

# Annual Operating Plan 2016-2017





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This annual operating plan should be read in the context that is provided by the company's 5-year strategic plan (2016-2021), which is a rolling plan as it is reviewed annually.

The current strategic plan is a significant evolution on prior plans in response to changes in the company's operating environment and a review by directors and staff to improve stakeholder engagement and 'ownership' of the company, its processes and outcomes.

In prior strategic plans, the company's activities were structured around functional areas such as research and development (R&D), generic marketing and standards development. This structure reflected the evolution of the company from a statutory R&D organisation to an industry services company where new services have been added over time in response to industry feedback - each new service became a new program.

However, on reflection, this functional structure was a potential barrier to communication as it did not provide a clear linkage between activities and desired stakeholder outcomes.

The strategic plan is now based on five thematic-based strategic priorities:

- Promoting the advantages of wood products
- Aligning products to market needs
- Assisting value chain optimisation
- Increasing resource availability and reducing risk
- Impacting decision making and industry capability

Each of these programs will draw upon the existing functional competencies of the company and there will be an increased focus on cross-disciplinary approach to delivering on outcomes.

There has been considerable consultation with a broad range of stakeholders regarding this 'pivot' in the company's focus, including a stakeholder perceptions survey in late 2015 and three days of sector forums in April 2016. Overall, the feedback has been overwhelmingly positive and suggested activities have been incorporated into the plan where possible.

The company has a track record of successfully building systems and platforms that help achieve its mission. Some notable examples include strategic partnerships with like-minded organisations like Planet Ark through Wood. Naturally Better and building professional associations, WoodSolutions, ForestLearning, industry statistics aggregation, and R&D project management.

These systems and platforms will continue to underpin the new programs and will ensure a smooth transition to the new strategic framework.

The following new initiatives will be the focus of this year's AOP:

- Establish a WoodSolutions technical field force pilot in Victoria (with minor extension to Queensland) to encourage uptake of the new changes to the National Construction Code for taller timber buildings
- Inclusion of the advantages of bioenergy within consumer communications
- Initiate work on an improved timber design life and durability system
- Identify and work to the removal of unnecessary impediments to the export of forest and wood products
- Evaluate new market opportunities for forest and manufacturing residues.

FWPA has a commitment to continuous improvement in all of its activities and we will continue to refine our programs in response to market and stakeholder feedback.



**Ric Sinclair**  
**Managing Director**



## Industry vision

The forest and wood products industry will grow as a result of increased demand for its market-oriented, sustainable and competitive products and services.

## Mission

We collaborate with industry stakeholders and Government to determine strategy and deliver programs designed to grow the market for forest and wood products, increase productivity (and implied profitability) across the value chain and ensure positive environmental and social outcomes.

## Desired Outcomes

We work with FWPA members and levy payers, the Australian government and other key stakeholders to secure the co-operation and collaboration required to deliver the outcomes that will be of optimal benefit to the industry as a whole:

Increased Demand	Increased Community Acceptance	Increased Productivity	Increased Sustainability Credentials	Increased Capability
<p>We will employ a range of strategies to boost demand, including:</p> <ul style="list-style-type: none"> <li>promoting the positive benefits of wood through education, promotion and advertising</li> <li>improving the product knowledge of specifiers and consumers</li> <li>addressing any perceived or real impediments to the use of wood in a range of applications.</li> </ul>	<p>We will increase the industry's social licence to operate by:</p> <ul style="list-style-type: none"> <li>using social research to inform strategy</li> <li>implementing targeted educational and promotional programs</li> <li>leveraging strategic partnerships</li> <li>making effective use of social and traditional media.</li> </ul>	<p>We will increase value chain productivity and implied profitability by:</p> <ul style="list-style-type: none"> <li>pursuing greater alignment between the initial resource and the finished product (tree to market)</li> <li>improving market knowledge</li> <li>ensuring products are fit-for-purpose, safe and durable with performance that meets user expectations</li> <li>minimising strategic and operating risk.</li> </ul>	<p>We will enhance the sustainability credentials of forest and wood products by:</p> <ul style="list-style-type: none"> <li>assisting the industry to identify, measure and manage the environmental and social impact of products and management practices</li> <li>engaging with the community to engender positive attitudes to the industry.</li> </ul>	<p>We will impact decision making by providing readily accessible information that assists current and future industry participants to:</p> <ul style="list-style-type: none"> <li>adapt to changes in the business environment</li> <li>achieve better commercial outcomes.</li> </ul>

