information?

The guidelines should be used in such a way that a "yes" response leads to the next question, and a "no" response halts the process. If all questions can be answered with a "yes", the proposal should be funded; any negative responses should either preclude investment from FWPA, or alter the proposal so that each question can be answered in the affirmative.

Where an investment proposal meets the guidelines, a more subjective judgement is required in relation to the amount of the FWPA investment and any co-funding arrangements. These decisions should be made considering:

- The quantum of the proposed investment.
- The quantum of the proposed and potential benefits.
- Who benefits.
- The scale of the part of parts of the industry which get the most benefit.
- The potential for alternative funding over time.
- The opportunity cost (that is, what other investments can't be made if the proposal is accepted).

The investment strategy guidelines should be reviewed every two years by the FWPA Board.

Examples of how these guidelines could be applied are as follows.

ABARE Forest and Wood Products Statistics

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The report is essential. The survey of the industry demonstrated its importance across the industry value chain.
2. Does it help to meet the strategic goals of FWPA?	Yes	It meets goals on investment encouragement and improving competitiveness.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	It would be available; however it would contain less data and therefore be less useful. Benchmarking of other reports indicates it would be less useful to industry and cease important trend data.

4.	Does the proposal represent the most efficient way to access the information?	Yes	The organisation responsible has established systems, the data are available in Excel format, and there is funding available from the Government directly. There may be some fine tuning possible in the division between how FWPA and DAFF fund the report.
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Timber Market Survey

Guideline	Response	Description	
1.	Is it important to levy payers and members across the various sectors of the industry?	Yes	The report is essential. The survey of the industry demonstrated its importance across the industry value chain.
2.	Does it help to meet the strategic goals of FWPA?	Yes	It meets goals on investment encouragement and improving competitiveness.
3.	Is FWPA's investment essential to the report's availability at reasonable quality and cost?	No	The importance of the data, particularly as the TMS is specifically written into several contract review mechanisms, means that it would continue to be funded if FWPA was not a contributor.
4.	Does the proposal represent the most efficient way to access the information?	Yes	At this time, URS is an appropriate organisation to undertake the work. Should FWPA continue funding, alternatives and potential efficiencies should be explored.

Timber product use

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance across the industry value chain. It would also be of specific value to FWPA in assessing the successfulness of generic marketing campaigns.
2. Does it help to meet the strategic goals of FWPA?	Yes	It would provide a quantitative indicator of growth of timber usage.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	The report is currently not available, and would require concerted investment by FWPA to commence. Other industries are unlikely to benefit or be appropriate funding partners.
4. Does the proposal represent the most efficient way to access the information?	Yes	Provided the quotation supplied is acceptable, it would seem the HIA proposal represents efficiency given its direct relationship with builders.

Sawn timber production

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance across the industry value chain.
2. Does it help to meet the strategic goals of FWPA?	Yes	It meets goals on investment encouragement and improving competitiveness.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	The report was undertaken as a one-off by ABARE in the past, but was discontinued due to lack of funding. FWPA's investment would be essential for its commencement. DAFF or other industry participants could be potential co-funders.
4. Does the proposal represent the most efficient way to access the information?	Yes	Further work is required to ascertain the exact cost and resources required. However, direct surveying is the only reliable way to access the data.

Socio-economic data

Guideline	Response	Description
Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance across the industry value chain.
Does it help to meet the strategic goals of FWPA?	Yes	It meets goals on investment encouragement and improving competitiveness. It would also show trends in the industry in efficiency, growth and safety, and enable investment to be appropriately allocated.
Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	FWPA currently invests in one-off reports. To commence an ongoing report, FWPA's investment would be essential. Other funding partners may be able to be involved, such as state or Federal government.
Does the proposal represent the most efficient way to access the information?	Yes	A method for collecting, analysing and disseminating the data would need to be established. Currently, no other data source provides the information and so a specifically commissioned report is warranted.

Safety data

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance, and that there is a poor understanding in the industry of the current information available.
2. Does it help to meet the strategic goals of FWPA?	Yes	There are specific FWPA strategies which would be met with these data, in particular changing community attitudes and sustainability of products and services (that is, an industry with actual or perceived poor industry safety will not be sustainable).
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes	Initially it is possible that FWPA will need to invest to establish baseline benchmark safety statistics, however ongoing funding may not be necessary. Ongoing funding may be more appropriate from organisations such as ForestWorks and Safe Work Australia.
4. Does the proposal represent the most efficient way to access the information?	Yes	This only applies to establishing the baseline data rather than the ongoing information, as per the comment above.
5.		

Resource base data (BRS)

Guideline	Response	Description
Is it important to levy payers and members across the various sectors of the industry?	Yes	The survey of the industry demonstrated its importance across the industry value chain and industry associations and policy makers.
Does it help to meet the strategic goals of FWPA?	No	Resource base data don't specifically help to meet any FWPA strategies.
Is FWPA's investment essential to the report's availability at reasonable quality and cost?	No	The report is being prepared with funding from DAFF and not FWPA, and does not appear to be under threat.
Does the proposal represent the most efficient way to access the information?	N/A	Report funded without FWPA investment.

