



# Forest & Wood Products Australia

2011 – 2015

STRATEGIC PLAN

*March 2011*



## **Publication: Forest and Wood Products Australia – Strategic Plan 2011–2015**

© 2011 Forest and Wood Products Australia Limited. All rights reserved.

This work is copyright and protected under the Copyright Act 1968 (Cth). All material except the FWPA logo may be reproduced in whole or in part, provided that it is not sold or used for commercial benefit and its source (Forest and Wood Products Australia Limited) is acknowledged. Reproduction or copying for other purposes, which is strictly reserved only for the owner or licensee of copyright under the Copyright Act, is prohibited without the prior written consent of Forest and Wood Products Australia Limited.

Forest and Wood Products Australia Limited  
Level 4, 10-16 Queen St, Melbourne, VIC 3000  
Phone: 03 99273200 Email: [info@fwpa.com.au](mailto:info@fwpa.com.au)  
Web: [www.fwpa.com.au](http://www.fwpa.com.au)

#

## CHAIRMAN'S INTRODUCTION

---

I am pleased to provide you with an update to the Strategic Plan for Forest and Wood Products Australia Limited (FWPA). This Plan is based on the company's original strategic plan that was developed in 2008 and incorporates updated activities such as education and standards coordination.

FWPA is a public company limited by guarantee. It was formed as a result of changes agreed by the entire Australian forest and wood products industry and the Australian Government. Those changes enable the conduct of important promotion and marketing functions by FWPA, whilst maintaining the highly successful arrangements of the prior organisation (the Forest and Wood Products Research and Development Corporation, FWPRDC), where the Australian Government provides matching funding for investment in research and development (R&D). FWPA values this continued Government support.

FWPA exists for the benefit of Australia's entire forest and wood products industry. Importantly, it also serves the wider community, including government, by being an independent, credible, and professional source of advice on the sustainable development and growth of Australia's forest and wood products industry. FWPA is a not-for-profit company, focused on investing industry and public funds in ways that best advance the industry's prospects.

This Strategic Plan has been developed in consultation with all stakeholders. Its development and structure will provide guidance to FWPA's Board to enable it to fulfil its responsibilities for the industry. The Plan has been framed and prepared to comply with the requirements of the five-year Statutory Funding Agreement made with the Government, which commenced on 3<sup>rd</sup> September 2007.

The Strategic Plan covers a five-year period, and its scope is therefore set at a level high enough to allow the flexibility to adjust Priority Themes on a year-by-year basis, in response to industry's changing needs and our indicators of success. Within this compass, FWPA's day-to-day program delivery is defined and directed by separate Annual Operational Plans. These contain greater detail and specificity than this Strategic Plan, but are framed and informed by the overall Drivers, Strategies and Priority Themes laid out in this document.

This Strategic Plan includes a Corporate Governance Statement, to which the Board is firmly committed.

I commend this Strategic Plan to you. It is my hope that you will read and connect with the Plan as a means of engaging with the work of FWPA as it strives to serve and invest in this important and exciting industry.



Ron Adams  
Chairman

March 2011

## **VISION**

---

To ensure that forest and wood products are the preferred, sustainable material that meets the Australian market needs.

## **MISSION**

---

The vision will be achieved through FWPA investing strategically in R&D, knowledge transfer, education and generic promotion to gain community support and market acceptance for forest and wood products.

## **STRATEGIES**

---

1. Promote the benefits and usage of forest and wood products, in accord with changing community attitudes, environmental awareness, and market trends (“Generic Industry Promotion”)
2. Invest in and coordinate 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 (“R&D Investments”)
3. Grow the industry’s capacity and capability through effective technical transfer and focused education activities that support the industry and its products (“Technical Transfer and Education”)
4. To coordinate the industry’s management of consensus-based standards and building codes to maintain or improve market acceptance of the industry’s products (“Standards”)

The Strategies and their interrelation with this Strategic Plan are discussed on page 12.

# THE PLAN

---

CHAIRMAN'S INTRODUCTION.....	3
VISION .....	4
MISSION .....	4
STRATEGIES .....	4
THE PLAN.....	5
THE INDUSTRY.....	6
The industry's current value contributions.....	7
All Australians benefit from the industry.....	8
Stakeholders and beneficiaries.....	9
ATTAINING THE VISION.....	10
Drivers.....	10
Community trust and support .....	10
Product usage .....	10
Climate change.....	10
Competitiveness .....	11
Sustainability.....	11
Investment .....	11
Industry capability.....	11
Strategies and priority themes .....	12
Strategic analysis of FWPA and its operating environment.....	14
Strategy 1 .....	16
Strategy 2 .....	17
Strategy 3 .....	18
Strategy 4.....	19
INVESTMENT PRIORITIES .....	20
HOW THIS PLAN WORKS.....	21
Delivering on the Plan.....	22
Communicating the Plan and its outputs .....	23
Process of generic promotion.....	23
Meeting national and rural research priorities.....	24
Assumptions.....	25
FWPA revenue .....	25
Government agreement .....	26
CORPORATE GOVERNANCE STATEMENT.....	27

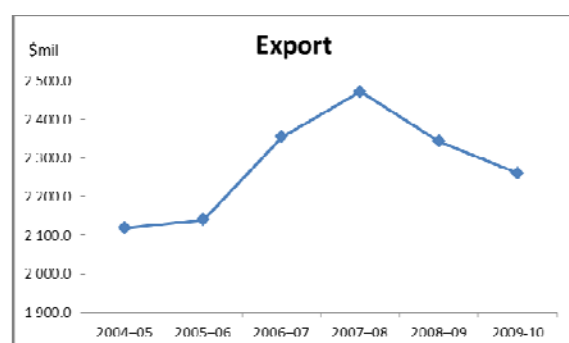
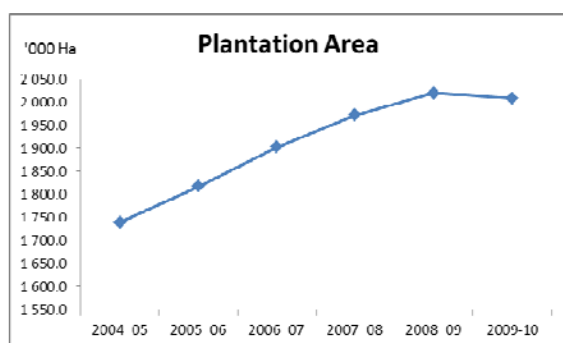
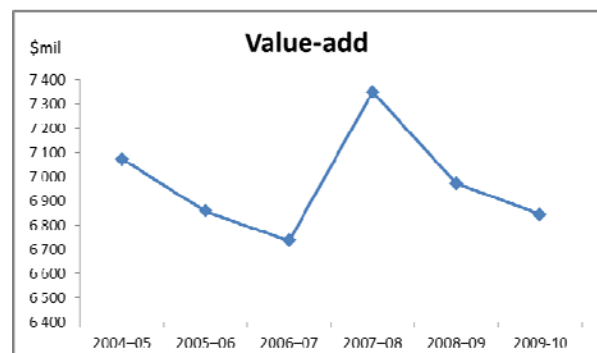
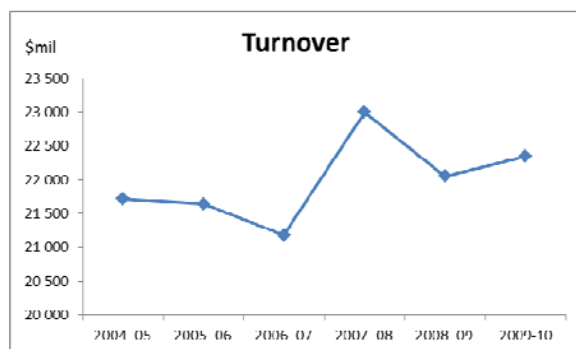
## THE INDUSTRY