## Programs

During the period of this plan, FWPA will deliver its mission through five thematic programs (and indicative allocation of expenditure):

1. Promoting the advantages of wood products (18%)
2. Aligning products to market needs (47%)
3. Assisting value chain optimisation (15%)
4. Increasing resource availability and reducing risk (15%)
5. Impacting decision making and industry capability (5%)

## Linking programs to outcomes

	Increased Demand	Increased Community Acceptance	Increased productivity	Increased Sustainability Credentials	Increased capability
Program 1 Promoting the advantages of wood products	✓	✓		✓	✓
Program 2 Aligning products to market needs	✓	✓	✓	✓	✓
Program 3 Assisting value chain optimisation	✓	✓	✓	✓	✓
Program 4 Increasing resource availability and reducing risk		✓	✓	✓	✓
Program 5 Impacting decision making and industry capability	✓	✓	✓	✓	✓

# Scope of programs (2016-21)



Based on an analysis of the company's key competencies (i.e. strengths, weaknesses) and the operating environment (i.e. opportunities, threats), a number of key activities were identified within the 5-year strategic plan. The plan is based upon a combination of existing activities that would be ongoing, activities with an expanded scope of work, as well as activities that were not previously a focus of the company.

The activities and their status is shown in the following table (deferred activities are highlighted in red):

	Activities	Status
PROGRAM 1 Promoting the advantages of wood products	Continue current promotional activities aimed at the consumer that leverage off the partnership with Planet Ark and focus on a broad range of beneficial wood attributes.	ONGOING
	Leverage the current promotional activities to include the non-structural (and non-decorative) use of wood—such as for landscaping and packaging—to respond to competition from alternative materials.	EXPANSION
	Increase the uptake and active use of teaching resources from the forestlearning.edu.au website.	ONGOING
	Ensure that the sector's investment in independent certification and other environmental credentials is not lost due to low market awareness.	EXPANSION
	Develop a targeted campaign to improve the community's understanding and acceptance of the environmental credentials of bio-energy from sustainably managed forests.	NEW
	Develop structured methodologies, in conjunction with other primary industries, to measure and enhance the community acceptance (i.e. social licence) of wood products and associated industries.	NEW
PROGRAM 2 Aligning products to market needs	Continue to develop the WoodSolutions™ platform including website, lectures, conferences and in-house/on-site delivery of training and reference materials that cover a wide range of key influencers and market segments.	ONGOING
	Develop a timber design life and durability system that is evidence-based, stakeholder-inclusive and improves the market opportunity and competitiveness of wood products compared to other materials.	NEW
	Increase the uptake of the new building code change by providing in-the-field information (WoodSolutions technical fieldforce) about key wood-building technologies to building specifiers and developers.	NEW
	Continue activities to remove unnecessary impediments to wood products in the National Construction Code and key building standards.	ONGOING
	Continue activities to improve the efficiency and effectiveness of key timber material and design standards, including ancillary products like connectors, to increase the uptake of timber systems.	ONGOING
	Support skills development and product compliance mechanisms to ensure that timber systems are not undermined by poor practice.	NEW
	Assist in the removal of unnecessary impediments to the export of forest and wood products.	NEW