Data analysis and forecasting

Guideline	Response	Description
1. Is it important to levy payers and members across the various sectors of the industry?	Yes	Many survey respondents indicated that they currently purchase forecast information. It is expected that should FWPA invest in analysis and forecasting at a low or no cost to levy payers, its usage and importance would be high across the various industry sectors.
2. Does it help to meet the strategic goals of FWPA?	Yes	Forecast information would help FWPA direct its investment in its wide range of programs and would help focus the investment to the parts of the industry which would most benefit.
3. Is FWPA's investment essential to the report's availability at reasonable quality and cost?	Yes/ Unknown	While there are several reports (especially consultant reports) available which provide forecasts, they typically address specific products and are therefore of limited usefulness to the full range of levy payers. FWPA investment is probably required to develop and make available general demand forecasts. Reasonableness of costs are unknown.
4. Does the proposal represent the most efficient way to access the information?	N/A	This question would need to be addressed when a specific proposal was under consideration and the actual cost and benefits are considered.

Budget for recommendations

The costs outlined below do not represent an additional investment by FWPA, but rather will replace the current investment in industry statistics. They should therefore be compared with the current spend to determine any net changes to overall investment.

Recommendation	Action required	Estimated budget (\$)	
		Year 1	Ongoing (pa)
Australian Hardwood Log Price Index: "...Should the idea be developed by industry and there is clear financial support, some investment from FWPA to assist in the establishment of the index (but not the ongoing funding) is justified on the basis that it would be supported by levy payers and members."	React to industry action (if any)	Nil – could be up to 5 000 to assist interested members in initiating index	Nil
Socio-economic statistics: "It is recommended that investment by FWPA in regional socio-economic statistics collection continues and that the highest return on investment may be achieved by periodic studies in regions that already have a base line of data so that reliable time series can be established."	By external consultant	Nil	Quotation required, indicatively 80 000 per region (assume 1 region per year)
Data dissemination: "FWPA establishes a "market information" page on its website to enable easy access to different information sources."	<ul style="list-style-type: none"> Establish database Web design Maintenance 	Up to 10 000 Quotation required	Nominal
ABARE-BRS service offering: "FWPA should jointly issue information (electronically) to members and levy payers on the range of consultancy service offerings available from ABARE-BRS"	Suggest 50-50 budget split with ABARE-BRS	5 000 Quotation required	Nil
Safety statistics: "FWPA should canvass members and levy payers to determine specifically what additional industry safety data for benchmarking would be beneficial to them, and then undertake feasibility analysis if warranted."	By external consultant	Nil – Member feedback from usual consultation	40 000 (approx) Quotation required
HIA survey: Commission HIA timber products survey	By FWPA staff: <ul style="list-style-type: none"> Refresh quotation Sign contract 	Nominal	Up to 50 000 Quotation required
CSIRO synergy: "FWPA should also establish a link with the CSIRO team responsible for developing models relating to buildings in the Climate Adaptation Flagship"	FWPA staff contact required	Nominal	Nominal
FWPS improvements: Initiate ABARE FWPA improvements: metadata and formalised feedback systems	FWPA staff contact required	Nominal	Nominal (unless changes are significant)
FWPS funding: "A fixed annual investment (rather than 50% of ABARE's costs) is recommended to encourage efficiency, and that this amount be no more than the current investment. Additionally, FWPA should explore options for higher levels of Government contribution to the report"	By FWPA staff: <ul style="list-style-type: none"> Development of brief Meetings 	Nil	Cap at approx 75 000
Levy Revenue Service: "An opportunity to improve the accuracy of data collection is to utilise statistics generated through the levy collection process, run by the Levy Revenue Service (LRS)"	FWPA staff contact required	Nominal	Nominal
TMS funding:	FWPA staff contact	Nominal	Reduce to nil by

"FWPA withdraws its funding over approximately a 5 year period to enable investment in the collection of industry data in other areas"	required		2013
Sawmill study: "The review finds that establishing a regular sawmill survey is important, and should be investigated further by FWPA and DAFF."	By FWPA staff: <ul style="list-style-type: none"> Work with ABARE to develop budget, data requirements and survey outputs 	Nominal	50 000 (approx) per report: 25 000 pa (if every 2 years) Quotation required
Member consultation: "It is recommended that an annual survey of levy payers and members is conducted, along the lines of the survey used in this report, to ensure that need are being met."	By external consultant: <ul style="list-style-type: none"> Annual web survey Brief report 	Nil	Up to 10 000 Quotation required
Totals (approx)		20 000	280 000

Implications of changing the system

It is recommended that FWPA continue (at least in the short term) its funding of the ABARE Forest and Wood Products statistics, in part to protect the valuable data legacy. Should any significant changes to the arrangement be contemplated, it is recommended that serious consideration should be given to continuity of trends. In some cases, data which are surveyed on a regular basis (eg log removals) would either be lost or jeopardised should the existing surveying methodology not be continued. This would be an adverse impact on FWPA's members and levy payers.

Given the long-term nature of investment in the industry, in any new information which is collected, care should be exercised so that the data collected from the outset are representative, comprehensive and repeatable for at least 10 years, and in some cases longer (e.g. long rotation plantation information). This will help to ensure that there will not be any significant disruptions to the veracity of trend information going forward. Any proposed survey and data outputs should be reviewed thoroughly by FWPA's advisory groups, and preferably a wider stakeholder audience, as part of this process.