Forests provide society with a diversity of products and environmental services. The management of native forests and plantations for the production of materials for human use, while protecting environmental values, is central to the development of a truly sustainable society.

Wood is an easily worked, versatile, environmentally friendly and aesthetically pleasing material with a very diverse range of end uses. It has been described as a ‘natural plastic’, the ‘concrete of the 21st century’, and the new biofuel.

In the next decade and beyond, the forest and wood products sector, which grows, harvests, processes, imports and markets wood and wood-fibre products, has the potential to increase its already substantial contribution to Australia’s economy and environmental sustainability. The sector also has opportunities to develop new tree crops for carbon sequestration, energy, and other products.

The industry makes a significant contribution to the Australian economy. The charts below show its relatively stable performance of the sector over the last six years.



Source: ABARES Australian Forest and Wood Products Statistics 2011

## The industry's current value contributions

Industry turnover	\$22 billion/year
Direct employment	87 000 people
Contribution to Gross Domestic Product	\$8 billion
Proportion of Gross Domestic Product	0.6%
Proportion of manufacturing industry	7%
Trade	
▪ Export earning	\$2.5 billion per year
▪ Import cost	\$4.4 billion per year
▪ Trade deficit	\$1.9 billion per year
Australia's forests	
▪ Natural forests (total)	147 million hectares
▫ Multiple use forests, including wood production	9.4 million hectares
▪ Plantations	1.7 million hectares
▫ Softwood	1.02 million hectares
▫ Hardwood	0.97 million hectares
Annual harvest volume	25.6 million cubic metres
Estimated carbon stock in forests	10.5 billion tonnes
Estimated net annual carbon sequestration (measured in 2004)	43.7 million tonnes CO <sub>2</sub> -e

### Sources:

1. Source: ABARES Australian Forest and Wood Products Statistics 2011
2. Forests, Wood and Australia's Carbon Balance, FWPA

## All Australians benefit from the industry

The forest and wood products industry's value chain is extensive and broad, ranging from the forests with their inherent environmental services through to wood processing, product development, consumer use, reuse, recycling and disposal.

The diverse range of properties of forest and wood products enable them to be used in a huge array of product types and applications, and to provide a range of functions.

This means that the industry affects all Australians, whether they are conscious of it or not.



Picture sources:

Australia's Plantations 2006, <http://affashop.gov.au/product.asp?prodid=13551>

Australian Forest Profile – Plantation Forests 2005, <http://affashop.gov.au/product.asp?prodid=13189>

Timber.org.au, [www.timber.org.au/NTEP/menu.asp?id=146](http://www.timber.org.au/NTEP/menu.asp?id=146)

## Stakeholders and beneficiaries

All Australians benefit from the forest and wood products industry. The roles of stakeholders and beneficiaries from FWPA's activities are shown below.

Invest	Lead	Manage	Collaborate	Benefit
Growers, processors and importers  Australian Government  Project co- contributors	FWPA directors  Industry advisory groups	FWPA managing director and staff  Project delivery teams	Research institutions (Australian and international)  Industry associations and non-government organisations  Governments	Consumers  Businesses: the industry, employees and suppliers  Communities and Government

# ATTAINING THE VISION

---

FWPA has identified seven drivers that will most influence the future success of the industry. FWPA's Strategies respond to these Drivers, and direct the Priority Themes, to attain the Vision.



## Drivers

### Community trust and support

Australia's demographics are continuing to shift concurrently in two directions, creating a knowledge gap between the industry and sections of the community. City-based populations are growing faster than regional ones, while many rural communities' values are changing in response to lifestyle and economic swings. Commercial forestry will continue to require access to both forested and non-forested land in many regions for the industry's expansion, enabling it to supply community demand for products. Balancing competing demands and understanding community attitudes regarding the place of forestry in Australia's landscape – whether plantation-based or natural – will continue to require industry and community engagement. This will extend along the value chain to community views on the utilisation of forest products and services. Community trust and support for sustainable management of forests and use of wood products is a key driver for FWPA agenda.

### Product usage

To be successful, the Australian forest and wood products industry will increasingly need to comprehend a new mix of factors that determine market preference for materials and their application. Many of the factors affecting traditional markets, such as housing, are extrinsic, for example: regulation, life-cycle performance, development density, protection, and affordability. Others depend upon intrinsic design, reuse and recyclability, reliability, utility and quality. Consumer demand for forest and wood products will remain strong provided the industry stays abreast of these trends. To do so, the industry will need timely assessment, analysis and dissemination of market and product information, matched by effective engagement with regulators, standards bodies, specifiers, designers, and product innovators. FWPA has a key role in managing these factors to the industry's profit and the nation's benefit.

### Climate change

Climate change will have profound implications and create opportunities for Australia's forest and wood products industry. It resonates along the entire product chain, from genetics and ecology to end-of-product life. Every facet of forestry, transport, manufacturing, marketing and end-use application will be impacted by climate change itself and by emerging policies and regulations. It

encompasses key issues such as water, carbon sequestration and storage, energy and fuel sources, bushfire and biosecurity. FWPA's activity is informed by, and responds to, this driver.

## **Competitiveness**

The industry must compete in an increasingly broad and diverse marketplace, due to a number of issues, including reducing trade barriers, asset consolidation, economies of scale, terms of trade and alternative materials. There is growing competition for raw materials and other inputs such as water, land and energy. There is also a shift to new and alternative products and services. Within this business environment, Australia's forest and wood products industry must continue to deliver value for money for its customers, including new or unique products and services, while maintaining an internationally competitive cost structure in relation to alternative materials. FWPA's actions are directed at meeting this competitiveness challenge.