PROGRAM 3 Assisting value chain optimisation	Develop and adopt improved techniques for the allocation of standing trees, logs, timber and fibre to the most appropriate use using new technologies and data analysis techniques (i.e. 'Big Data').	EXPANSION
	Optimise product and building standards to increase the volume and value recovery along the value chain and to help ensure products are fit for purpose.	NEW
	Explore mechanisms for improved information capture and dissemination along the value chain that can contribute to more timely and relevant decision-making.	EXPANSION
	Evaluate new market opportunities for forest and manufacturing residues.	NEW
PROGRAM 4 Increasing resources and reducing risks	Develop and deploy improved genetic stock, including possible genetically modified varieties, which can increase value recovery and reduce risk to plantation owners and their customers.	EXPANSION
	Develop forest health and biosecurity systems that can minimise risk to forest owners and their customers.	EXPANSION
	Ensure that forest management and forest operation tools deliver in-field practices that are scientifically sound, safe and compatible with international best practice.	ONGOING
	Investigate mechanisms to understand and monetise the environmental benefits (e.g. carbon, biodiversity, catchment values) from tree crops to assist in an expansion of the commercial estate.	NEW
PROGRAM 5 Impacting decision making and industry capability	In conjunction with willing industry participants, develop systems to aggregate data for a range of key management indicators—while protecting confidentiality—and make these available in an easily accessible form.	ONGOING
	Improve understanding of key market drivers, including competition from alternative materials, to improve forecasting of key market segments.	EXPANSION
	Provide ongoing support for the development and distribution of publicly available information, including that available through partnership with ABARES, that supports the economic, social and environmental contribution of the industry.	ONGOING
	Ensure that key historical data series are conserved and leveraged to improve current and future decision making.	NEW
	Provide professional development programs to ensure that current and future decision makers are using information that is evidence-based and compatible with international best practice.	EXPANSION

There are no current activities that will cease due to the new strategic plan. As a consequence, any expanded or new activities will be funded through an internal reallocation, draw-down on cash reserves, collaborative investments or new funding sources (e.g. voluntary funds or additional compulsory levies).

A number of activities were identified as potential expansions to FWPA's activities in the prior 5-year strategic plan and the 2012 Business Case, but these have not been included due to a lack of stakeholder support and/or funding constraints:

- Restore the previous postgraduate scholarship program and mid-career prizes to target specific skill shortages
- Revamp the previous GrowingCareers program to promote the attractiveness of the sector as a career opportunity
- Develop an industry leadership program to grow and retain talent within the sector
- Develop a targeted campaign to maintain and/or increase access to native forests
- Develop a national program of extension to encourage the private native forest and plantation farm sector
- Fund scholarships and resource materials to support tertiary forestry education in Australia
- Develop a national program of forest health and biosecurity.

This list may be revisited in future if there is a change in industry and government priorities or the company secures additional funds.



To meet the requirements of the new 5-year strategic plan, the company is restructuring its management accounts and general ledger to reflect the new program structure, including the 2015-16 financial year to provide a historical comparative. The budget and prior year comparison is shown below:

	2015/16 (\$m) Estimated	2016/17 (\$m) Budget
<b><u>INCOME</u></b>		
Processor levy	3.125	3.093
Grower levy	1.036	0.961
Voluntary grower - States	0.428	0.436
Importer charge	1.033	1.027
<b>Total Levy</b>	<b>5.622</b>	<b>5.517</b>
R&D For Profit Grant	0	0.300
Interest and other	0.273	0.255
Levies Matching	3.799	4.419
Voluntary Contributions	0.480	1.210
Voluntary Matching	0.480	1.152
<b>Total Income</b>	<b>10.654</b>	<b>12.853</b>
<b><u>EXPENDITURE</u></b>		
Promoting advantage of wood products	1.704	2.064
Align products to market needs	4.450	5.156
Assisting value chain optimisation	1.420	1.328
Increase resources and reducing risks	1.420	1.545
Impacting decision making and capability	0.473	0.600
R&D For Profit	0	0.300
Voluntary programs	0.960	2.304
<b>Total Expenditure</b>	<b>10.428</b>	<b>13.297</b>
<b>Net Surplus / (Deficit)</b>	<b>0.226</b>	<b>-0.444</b>
<b>Closing Funds Balance</b>	<b>5.737</b>	<b>5.293</b>

*Note: Under the Statutory Funding Agreement, the company is required to have a cost allocation policy that ensures that all direct and indirect expenses are allocated to the programs.*

The Company is planning to draw down on its cash reserves by \$444K to assist in the transition to the new strategic framework with a focus on the following:

- accelerate the uptake of recent changes to the National Construction Code
- upgrade the WoodSolutions website
- initiate new programs on design life and durability, bioenergy, and commercial forestry under drier climatic conditions
- commission an independent performance review as required under the Statutory Funding Agreement.