Further Work Required

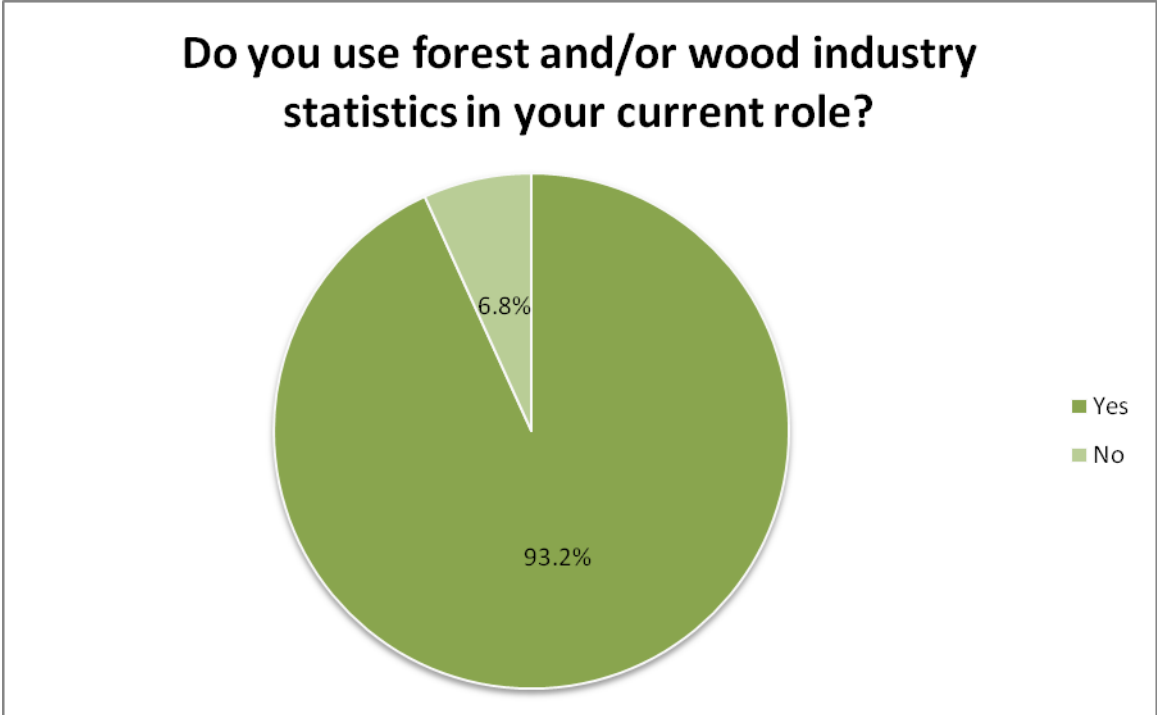
As mentioned above, it may be possible to use information collected during the levy management process as either a primary source of reliable data, or as a means to cross check data derived through other means. The Levy Revenue Service is the responsible organisation, and is a subsidiary of DAFF.

Given the apparent sensitivity of the levy collection process, the decision was made that it would be inappropriate to investigate this possibility in detail at this time. It is recommended that this should be investigated directly by the FWPA.

APPENDIX 1: SURVEY RESPONSES

Question 1

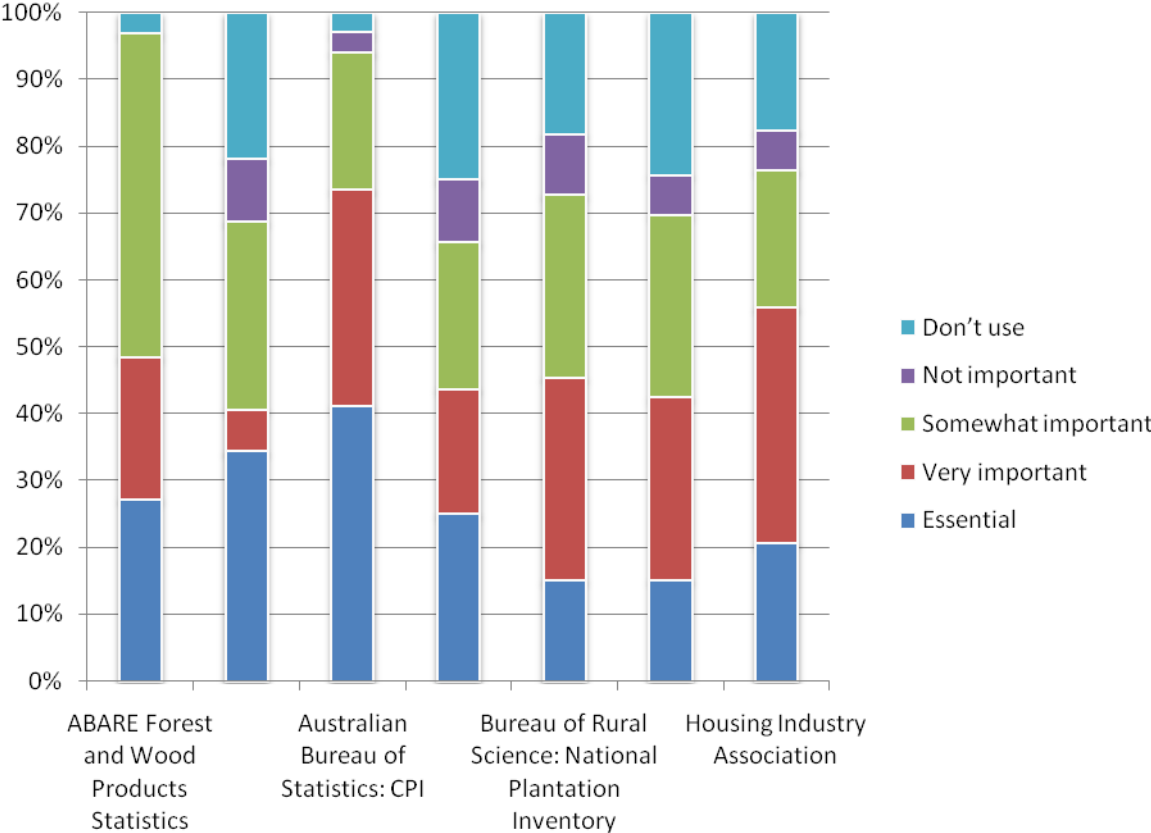
Do you use forest and/or wood industry statistics in your current role?		
Answer Options	Response Percent	Response Count
Yes	93.2%	41
No	6.8%	3