## **Sustainability**

Society increasingly demands that its goods and services are provided from demonstrably environmentally sustainable sources. Within this context, the industry must be able to balance its inputs and product supply to meet market demands. Increasing forest resource flows are required to meet the economies of scale demanded by the modern market and population growth. The industry needs to continually demonstrate its sustainable management of ecological assets and processes, water, chemicals and energy, and the protection of forests from fire and other hazards. Customers are also seeking more certainty on the provenance of the goods they buy, with increasing preference for evidence of sustainability, legality, utility and re-usability. Independent certification of sustainable forest management and supply chain custody can assist in providing this certainty. FWPA's strategies are directed at assisting in the sustainability of Australian forest resources, and the wider industry's activities, to address these imperatives.

## **Investment**

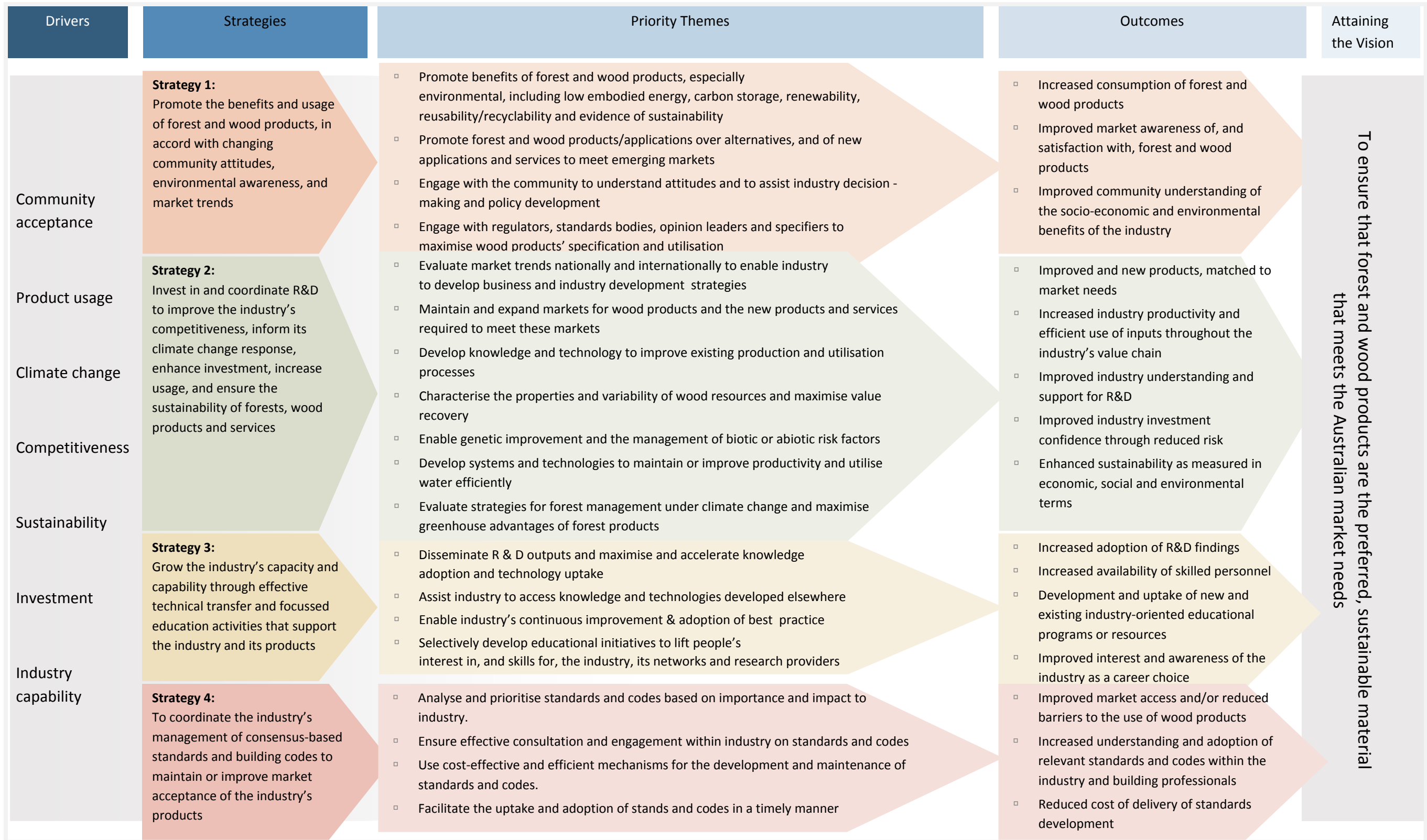
Private and institutional financing models are creating new structures and opportunities for investment in industry, natural resources and infrastructure. In the forest and wood products industry, traditional modes of funding, including a significant government role, will not deliver all investment required by Australia's industry for its growth in resource development, manufacturing and infrastructure. By attracting and harnessing new sources and means of funding, the industry can competitively supply the expanding markets for its products. FWPA's Priority Themes recognise the changing investment environment and its significance for the industry.

## **Industry capability**

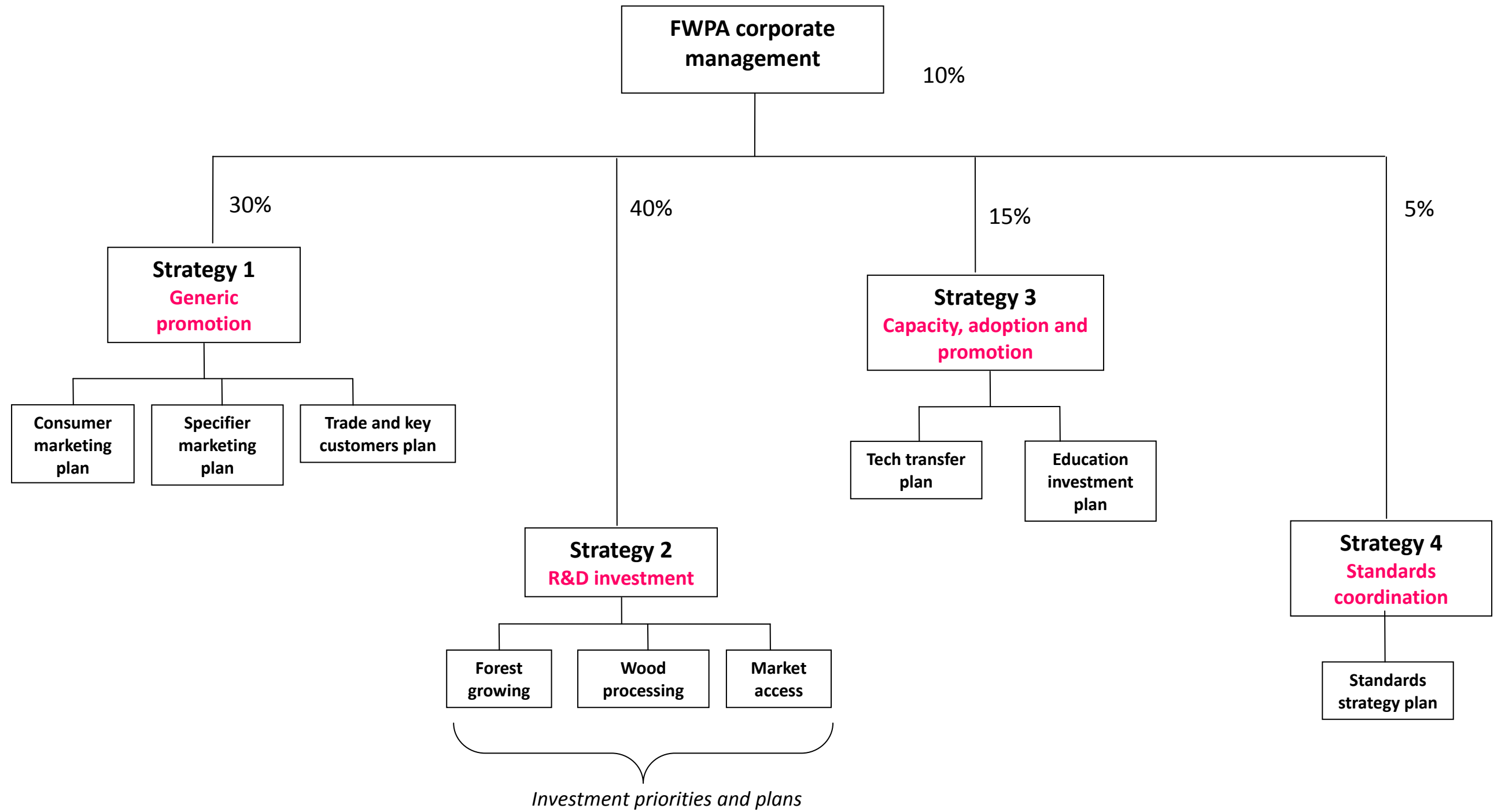
For an industry to be successful, it must be able to overcome its capability constraints in the context of an increasingly mobile workforce, competition for high quality personnel, and evolving expectations of a modern workplace. The forest and wood products industry will therefore need to embrace more fully a culture of innovation, including knowledge generation and adoption, technical transfer, skill development, continuous improvement, and international best practice, in a consistent, continuous and sustained manner. FWPA will play a key role in improving technical transfer and education resources but appropriate investment will need to be committed by the whole industry to bring it about.