Even after this draw-down, the company's cash reserves will remain comfortably above the limit set by the Board.

The budgeted income for levies is based on a 2% adjustment on the previous year's budget. This is a simple assumption but has remained robust over recent years and the company regularly adjusts expenditure to match the target budget surplus (deficit).

The company is working with a range of interested parties to ensure that the Government's matching payments for voluntary contributions are fully committed in the operating year (i.e. \$1.152 million). In most cases, the eligible projects will be managed externally and FWPA will be the contract manager in terms of milestone payments and post-project audits to provide accountability for the use of Government funds - a nominal management fee of 5% will be applied to voluntary contributions.

For eligible projects that are managed internally within FWPA, such as the WoodSolutions technical field force pilot, full accountability will be provided to voluntary contributors and the Government.

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

	Budget Allocation of levy-based expenditure	5-year strategic plan expenditure allocation
Promoting the benefits of wood products	20%	18%
Aligning products to market needs	48%	47%
Assisting value chain optimisation	13%	15%
Increasing resource availability and reducing risks	15%	15%
Impacting decision making and industry capability	6%	5%
	100%	100%

As part of a half-yearly review, the Board will review and approve a re-forecast of income and expenditure and make adjustments in relation to any changes in the operating environment.



## Program 1. Promoting the advantages of wood products

This program promotes the benefits and usage of forests and wood products in response to changing community attitudes and it has been a key part of the company's activities since 2008.

The program is built upon a solid foundation of factual information based on scientific evidence and objective market research. This approach has been critical to the ongoing partnership with Planet Ark, one of Australia's most recognised and trusted organisations, and the development of the ForestLearning educational resources platform.

The program uses strong brand-based communication with a positive tone with the aim of promoting benefits rather than detracting from other materials or industries.

The primary message for the program is that sustainably sourced wood products help tackle climate change because wood stores carbon. The program has been extremely successful in improving consumer perceptions of wood products and their support for sustainable forest management. According to recent market research (June 2016):

- 85% of consumers either "like" or "love" the look and feel of wood
- 78% of consumers associate wood with the term "environmentally friendly"
- 70% of consumers associate wood with the term "stores carbon"
- 81% of consumers agree that "cutting down trees is okay as long as we replant them."

The market research clearly demonstrates the success of the program, which has lifted or maintained a number key consumer perception indicators. This has had flow-on benefits through the increased acceptance of the industry and its environmental credentials by key influencers like building professionals, school teachers and regulators.

The success of the program should not become an excuse for complacency. Community information programs need ongoing reinforcement to maintain presence and top-of-mind awareness.

The initial consumer advertising program has gone through several iterations in response to consumer research to refine the messages and improve consumer recall.

In 2011, FWPA initiated a strategic alliance with Planet Ark to promote the use of sustainably managed wood products as a way to help tackle climate change. Planet Ark is one of Australia's most trusted sources of information about environmental issues and the use of their brand on the Wood. Naturally Better™. Television commercial is considered to be a factor in the commercial's strong performance. Planet Ark's Make It Wood Campaign includes a range of activities including community service announcements, an animated video program, print and bus advertising, consumer promotions and the introduction of the 'Wood Encouragement Policies' to local councils such as the Latrobe City Council. All activities are centred on their website - [www.makeitwood.org](http://www.makeitwood.org)

The TV commercial campaign features Peter Maddison, Host of Grand Designs Australia, who is viewed as trusted, likeable and credible. Peter has been a part of the program's success and he has agreed to ongoing participation in the company's consumer promotional activities.

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

The ForestLearning website now has over 80 resource materials that have been specifically developed and accredited to the National curricula for all school years from kinder to year 12. The resources are suitable for a wide number of teaching subjects including agriculture, biology, history, science, technology, English and maths.