Question 2

Of the following reports, please indicate:						
Answer Options	Don't use	Not important	Somewhat important	Very important	Essential	Response Count
ABARE Forest and Wood Products Statistics	1	0	16	7	9	33
Timber Market Survey	7	3	9	2	11	32
Australian Bureau of Statistics: CPI	1	1	7	11	14	34
KPMG Australian Pine Log Price Index	8	3	7	6	8	32
Bureau of Rural Science: National Plantation Inventory	6	3	9	10	5	33
BIS Shrapnel	8	2	9	9	5	33
Housing Industry Association	6	2	7	12	7	34

Of the following reports, please indicate:

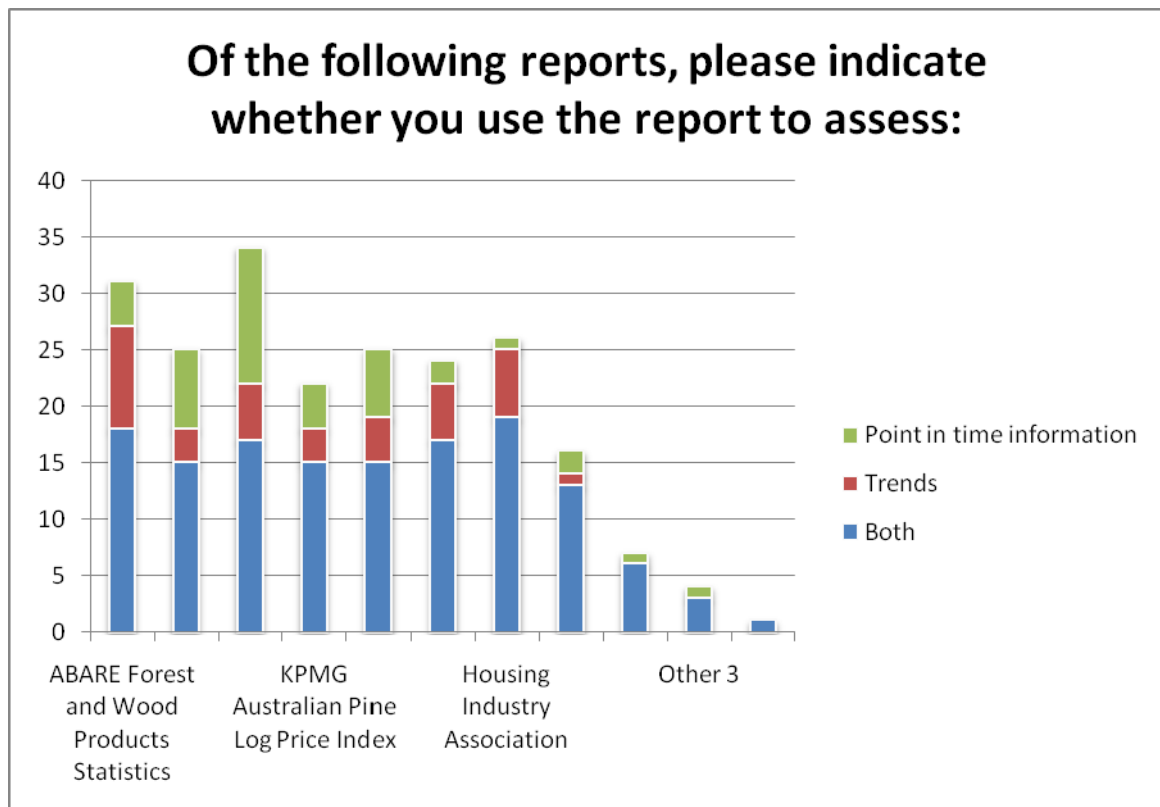


Question 3

- RISI Data
- Timber / panels Import stats from customs
- A3P Members Monthly Sales Statistics
- FAO Forestry and Wood Products Stats
- Various ABS & RBA datasets
- Fuel price Indices
- Consultants (i.e. IndustryEdge etc.)
- NZ and US journals
- IndustryEdge F&W Strategic Review
- Various ABS statistics such as housing starts and approvals
- A3P internal survey of timber sales
- ABARE Australian Commodity Statistics
- Private Forests Tasmania Stats
- DANA Pulp Market Reviews
- Abare housing numbers report
- ABS Dwelling approvals
- Access Economics Business Outlook
- OECD Stats
- Labour market indices
- Wood Markets International
- Global Trade Atlas (online database)
- ABS Statistics (varied)
- Forest Practice Authority Stats
- RISI Pulp Market Reviews
- NZ Forestry and Wood Products Stats
- Transport indices
- Nth American wood Fiber
- Queensland Cattle Market Index

Question 4

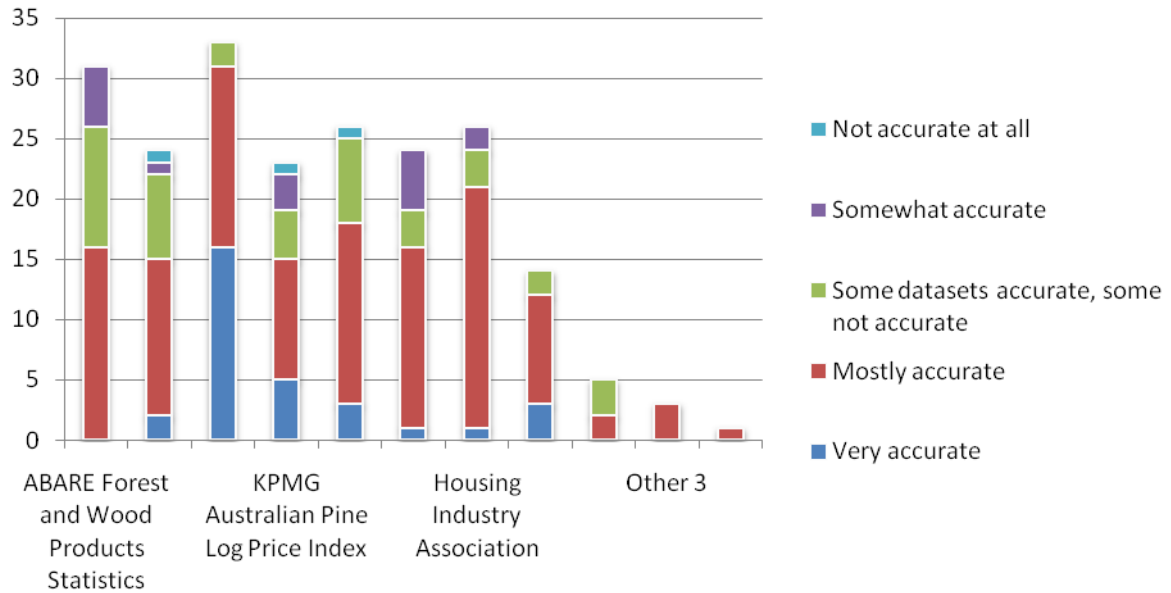
Of the following reports, please indicate whether you use the report to assess:				
Answer Options	Point in time information	Trends	Both	Response Count
ABARE Forest and Wood Products Statistics	4	9	18	31
Timber Market Survey	7	3	15	25
Australian Bureau of Statistics: CPI	12	5	17	34
KPMG Australian Pine Log Price Index	4	3	15	22
Bureau of Rural Science: National Plantation Inventory	6	4	15	25
BIS Shrapnel	2	5	17	24
Housing Industry Association	1	6	19	26
Other 1 (same as Q2)	2	1	13	16
Other 2	1	0	6	7
Other 3	1	0	3	4
Other 4	0	0	1	1