## Strategies and priority themes

Four Strategies ensure the Drivers of the industry and FWPA are addressed in its Priority Themes. Attaining the Vision is the impetus behind all activities.



Programs and resource allocation



## Strategic analysis of FWPA and its operating environment

STRENGTHS	New / Omitted	Importance (A/B/C)
<ul style="list-style-type: none"> <li>Strong financial position, consistent/predictable revenue stream and confidence to make long term commitments</li> <li>Good corporate governance</li> <li>Relationships – industry/Govt</li> <li>Good relationship between Board/management</li> <li>AGs capacity to set priorities</li> <li>Co-investment and leverage factors/public/private</li> <li>Whole of industry approach (except pulp and paper)</li> <li>Low overheads</li> <li>Capacity/capability to disseminate information/manage knowledge base</li> <li>Return on investment – triple bottom line focus</li> <li>Industry support for services (promotion/stds/ed)</li> <li>Lead role in R, D &amp; E strategy for forest industry</li> </ul>	A	A A B B A B B C C C B

WEAKNESSES	New / Omitted	Importance (A/B/C)
<ul style="list-style-type: none"> <li>Ability to look at big picture issues (meeting short term and dealing with strategic issues - bringing levy payers along on strategic issues)</li> <li>Short term focus pressure/fragmentation</li> <li>Communication with geographically dispersed business entities of variable size and capacity.</li> <li>Resources needed to meeting statutory and other compliance requirements</li> <li>Time taken to finalise R &amp; D investment plans</li> <li>Inability to fund big picture issues</li> </ul>	A	A B B C A

OPPORTUNITIES	New / Omitted	Rank (H/M/L)	Prob (H/M/L)
<ul style="list-style-type: none"> <li>Potential to increased levy revenue (0.2% to 0.5%GVP)</li> <li>Increasing plantation volumes (wood chips) increasing revenue in short term</li> <li>Greater adoption and use of research outputs</li> <li>Increasing linkages between researchers and industry</li> <li>Better engagement with CEOs</li> <li>Developing/attractiveness of cooperative partnerships (incl CRC concept &amp; Int'l).</li> <li>Engagement with key stakeholders and industry associations</li> </ul>	H	M M M M M H	L H M M L H

THREATS	New / Omitted	Rank (H/M/L)	Prob (H/M/L)
<ul style="list-style-type: none"> <li>Capacity/capability of research providers (declining)</li> <li>Statutory funding agreement expires 2012</li> <li>Skills base in industry/demographics</li> <li>Changing Govt policy for R&amp;D support including changes to industry policy (public/private benefits)</li> <li>Reduction in forest plantation estate with demise of MIS</li> <li>Low industry returns (financial)</li> <li>Lack of appreciation of R&amp;D and innovation in industry</li> <li>Industry rationalisation/internationalisation</li> <li>Non state power/ENGOS/portrayal of industry</li> <li>Quality/content of dialogue between industry/researchers (impoverished dialogue - \$ driver vs. ideas)</li> <li>No growth in productivity of forest resources and processing</li> <li>Diminishing human capacity in the sector</li> <li>Increased private ownership of the plantations reduces R&amp;D expenditure in the sector</li> <li>Lack of capacity within associations to effectively lobby key issues</li> </ul>	H	H H M M M M M M M L H H H H	H H M H H H M L L H H H H H

## Measures of success

Overall organisation	Strategy 1	Strategy 2	Strategy 3	Strategy 4
<ol style="list-style-type: none"> <li>1. Superior corporate governance as measured by compliance with all legal, constitutional, contractual obligations as assessed by internal and external audits and the periodic independent review as required under the Statutory Funding Agreement.</li> <li>2. Positive stakeholder relationships as measured by number of company members, regular liaison with the Government and the number and/or quality of applicants that apply to be company directors and members of company advisory groups.</li> <li>3. A corporate culture focused on continuous improvement and alignment with stakeholder needs as measured by formal and informal stakeholder feedback.</li> <li>4. Robust systems with appropriate disaster recovery mechanisms as measured via the risk management plan and internal audit reviews.</li> <li>5. Timely and cost effective implementation of the 5-year strategy plan, annual operating plans and investment plans.</li> </ol>	<ol style="list-style-type: none"> <li>1. Increased consumer awareness of advertising and/or brand awareness and improved perceptions of wood as environmentally positive and suitable material as measured through periodic consumer tracking surveys.</li> <li>2. Increased building specifier awareness of activities and improved perceptions of wood as environmentally positive and suitable material as measured through website tracking and periodic opinion surveys.</li> <li>3. Increased industry support of generic promotion activities as measured through participation in the partner program (and use of logos and materials) and promotional activities, periodic opinion surveys and invitations to present the program at industry events.</li> <li>4. Delivery of promotional activities in accordance with the AOP, marketing plans and budget.</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase in the acceptance and accuracy of periodic benefit-cost analyses (BCA) by industry and government stakeholders and BCA ratios equal or better than other comparable R&amp;D investors.</li> <li>2. Industry and researcher engagement with FWPA's R&amp;D investment priorities and plans as measured by level of consultation, web downloads, and reduced number of ad hoc research requests.</li> <li>3. Industry and Government awareness of iconic or "hero" R&amp;D projects as measured via periodic opinion surveys.</li> <li>4. The amount of additional industry or Government R&amp;D funding (non-levy and matching) that is invested or co-invested utilising FWPA's systems.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participation in FWPA tech transfer activities as measured by attendees, subscribers and web downloads.</li> <li>2. Industry and Government support of education activities as measured by participation in programs, formal consultation and ad hoc surveys.</li> <li>3. Uptake of education program activities by the target user group as measured by number of applicants, web downloads, and requested materials and/or presentations.</li> </ol>	<ol style="list-style-type: none"> <li>1. Participation in FWPA standards activities as measured by the number of applicants to the advisory group and on the communications network.</li> <li>2. A reduction in the number of standards and codes that impact on the industry.</li> <li>3. The amount of support (or lack of dissent) on proposed changes to standards and building codes.</li> <li>4. Uptake of standards as measured by attendees at training sessions or downloads of revised standards.</li> </ol>