The focus of the program is now moving from content creation to encouraging uptake by school teachers. There are over 250,000 teachers in Australia and they are a very difficult audience to reach due to their time constraints, wide geographical coverage and diversity of communication channels. In addition, the communication environment is highly cluttered due to a large number of other organisations also seeking the attention of teachers. Despite these difficulties, the company is pursuing a multi-prong approach including the recruitment of industry champions to promote ForestLearning to their local schools.

The program will also include a new focus on promoting the benefits of converting forest and mill waste to bioenergy. This initiative is due to concerns about the lack of community awareness of the benefits of bioenergy and its social licence, as well as the need to find more commercial suitable markets for residues.

### Priorities for 2016-17

- Roll-out of new consumer advertising program featuring Peter Maddison and Planet Ark based on six different 15-second videos featuring different industry products
- Refinement of the Planet Ark's 'Make It Wood' activities with a focus on local governments, ethical investments, education and health authorities and key influencers in the built environment supporting the message around the positive benefits of sustainably sourced wood products
- Increasing uptake of the ForestLearning curricula materials through industry champions, advertising, sponsorships and direct mail
- Develop communication materials to support the environmental credentials of bioenergy from sustainably sourced wood products

## Program 2. Aligning products to market needs

This program aims to ensure that the industry's products and services are fit-for-purpose, appropriately aligned to market needs and better communicated to key influencers. This has been a major part of the company's focus (and the focus of its predecessor, FWPRDC) since inception.

Research will be undertaken to understand current market needs and trends with the aim of identifying information gaps and opportunities for new or modified products and systems for the built environment, industrial markets and other key segments. A key focus will be on better matching of product performance (i.e. strength, durability and aesthetics) to market needs.

The program is effectively an information conduit from, and to, the market. Market needs are determined through research, international experience, product testing and feedback from stakeholders. This information can be utilised by industry participants in the development of their products and services. The information can also assist end users and specifiers in the use and application of wood-based products.

The program assists in information flow to the market through WoodSolutions™, the company's branded platform, and through building codes and standards.

WoodSolutions™ was established with the objective of creating a one-stop source of authoritative information on wood products in the Australian market. It was intended to address concerns that building specifiers found wood products too complex and difficult to use and would thus specify more homogeneous products like concrete or steel.

The cornerstone of WoodSolutions™ is the website, which has become the most visited wood information website in the English speaking world, and this is supported through partnership arrangements with professional associations, technical design guides, and face-to-face presentations.

The WoodSolutions website is due for a substantive upgrade to improve its functionality especially for mobile devices. This will require migration to a new content management system that will create a pathway for future developments.

The recent changes to the National Construction Code to make it easier to use lightweight and massive timber systems in some building classes up to an effective height of 25 metres will be an ongoing focus for WoodSolutions (i.e. mid-rise timber buildings). This will include design guides, training materials and case studies.

Utilising voluntary contributions, FWPA will establish a three-year pilot for a WoodSolutions technical field force in Victoria with a minor extension to Queensland. If the pilot is successful, it is hoped to expand this activity to other States.

The Industry's products and services are highly influenced by a suite of material and building standards, as well as by the regulatory environment. The program will work with industry to optimise the material and building standards to ensure a robust system that is evidence-based, inclusive and improves the market opportunity and competitiveness of wood products.

The results will also help remove unjustifiable regulatory and market barriers to using timber products in domestic and commercial building applications.

Building upon stakeholder consultation and market research over the last two years, the company is developing a cross-disciplinary approach to design life and durability with the goal of a systems-based approach that is evidence-based, stakeholder-inclusive and improves the market opportunity and competitiveness of wood products compared to other materials.

The current system was developed in an era of greater regulation and considerable technical expertise in key research institutions and government agencies, which also supported the standards regime. In fact, Australia was once seen as the leader in the area of design life and durability but much of the technical capacity has been dismantled.