Question 5

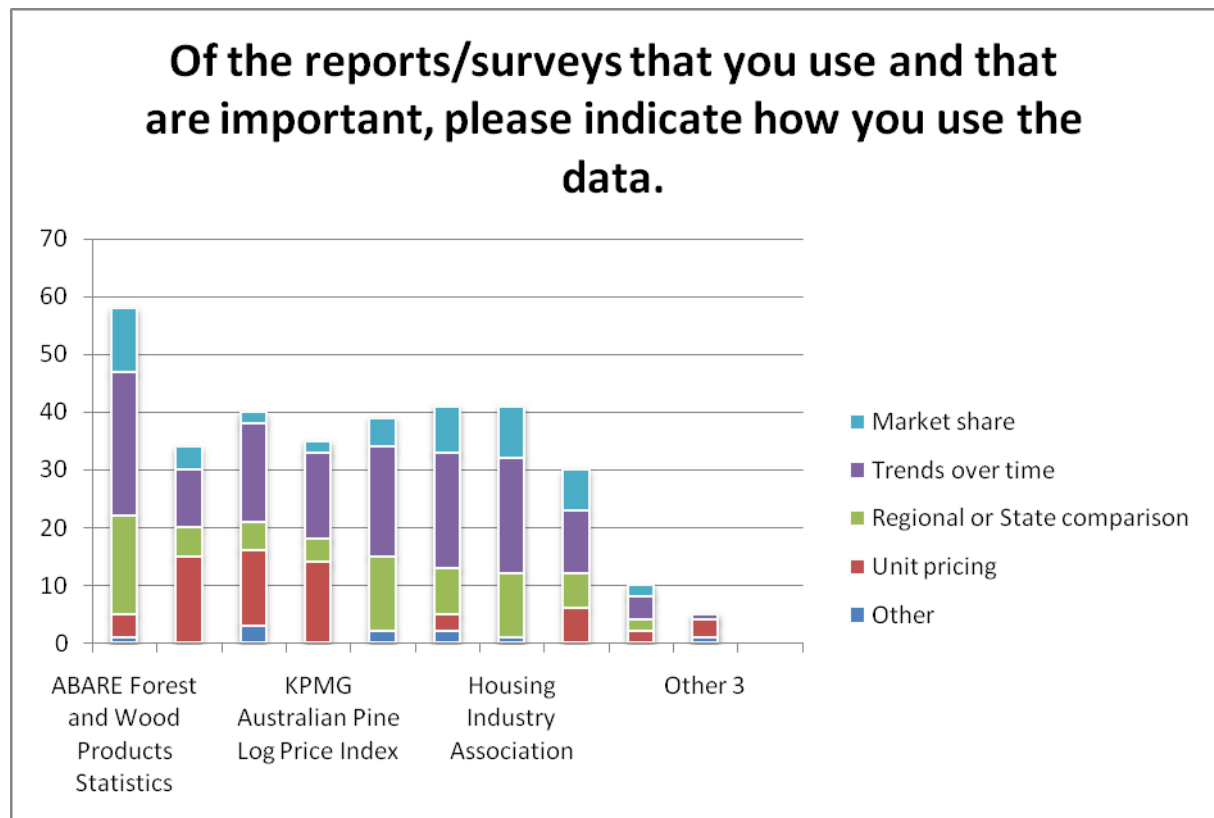
Of the following reports, please indicate how accurate you perceive each of the reports' data to be:						
Answer Options	Not accurate at all	Somewhat accurate	Some datasets accurate, some not accurate	Mostly accurate	Very accurate	Response Count
ABARE Forest and Wood Products Statistics	0	5	10	16	0	31
Timber Market Survey	1	1	7	13	2	24
Australian Bureau of Statistics: CPI	0	0	2	15	16	33
KPMG Australian Pine Log Price Index	1	3	4	10	5	23
Bureau of Rural Science: National Plantation Inventory	1	0	7	15	3	26
BIS Shrapnel	0	5	3	15	1	24
Housing Industry Association	0	2	3	20	1	26

Of the following reports, please indicate how accurate you perceive each of the reports' data to be:



Question 6

Of the reports/surveys that you use and that are important, please indicate how you use the data.						
Answer Options	Market share	Trends over time	Regional or State comparison	Unit pricing	Other	Response Count
ABARE Forest and Wood Products Statistics	11	25	17	4	1	30
Timber Market Survey	4	10	5	15	0	23
Australian Bureau of Statistics: CPI	2	17	5	13	3	33
KPMG Australian Pine Log Price Index	2	15	4	14	0	21
Bureau of Rural Science: National Plantation Inventory	5	19	13	0	2	24
BIS Shrapnel	8	20	8	3	2	24
Housing Industry Association	9	20	11	0	1	24



Question 7

What information would be important and useful to you, which is not currently available? Please provide as much detail as possible.

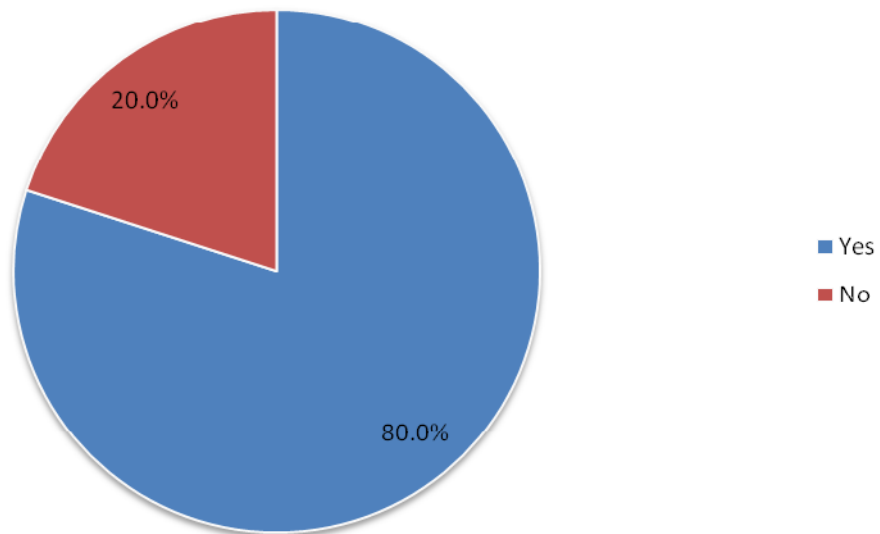
- Accurate forward projection of usage of wood products throughout economic cycles. Domestic supply capacity versus imported volume throughout the cycle.
- It is more the quality and sustainability of the existing information that is a concern. Additional things might be nice to have but are less important