**Strategy 1:** Promote the benefits and usage of forest and wood products, in accord with changing community attitudes, environmental awareness, and market trends

**Inputs**

- Investment, comprising approximately 30% of FWPA's investment budget
- Domestic and international experience with promotional activities
- Verifiable facts about the industry and its products
- Existing and continually updated information on community attitudes consumer preference and markets

**Outputs**

- Structured promotion campaigns
- Assessment reports of customer needs and market trends
- Concise value proposition of forest and wood products for key audiences
- Trend analysis of community attitudes
- Engagement with and informing for affecting carbon and other environmental policy

**Outtakes**

- Forest and wood products are sustainable and desirable materials
- FWPA is an innovative and cost-effective promoter of the industry and its products

**Connections**

- Linkage with the results of R&D programs, especially related to environmental benefits, comparative advantages and new products
- Collaboration with other industry, association, sector or other promotion activities

**Responsibilities**

Promotion management and contracted Service Providers, consistent with Board direction and the input from relevant Industry Advisory Groups

**Timeframe**

Continuous throughout the 5-year period, as Priority Themes feed external promotional needs, with a greater investment in the developmental/establishment phase

**Outcomes**

- Increased consumption of forest and wood products
- Improved community and market awareness of, and satisfaction with, forest and wood products
- Improved community understanding of the socio-economic and environmental benefits of the industry

**Strategy 2:** Invest in and co-ordinate R&D 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

**Inputs**

- Investment, comprising approximately 40% of FWPA's investment budget
- National and rural research priorities and other Government priorities as required
- Existing body of R&D results and implementation experience
- Existing contracted R&D projects and partnerships
- Skilled and capable research community

**Outputs**

- Investment plans for each of the R&D priorities
- Research outputs that align to the objectives of the investment plans and can be easily used by all stakeholders
- Research providers that understand the industry and its needs
- Clear management of intellectual property

**Outtakes**

- R&D investment is important to the future of the industry
- FWPA is a strategic and effective investor in R&D for industry and the Government

**Connections**

- Linkages with all other Strategies to support promotion and knowledge adoption
- Collaboration and partnership with research providers, and other relevant organisations (including industry service bodies and Rural R&D Corporations) to explore and leverage opportunities

**Responsibilities**

R & D program management and project and partnership development, consistent with Board and Government priorities and Advisory Group advice

**Timeframe**

Throughout the five-year strategic planning period

**Outcomes**

- Improved and new products matched to market needs
- Increased industry productivity and competitiveness
- Improved industry investment confidence through reduced risk
- Improved industry understanding and support for R&D
- Enhanced sustainability as measured in economic, social and environmental

### **Strategy 3: Grow the industry's capacity and capability through effective technical transfer and focussed education activities that support the industry and its products**

#### **Inputs**

- Investment, comprising approximately 15% of FWPA's investment budget, to include existing targeted funds for post-graduate and fellowship programs
- Analyses of the industry's professional skills resources
- Outputs from R&D investment plans
- Information on best practice for knowledge dissemination and adoption

#### **Outputs**

- Gap analyses, reports and databases on professional skills and capabilities
- Targeted educational and development programs that focus on the industry and its products
- Expanded knowledge base and ability to access professional human resources
- Easy access to R&D findings via website, publications, seminars and conference presentations

#### **Outtakes**

- Education and technology transfer creates value for all stakeholders
- FWPA's education and technology transfer activities are accessible and well-targeted to audience needs

#### **Connections**

- Linkage with Strategy 2 to maximise the application of R&D outputs
- Linkage with Strategy 1 to inform promotion activities
- Collaboration with industry education and training organisations and knowledge dissemination and adoption initiatives

#### **Responsibilities**

Management of knowledge synthesis and dissemination, educational resources and capability development, consistent with Board priorities and Advisory Group advice

#### **Timeframe**

New investment at the beginning of the Plan period to strengthen FWPA's capacity in this strategic objective

#### **Outcomes**

- Increased adoption of R&D findings
- Increased availability of skilled personnel
- Development and uptake of new and existing industry-oriented educational programs or resources
- Improved interest and awareness of the industry as a career choice

**Strategy 4:** To coordinate the Industry's management of consensus-based standards and building codes to maintain or improve market acceptance of the industry's products

**Inputs**

- Investment, comprising approximately 5% of FWPA's investment budget
- Prior industry experience with building codes and standards
- Consultation within industry and with similar organisations involved in building codes and standards

**Outputs**

- Identification and analysis of the industry's priorities for building codes and standards
- Regular communication with industry about the key standards and building codes and their impact on market access
- Effective and efficient management of the standards development process, including the adoption of alternative development pathways
- Training resources for the key standards and codes with industry and building specifiers.

**Outtakes**

- Effective management of building codes and standards are critical to maintain or improve market access
- FWPA is a knowledgeable, efficient and cost effective coordinator

**Connections**

- Linkage with and input from other Strategies to identify needs and opportunities
- Other industry organisations that work in the development of building codes and standards

**Responsibilities**

Delivery of the standards development plan consistent with Board direction and advice from all Advisory Groups

**Timeframe**

Relatively small investment over the term of the Plan

**Outcomes**

- Improved market access and/or reduced barriers to the use of wood products
- Increased understanding and adoption of relevant standards and codes within the industry and building professionals
- Reduced cost of delivery of standards development

## INVESTMENT PRIORITIES

---

The FWPA will ensure its investments in projects and promotional activities align with industry's short and longer term objectives and Government priorities consistent with its Mission and funding agreements.