The company is currently exploring the establishment of a trans-Tasman research consortium with the aim of rebuilding technical capability and the development of a process-model approach to predicting the expected design life of timber elements under a range of climatic and installation scenarios. This model is expected to build upon the work previously undertaken by CSIRO as well as the proprietary research and knowledge of timber and chemical companies in Australia and overseas.

In addition, the company will support the revision of key standards like AS1604 and expand technical design tools to improve market acceptance and understanding of timber's design life.

Exporters of wood products, mostly logs and woodchips, have expressed concerns about some of the regulatory impediments and phytosanitary requirements that may put Australia at a disadvantage compared to other regions. The company will develop and implement a program to identify world's best practice and to work with regulators to ensure that there is a pathway to adoption.

#### Priorities for 2016-17

- Develop and implement an integrated program of activities related to design life and durability including a trans-Tasman research consortium, research to support the current suite of standards, improved design tools such as software and technical design guides.
- Re-develop the WoodSolutions website to improve its functionality, especially in relation to mobile devices.
- Manage a WoodSolutions technical field force pilot in Victoria and Queensland to encourage rapid uptake on the recent changes for mid-rise timber buildings.
- Undertake product performance testing in relation to the National Construction Code to open up new market opportunities and support future proposals-for-change.
- Update some key standards and design tools, especially related to connectors and design life.
- Develop and implement a plan to ensure that Australian exporters are on a level playing field compared to other major export countries in relation to regulations and phytosanitary requirements.

### Program 3. Assisting value chain optimisation

This program is about increasing the value and volume recovery from existing resources to ensure that all wood fibre is utilised to its highest and best use. As FWPA is funded along the full value chain (i.e. growers, processors, market), it is well placed to work with all value chain participants to help identify opportunities for improved optimisation.

There is a strong interaction between this program and program 2 (*aligning products to market needs*) and program 4 (*increasing resource availability and reducing risk*), as they will provide market and resource information inputs.

One of the impediments to full utilisation within the sector is often the lack of viable markets for forest and mill residues. Some traditional residue markets such as newsprint and communication papers are in decline, although the market for hygiene and packaging papers remain strong. There is also growing interest in development of bio-chemicals, composite materials and bioenergy around the world and the challenge in Australia will be to adopt these technologies at an appropriate scale to match regional wood fibre availability.

The Australian forest and wood products sector has increasing availability of data along the value chain from forests to mills to markets but this information is often poorly integrated into decision support tools. The interconnectivity of data collection devices (i.e. 'Internet of Things') and improved data analytical tools (i.e. 'Big Data') have the potential to revolutionise the sector.

This will involve identifying and developing improvements to forest management, harvesting, transport, manufacturing processes, product development and information systems to provide value to all participants in the value chain.

Research areas will include improved understanding of wood properties, resource characterisation, wood handling and processing, manufacturing systems and improved fit-for-purpose products, and information capture, storage and dissemination along the value chain.

Identifying key knowledge gaps will involve industry and other stakeholders, as well as international liaison, to minimise unnecessary duplication of effort and to ensure the knowledge has a pathway to adoption.

Activities underway include the E-cambium model for the prediction of wood properties and the application of the resistograph technology for quicker assessment of the stiffness of standing trees.

#### Priorities for 2016-17

- In conjunction with other RDCs, evaluate big data tools and bio-refinery opportunities.
- Undertake a study looking at optimisation principles in the softwood sawmilling sector.
- Ongoing research in modelling wood qualities and resource characterisation.
- In conjunction with ABARES, undertake a residue resource assessment.
- Evaluate new market opportunities for forest and manufacturing residues, including opportunities for plantation hardwoods.

## Program 4. Increasing resource availability and reducing risk

This program aims to increase the availability of wood fibre to support an expanding market and associated manufacturing capacity.

Increased resource availability is most likely to come from improved productivity and utilisation of the existing plantation and government-owned native forest estate. There are opportunities to expand production forests through green field plantations, especially in conjunction with the farm sector, and to expand management of privately-owned native forests.