- Clear import volumes by product types. Total Australian production volumes for key product types
- None
- ABARE - Sawn Wood Production - Broadleaved and Coniferous, ABARE - Sawn Wood Apparent Consumption - Broadleaved and Coniferous
- Information on sawn timber stocks in Australian Mills and Merchants - work in progress and finished goods for each of the hardwood industry and softwood industry presented as aggregate information.
- More frequent updates of the National Plantation Inventory and log supply forecasts. We have big fires with big impacts on supply which need to be factored in ABARE stats online and in excel format. Monthly access to timber import stats
- NFI plantation spatial data
- Better benchmarking of activities on a co-operative and well defined basis (eg cost comparisons are derived from same basis). Items could include safety, costs, improved log price indices (problem currently due to markets, species and similar).
- None
- In my role ABS is the only report I require
- Something that synthesises all of the above in a short meaningful format. Hence, our use of Consultants.
- timely reporting of Area, Productivity, Species. Good innovation ['Research'] reports on new products -biomass etc.
- -Interstate trade
- Import timber price data more differentiated than current
- More accurate data on native forest log volumes and production from Qld (particularly from private forests).
- Hardwood log price index (similar to Australian Pine Log Price Index). Timber/wood product production figures by state. Data on interstate trade in timber products. Timber import price information (i.e. cost of imported products)