This will be achieved by ensuring investment in a portfolio of projects that address the FWPA priority themes within each of the four strategies identified in this Strategic Plan.

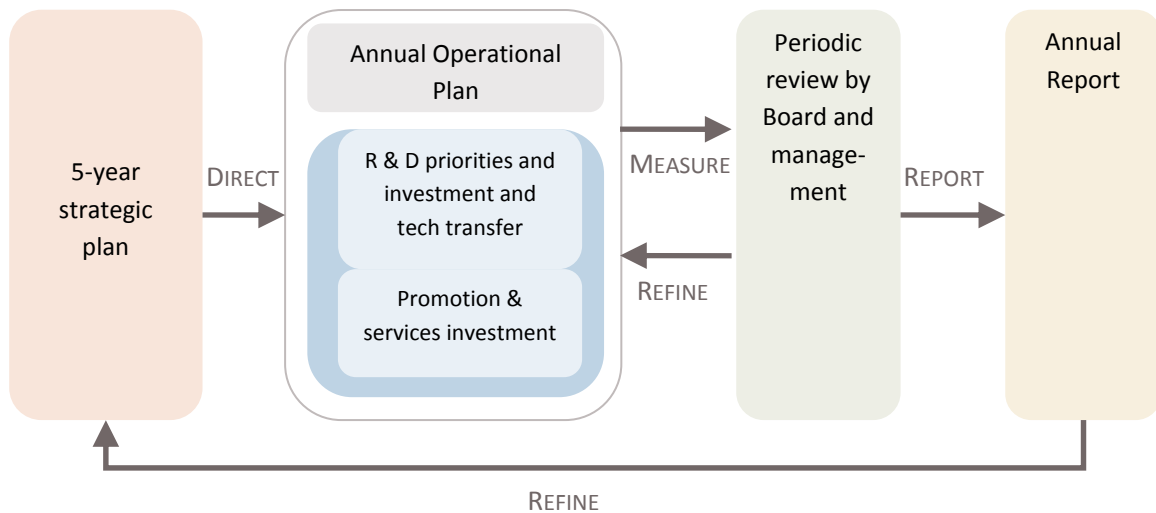
The funding allocation for investment in projects addressing the FWPA priority themes will be adjusted annually to reflect shifts in industry's and Government's priorities, policies and opportunities.

Investment decisions regarding specific projects and activities will:

- address FWPA's priority themes
- be informed by the advice and recommendations of relevant industry advisory groups
- welcome and encourage input on priorities from industry's executives, technical and representative bodies
- recognise levy payer contributions and interests
- meet the minimum investment obligations on R&D projects required under FWPA's agreement with the Australian Government.

## HOW THIS PLAN WORKS

The Strategic Plan sets out why FWPA exists, what it aims to achieve, and how it will do so. It is cast at a strategic, five-year level, and directs the annual planning, report and review process.



This Strategic Plan provides direction for substituent Annual Operational Plans (AOP) which will set annual priorities and expenditure and income budgets

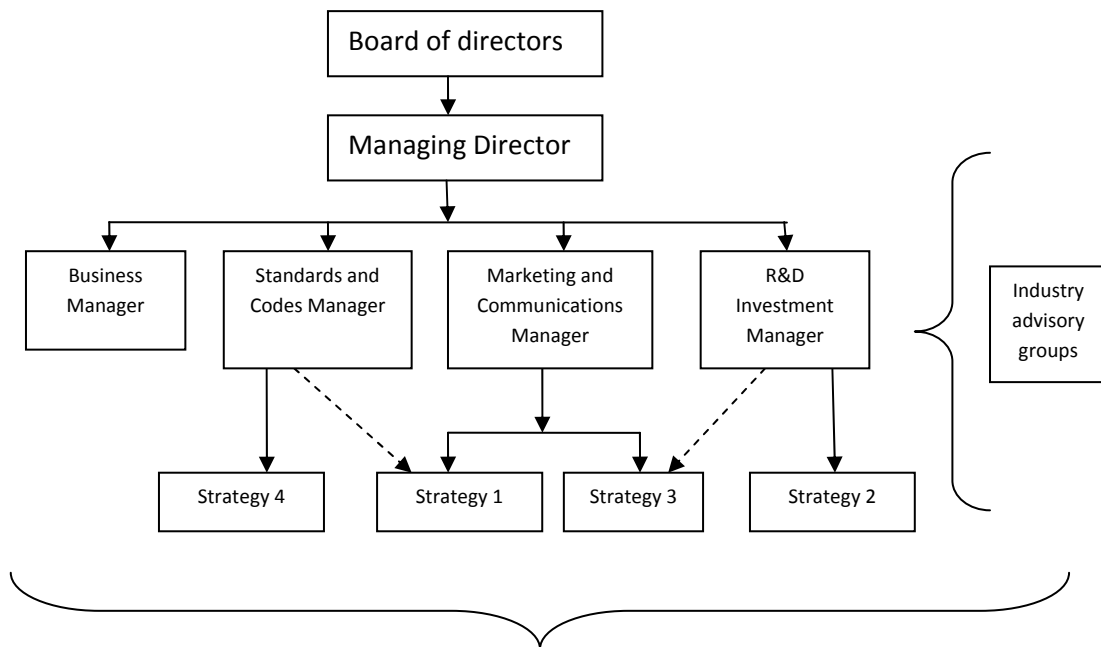
The AOP is periodically reviewed by the Board and management who are also responsible for providing the FWPA Annual Report. The Strategic Plan will be reviewed as part of each year's planning process.

## Delivering on the Plan

FWPA is structured to most efficiently deliver this Plan and thereby attain its Vision. Strong links with the industry are essential, and are achieved through representation on the Board and Industry Advisory Groups. This ensures that Priority Themes benefit all parts of the industry.

Because of the crucial role of Government in the Plan, Government liaison will be a regular activity to manage statutory compliance requirements and communication to ensure FWPA's R&D activities align with Government priorities.

The structure of FWPA is directly defined by the mission and strategy of the organisation and is shown below.



*Outputs, Outtakes and Outcomes from  
FWPA activities*

## Communicating the Plan and its outputs

FWPA is committed to ensuring effective communication with all stakeholders as an essential prerequisite for the success of this Strategic Plan, and structured targeted communication activities will support all strategies.

Existing channels of communication will be utilised wherever possible to secure FWPA's natural positioning within the industry it serves, with Government and with service providers.