FWPA is currently funding research into improving the productivity of the sub-tropical private native forest resource and scoping out a potential research agenda to investigate commercial tree crops on existing drier sites and as a response to drier climatic conditions. In addition, the company has secured additional research funds under the Commonwealth's R&D4Profit program for a CSIRO-led project on developing decision support tools for agro-forestry.

Improved genetics for existing and potential commercial species remains one of the key strategies to increasing resources and reducing risks. FWPA has consistently supported improved genetics and deployment and this will remain an ongoing priority. The FWPA Board has supported a large, multi-year genetics program through matching of voluntary contributions from the major forest growers. In addition, there is ongoing research into the genetic conservation and utilisation of radiata pine germplasm and marker-assisted selection in Australia's major plantation eucalypts.

Remote sensing technologies are evolving quickly and offer increased accuracy of resource information at lower costs. Research is ongoing in the deployment and integration of remote sensing data and in the use of dense point cloud data for plantation inventory.

Forest growing is a long-term venture that is exposed to environmental risks (e.g. pests, fire, climate change). There is ongoing research into pine drought mortality and the economics of managing new and existing biosecurity threats to Australia's plantation industry.

In addition to wood products, commercial forest crops can produce a wide range of environmental and societal values that may not be currently captured or valued by the forest owner or the community. This includes carbon storage, recreation, water catchment and biodiversity values. FWPA is working with the Australian Bureau of Statistics to undertake a pilot investigation into the Green Triangle forestry region to determine the value of these environmental services through natural capital accounting methodologies.

There is also an opportunity to look at alternative funding mechanisms for these environmental values using mechanisms such as social impact bonds. A scoping study will be commissioned to explore the new mechanisms for funding sustainable forest management.

### Priorities for 2016-17

- Continue investment in identification and deployment of improved genetic stock that can increase value recovery and reduce risk to plantation owners and their customers
- Continue investment in remote sensing tools to improve data accuracy and reduce collection costs
- Investigate mechanisms to understand and monetise the environmental benefits (e.g. carbon, biodiversity, catchment values) from tree crops to assist in an expansion of the commercial estate
- Develop a comprehensive plan of investigation into commercial tree crops in drier areas within the recognised wood production hubs

## Program 5. Impacting decision making and industry capability

This program will help ensure that the industry has the skills and systems necessary to support improved decision making by all players across the value chain.

Much of the key data required for better decisions that the sector needs resides at the individual company and organisational level. A major focus of the program is to aggregate this information in a confidential manner and then provide it to participants in an accessible and easy to understand format.

Over the last three years, the company has been working with sector groups about potential areas of data aggregation. It is anticipated the following data series will be operational within the year:

- Softwood sawn timber pricing
- Hardwood sawn timber volume and pricing
- Forest grower occupational health and safety indicators (OH&S)
- Forest grower volume, price and production costs

The company will continue to investigate other data series that participants are willing to contribute to on an aggregated basis that can impact on decision-making within the sector.

Increasing the availability and accessibility of key economic data via the company's proprietary information 'dashboard' remains a focus for the program. Testing is underway for a new dashboard platform that will provide increased useability in terms of presentation and analysis of data series. This new platform will be launched during the year.

In conjunction with Dennis Nielson and Associates (DANA), FWPA is organising the 'Insights and Outlook Conference' in Melbourne. This conference will focus on international and domestic trends, including the findings from some key FWPA projects. The aim is to increase awareness and uptake of the company's dashboard and economic research activities.

FWPA maintains a strong partnership with the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) with a focus on improving the accuracy and timeliness of publicly available statistics and improved short-term and longer-term forecasting. Activities during the year will be on improved understanding of market shares and cross elasticities of demand.

Conservation of historical research data is an ongoing concern within the sector given the decline of institutional research capacity. FWPA has funded an investigation into identifying priority data series and mechanisms for ongoing use and storage. Critically, data will not be retained unless it has clear pathway to being utilised for current and/or future decisions. A pilot study is underway in the Green Triangle for the conservation and analysis of permanent growth plot data for use in improved forecasting and decision support systems.