- For each port in Australia; Timber Imports by port of origin, in TEU's.
- Socio economic data (geographic location, regional comparison) impact on local communities.
- There does not seem to be an accurate basic set of statistics for the timber industry (employment, value of production, aggregated stats for land use, projections for the future. These would be very helpful to us (we are an industry association, not a company, and we are often asked for information about these things).
- Australian hardwood log price index
- As an association we are often asked quite basic general industry questions which are hard to quantify (from a reliable source) such as what is the value of the plantation industry in Western Australia? or how many people are employed in the timber industry (native, plantation,)
- Most data simply states hardwood or softwood, and often doesn't state what the crop is being grown for i.e. sawlog, pulp, both, veneer etc
- A published index / prevailing market prices for woodchip exports - something transparent and publicly available. Investors / stake holders often enquire as to market conditions / trends and whether there is anything publicly available - there's not really anywhere to refer them...
- Number of High set homes built against low set homes
- More transparent detail on imports. Better product delineation. Inter mill comparisons would be very useful
- Better market share data would be useful for us, eg how big is the PB raw market etc. Also, imports information would be useful.
- Sawlog mill door price series in m3 - with clear definition of basis of log measurement.
- ABARE should separate native forest cypress logs and timber from other coniferous logs and timber in 'logs harvested' and sawn wood production tables Better data on forestry and forest products employment is required; ABS categories do not adequately cover these industries
- More detailed information about species, country of origin and product type imports
- State and regional detail regarding consumption & production

Question 8

Is it important to you to understand the trend in timber products consumption compared with consumption of competing products? (eg timber construction materials vs steel)		
Answer Options	Response Percent	Response Count
Yes	80.0%	24
No	20.0%	6
If yes, why and what data specifically would be important to you? Please provide as much detail as possible.		18

Is it important to you to understand the trend in timber products consumption compared with consumption of competing products? (eg timber construction materials vs steel)



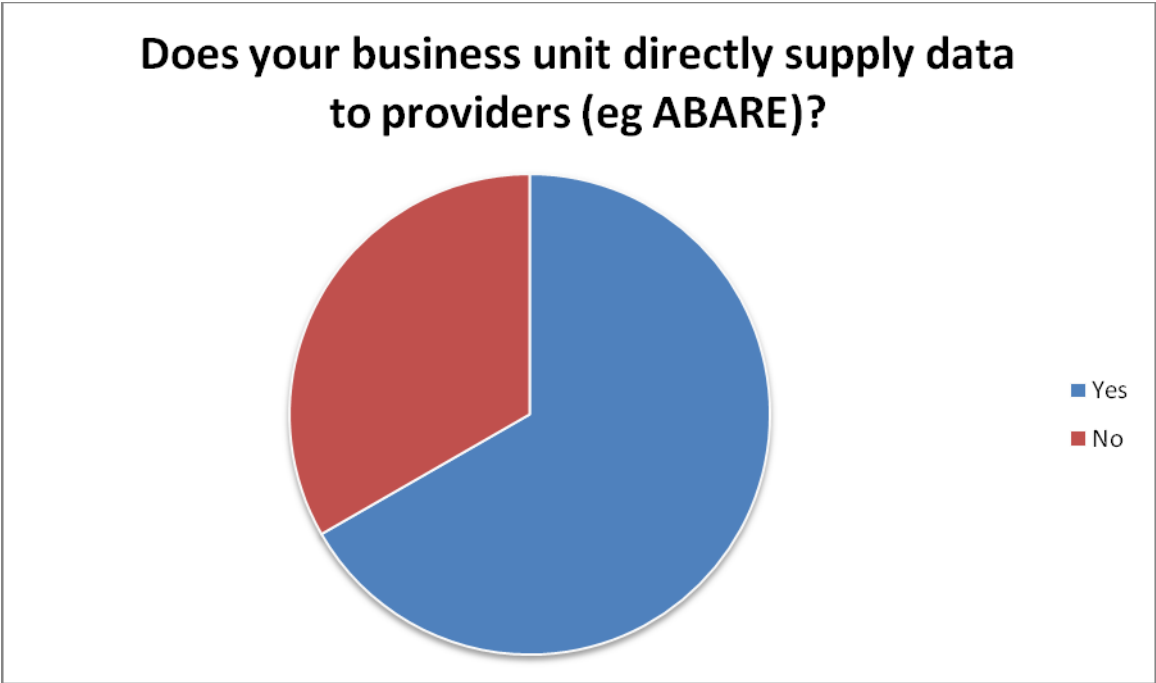
If yes, why and what data specifically would be important to you? Please provide as much detail as possible.