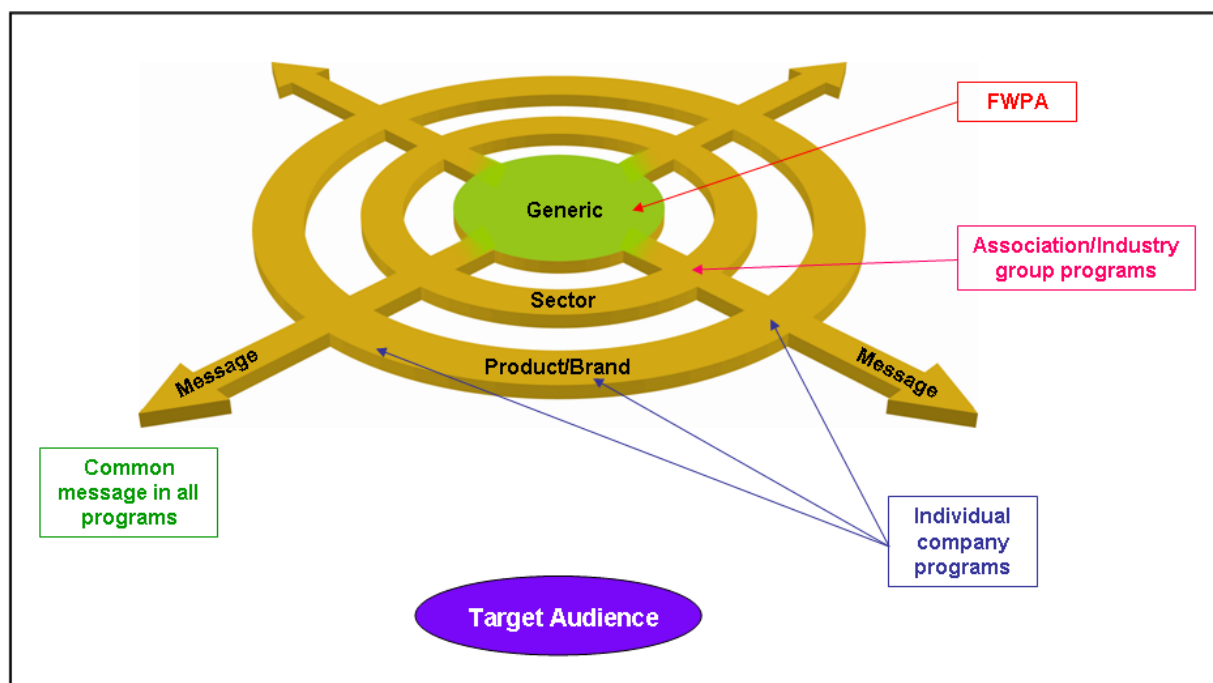
Beyond these immediate stakeholders, FWPA will ensure there is timely and accessible information flow between it and the wider community, the market and linked industry groups.

## Process of generic promotion

An agreed industry initiative for FWPA, additional to the role of the previous Forest & Wood Products Research & Development Corporation, is to promote in a generic manner the benefits of forest and wood products and the broader industry.

The focus will be on promotion of general benefits and attributes of forests, wood products and the industry, rather than any specific products, applications, brands or companies.

FWPA's promotional role in relation to sector and company activity is shown in the following diagram.



Source: Modified from "A Proposal to establish a New Entity to deliver Marketing & Promotion and Research & Development to the Australian Forest and Wood Products Industry", Forest & Wood Products Research & Development Corporation, March 2006.

## Meeting national and rural research priorities

This Plan is consistent with the Government’s guidelines for implementing national research priorities. It is:

- **Flexible, collaborative and coordinated:** adopts a flexible approach to explore innovative ways to increase scale of effort in priority areas through enhanced collaboration and coordination mechanisms
- **Output and outcomes focused:** focuses on *what* is to be achieved, with high level guidance on *how* it is to be achieved
- **Based upon its mandate from industry and Government:** seeks to understand, work with and respond to the needs of the Australian forest and wood products industry
- **Efficient and transparent:** promotes efficiency and transparency, seeking to utilise existing structures, planning processes and reporting arrangements, where appropriate

National Research Priority	Rural Research Priority	FWPA Strategy
<b>An environmentally sustainable Australia</b>	Natural resource management	Invest in and coordinate R&D 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
	Climate variability and climate change	
<b>Safeguarding Australia</b>	Biosecurity	
<b>Frontier technologies for building and transforming Australian industries</b>		Grow the industry’s capacity and capability, in knowledge generation and adoption, and promotion, to facilitate expansion
		Increase FWPA’s capacity and scope to provide services for the industry’s benefit
<b>Promoting and maintaining good health</b>	Productivity and adding value	Promote the benefits and usage of forest and wood products, in accord with changing community attitudes, environmental awareness, and market trends
	Supply chain and markets	

## Assumptions

The Plan is founded upon two key assumptions which will underpin FWPA's operations: levy funding from the industry with matching Australian Government support for R&D investment; and a Statutory Funding Agreement with the Government.

## FWPA revenue

FWPA's revenue arises from a levy contribution from industry and a co-contribution from the Australian Government.

The industry's financial contribution is a fixed levy rate\* based on each company's volume of activity for each of the industry sectors. The Government's contribution matches industry's levy contributions where these are invested specifically in R&D activity, up to a maximum of 0.5% of the industry's gross value of production.

The industry levy rate assumed in this plan is shown below.

*Levy rates applicable to categories of levy payers	\$/m <sup>3</sup>
Other softwood sawlogs (other than cypress sawlogs)	0.290
Low grade softwood log	0.080
Softwood round-wood Log	0.080
Hardwood sawlogs	0.290
Export woodchip pulp log	0.035
Wood panels pulp logs	0.100
Plywood and veneer logs	0.150
Cypress sawlogs	0.220
Imported timber products	0.725
Paper pulp logs	0.000
Softwood woodchip pulp logs	0.000
Growers	0.050

A recent forecast of levy income for the period 2010/11 through 2016/17 was undertaken by URS, which is shown below:

**VOLUMES**

Levy category	Levy rate (\$/m <sup>3</sup> )	FWPA derived volume ('000 m <sup>3</sup> )			Estimated volume ('000 m <sup>3</sup> )						
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Cypress	0.22	200	191	105	165	165	165	165	165	165	165
Woodchip	0.035	7,943	8,600	6,143	7,562	8,494	8,911	10,661	12,761	10,915	10,752
Hardwood	0.29	2,100	2,100	1,821	2,007	2,042	2,076	2,076	2,076	2,151	2,151
Ply and veneer	0.15	573	560	427	520	624	624	624	624	737	737
Softwood sawlog	0.29	7,217	6,324	6,555	6,699	6,756	6,983	6,983	6,987	7,096	7,096
Wood panel	0.1	1,070	980	880	977	977	999	999	999	1,105	1,105
Softwood low grade/roundwood	0.08	1,875	1,688	1,575	1,713	1,692	1,409	1,409	1,441	1,362	1,362
Grower levy	0.05	4,900	11,480	10,240	9,821	10,375	10,584	11,459	12,527	11,766	11,684
Voluntary grower levy	0.05	10,320	13,400	13,220	9,821	10,375	10,584	11,459	12,527	11,766	11,684
Importer charge	0.725	1,388	970	1,313	1,388	1,359	1,412	1,431	1,447	1,479	1,504
<b>TOTAL</b>		<b>37,586</b>	<b>46,292</b>	<b>42,278</b>	<b>40,672</b>	<b>42,859</b>	<b>43,748</b>	<b>47,267</b>	<b>51,554</b>	<b>48,544</b>	<b>48,241</b>

**LEVY REVENUE**

Levy category	Levy rate (\$/m <sup>3</sup> )	FWPA actual value (\$'000)			Estimated value (\$'000)						
		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Cypress	0.22	44	42	23	36	36	36	36	36	36	36
Woodchip	0.035	278	301	215	265	297	312	373	447	382	376
Hardwood	0.29	609	609	528	582	592	602	602	602	624	624
Ply & Veneer	0.15	86	84	64	78	94	94	94	94	111	111
Softwood sawlog	0.29	2,093	1,834	1,901	1,943	1,959	2,025	2,025	2,026	2,058	2,058
Wood panel	0.1	107	98	88	98	98	100	100	100	111	111
Softwood low grade/roundwood	0.08	150	135	126	137	135	113	113	115	109	109
Grower levy	0.05	245	574	512	491	519	529	573	626	588	584
Voluntary grower levy	0.05	516	670	661	491	519	529	573	626	588	584
Importer charge	0.725	1,006	703	952	1,006	985	1,024	1,037	1,049	1,072	1,090
<b>TOTAL</b>		<b>5,134</b>	<b>5,050</b>	<b>5,070</b>	<b>5,126</b>	<b>5,234</b>	<b>5,364</b>	<b>5,526</b>	<b>5,722</b>	<b>5,679</b>	<b>5,683</b>

At present, due to its current cash position, and in response to member and stakeholder endorsed priorities FWPA is currently resourcing its activities at levels substantially greater (\$2.5 – 3.0 Million) than annual levy income and Government matching contributions. Current forecasts are that FWPA will reduce its cash position to slightly above its prudential limit by the end of 2012/13. Consequently during industry consultations leading to the renegotiation of the FWPA Statutory Funding Agreement (SFA) with the Australian Government in early 2012, a number of business cases will be developed for review by members and levy payers to prioritise FWPA programs for ongoing support and to agree on levy rates required to sustain these initiatives.

## Government agreement

FWPA was established in accordance with Australian Government legislation and support, including the SFA. This Strategic Plan was developed within this framework. The current 5-year SFA is due to expire in September 2012 and an independent review of FWPA's performance must be completed by March 2012.

The Australian Government is in the process of developing standardised clauses for future SFAs. At this stage, it is not anticipated that any future amended SFA would significantly change FWPA's current strategies and operations. However, this will be reviewed once the draft future SFA has been negotiated.

# CORPORATE GOVERNANCE STATEMENT

---

FWPA's formation, activities, reporting and operational protocols are governed by the Corporations Act 2001, the FWPA Constitution, the Statutory Funding Agreement and associated legislation that enabled FWPA to be declared the industry services body for the forest and wood products industry. These provide FWPA's over-arching corporate governance requirements.

FWPA's governance systems are designed to ensure the disciplined, transparent and efficient operation of FWPA and its finances. They aim to protect and steward the committed assets of the industry and of government, including reputation. They seek to instill an overall culture and operating environment of continuous improvement where the industry and the community will receive the optimum return on the investment of the funds utilised under FWPA direction.

FWPA will be proactive in identifying the priorities of all stakeholders, particularly industry and government.

FWPA's Board comprises between five and nine Directors, including the Managing Director, at least two of which are Independent Directors.

In fulfilling its governance role, the Board takes advice from a range of suitably-qualified sources, including Industry Advisory Groups.

The Board's governance responsibilities include:

- establishing FWPA's vision, goals and strategic direction
- commissioning the preparation of, and approving, a five-year Strategic Plan (this Plan), Annual Operational Plans, Investment Plans and Annual Reports
- ensuring the appropriate allocation of resources to strategies and priorities
- formulating and promulgating policies for the efficient operation of FWPA
- implementing business risk, and fraud management and intellectual property policies and frameworks
- overseeing audit procedures (internal and external)
- monitoring, assessing and reporting on FWPA's performance, including that of its staff and the Board.

Although independent of the Australian Government, FWPA recognises the crucial role of government in providing public resources, advice on priorities, access to Service Providers, and the benefits of a wider community view to inform FWPA's operations.

# GLOSSARY

Term	Definition
Annual Operational Plan	A written plan developed and adopted prior to 1 July each year setting out, <i>inter alia</i> , the intended operations of FWPA for the next financial year <sup>1</sup>
Community	A section of society which interacts and shares common views
Drivers	Specific external influencers which will most impact on and determine the future success of the industry, and which inform FWPA's Strategies
Innovation	Creating value through doing something in a novel way. This involves the elements of knowledge origination or adaption, knowledge diffusion and absorption and knowledge application <sup>2</sup>
Industry	The Australian forest and wood products industry, being the industry concerned with growing, harvesting, processing, importing, exporting and marketing wood, wood fibre and products made from wood or wood fibre <sup>3</sup>
Industry Advisory Group	Reference and advisory bodies comprising industry professionals
Industry Services Provision	Permitted activities that provide a benefit for the industry, including collection of information, the balanced analysis of that information in the context of the Australian forest and wood products industry environment; communication of information, and collaborating with government for the improvement of the productivity or the performance of the industry <sup>4</sup>
Promotion and services (Promotion)	Activities intended to promote and encourage consumer choice of forest and wood products to the benefit of the Industry <sup>5</sup>
Service Providers	Individuals, organisations and teams which supply R&D and/or Promotion or other industry services to FWPA and its constituents
Priority Themes	Activities of FWPA that implement its Strategies to attain the Vision
Research and Development (R&D)	Systematic experimentation and analysis in any field of science, technology, economics or business (including the study of the social or environmental consequences of the adoption of new technology) carried out with the object of: (a) acquiring knowledge that may be of use in achieving or furthering an objective of the Industry (such as knowledge used to improve any aspect of the production, processing, storage, transport or promotion of wood and wood products; or (b) applying such knowledge to achieve or further such an objective <sup>6</sup>
Statutory Funding Agreement	Contract with the Australian Government which allows the matched funding of R & D activities, subject to FWPA fulfilling prescribed requirements
Strategies	FWPA's high-level plans of action which address the Drivers, inform the Priority Themes, and are directed at attaining the Vision

<sup>1</sup> Paraphrased from *Statutory Funding Agreement* §9.5

<sup>2</sup> Review of the National Innovation System 2008

<sup>3</sup> *Statutory Funding Agreement* §1.1

<sup>4</sup> Paraphrased from *Statutory Funding Agreement* §1.1

<sup>5</sup> *Statutory Funding Agreement* §1.1

<sup>6</sup> Paraphrased from *Statutory Funding Agreement* §1.1. Note: §5.5 of the *Statutory Funding Agreement* gives extensive examples of the kinds of matters that might comprise R & D.