- % growth versus other products market share
- Market Share % of timber framed vs steel framed and masonry (block/cavity brick)
- Only reasonably important - market share doesn't change that rapidly

- Need to understand why the substitution is being made. Is it cost, is it because builders are lazy and steel is easy, is it a green perception(eg thermal). Add same for concrete etc
- Advise to sawmills internally and externally to other customers
- Additional information on Building construction techniques and materials
- Need to understand price versus volume for timber & substitute materials including steel & imported timber Also solid timber price vs volume compared with re-constituted & engineered timber => price driver of products trends
- From time to time - market share of steel framing (we do this by identifying builders using steel, their size, and % used
- data on material replacement provides an understanding of trends within the consumer market (commercial or otherwise)
- Information on broad trends.
- comparison with price trends in competing products
- Timber V Steel
- market share by state in the housing sector.
- Useful to see if the usage rates of our key products are increasing or not.
- Timber usage per new home
- Use of steel vs timber framing; would show potential for increased carbon storage benefits of timber in use
- Providing intelligence to member companies about market and product trends
- Market size data for competing products eg steel, brick provides opportunity to increase timber market share by substitution

Question 9

Does your business unit directly supply data to providers (eg ABARE)?		
Answer Options	Response Percent	Response Count
Yes	66.7%	20
No	33.3%	10



Question 10

If so, please provide your comment on the following:

Report	Is it cost effective ?	How long does it take?	Is it worthwhile?	Do you feel other contributors provide an equal quality of data as you?
A3P Sales Statistics	Yes	2 hours/month	Yes	Yes, when they get around to doing it
ABARE		too long. it is very difficult to get members to submit information on a voluntary basis. Often the information collected is incomplete based on partial response. There are also industry people who fall outside our membership so again the information is incomplete.	no	we are unable to provide quality data as we do not have the resources to collect the information properly/completely, Abare often ask us for our best estimate under these circumstances which makes us doubt the accuracy of their statistics overall.
ABARE	Yes	30 minutes once per annum	Yes	
ABARE	Yes	Very little	Yes	Don't know
ABARE				WE help ABARE as much as we are able, but the statistics we provide are not our own, they are information we have collected from others. This can be difficult and time-consuming.
ABS company data - trends, capex, volumes, profitability etc	no	30 minutes	no	??

ABS Survey of Producer Prices	20 minutes	it is a requirement		yes
ABS Survey of Producer Prices	yes	30 minutes every three months	?	?
Can't remember names - adhoc requests	Yes	1 hour	Guess so	No idea
EWPA	Yes	20 minutes	Yes	Not sure
Forestry Gross Value of Production	1-2 hours			
NFI	no	2 man hours / year	not sure	no
NFI	no	2 man hours / year	not sure	no
Unspecified	yes	a few hours	yes	hope so
Unspecified	reasonably	too long	reasonably	Not all of them
Unspecified	no	limited time as required data is used by our business	yes	probably not
Unspecified	Yes	one hour per month	Yes	Not sure
Unspecified	no real cost	10 minutes	???	unknown
Unspecified	reasonably	too long	reasonably	Not all of them
Unspecified	yes	1 hr	yes	no
Unspecified	yes	a few hours	yes	hope so
Unspecified	reasonably	too long	reasonably	Not all of them
Unspecified	yes	yes	yes	no

Question 11 – open ended responses

- Good to see some consolidated production and market data for the timber industry. Currently see it for some of the products but not all. Useful to see what is happening in building materials, so we can understand how timber products are going in the market - long term strategy impact.
- The ABARE timber stats are unreliable due poor reporting by the mills
- Accuracy of data is critical
- Data related to timber product substitution trends would be helpful intelligence. For example currently there appears to be a trend in wooden windows and door manufacturing for manufacturers to increasingly use imported timber (especially merbau) because suitable Australian-produced timber (especially blackbutt) is increasingly not available in the quality and dimensions required.

ABBREVIATIONS

A3P	Australian Plantation Products and Paper Industry Council
ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
AHLPI	Australian Hardwood Log Price Index
APLPI	Australian Pine Log Price Index
BRS	Bureau of Rural Science
CPI	Consumer Price Index
DAFF	Department of Agriculture Fisheries and Forestry
FWPA	Forest and Wood Products Australia
HIA	Housing Institute Australia
TMS	Timber Market Survey