### Priorities for 2016-17

- Expand the scope and participation of data aggregation within the sector with the publishing of previously developed data series for hardwood sawmilling, softwood sawmilling performance benchmarking, including OH&S
- Launch and expand the use of the revamped information dashboard
- Continue with the ABARES partnership on publishing public data series and improving forecasting capability
- Undertake a pilot on conservation of permanent growth plot data within the Green Triangle



The program activities outlined above are intended to directly influence the desired outcomes established within the 5-year strategic plan. Each of these outcomes has a number of direct and indirect (i.e. proxy) measures as shown below:

Increased Demand	Increased Community Acceptance	Increased Productivity	Increased Sustainability	Increased Capability
<p><i>Key measures</i></p> <ul style="list-style-type: none"> <li>• Increased consumption.</li> <li>• Increased consumer and building specifier perception that 'wood is good'.</li> <li>• Increased consumer awareness of advertising and/ or brand awareness and improved perceptions of wood as environmentally positive and suitable material.</li> <li>• Greater understanding of the role of wood products in future construction applications.</li> </ul>	<p><i>Key measures</i></p> <ul style="list-style-type: none"> <li>• Maintenance of social licence relating to production and harvesting of wood.</li> <li>• Uptake of relevant teaching resources.</li> </ul>	<p><i>Key measures</i></p> <ul style="list-style-type: none"> <li>• Increased capital investment in forest growing and processing.</li> <li>• Increased productivity along the value chain.</li> <li>• Industry benefits from company's investments are at least double the investment (i.e. benefit-cost analyses (BCA) greater than 2).</li> </ul>	<p><i>Key measures</i></p> <ul style="list-style-type: none"> <li>• Increased acceptance of the sustainability credentials of the sector by consumers and building specifiers.</li> </ul>	<p><i>Key measures</i></p> <ul style="list-style-type: none"> <li>• Uptake and usage of information and analysis.</li> <li>• Industry support for skills development programs.</li> <li>• Attractiveness of the sector as a career opportunity.</li> </ul>

## Priorities measures for 2016-17

- Independent performance review of the company as required under the Statutory Funding Agreement
- Ongoing consumer and building specifier perceptions survey
- Benefit-cost analysis of our research project portfolio in accordance with the agreed methodology of the Council of Rural RDCs
- Ongoing website tracking statistics
- Ongoing tracking of e-newsletter communications
- Market consumption and/or share statistics



To ensure greater engagement and ownership of FWPA's activities, a number of formal committees have been established to provide input into the company's investment decisions. The structure and composition of these committees have varied over time and have been variously based on product sectors and functional areas.

To reinforce the new program structure and the company's commitment to transparency, it is intended to establish advisory groups that are inclusive and cross-sectoral with responsibility for each of the five programs.

This approach was trialled in the sectoral forums where attendance in each forum was open to all FWPA members regardless of their sectoral interests.

FWPA is committed to ensuring effective communication with all stakeholders as an essential prerequisite for the successful delivery of the strategic plan, and structured targeted communication activities will support all programs.

The company delivers most of its communication via electronic means using the following periodic e-newsletters:

- ForWood
- R&DWorks
- Statistics Count
- WoodSolutions
- ForestLearning
- Wood. Naturally Better Partner Program

In addition, company members receive periodic updates and a copy of the 5-year Strategic Plan, Annual Operating Plan and Annual Report. All newsletters, plans and reports are published on the company's websites.

The company is actively expanding its use of social media especially Facebook, Twitter, Instagram and LinkedIn.



## Forest Industries Advisory Council

In 2014, the Commonwealth Government announced the formation of the Forest Industry Advisory Council (FIAC) and the managing director of FWPA is an observer participant. In March 2015 FIAC released an issues paper for public consultation and has been working on recommendations for the Australian Government and for industry.

The report *Transforming Australia's Forest Products Industry - Recommendations from the Forest Industry Advisory Council* was released in early June 2016.

It is expected that the recommendations will be considered by Government and industry over the next 12 months, and where there is widespread agreement, then FWPA will seek to modify its work program to assist in implementation.

## RD&E Framework

FWPA has previously provided resources for the development of the national forest industries research, development and extension (RD&E) framework. Operating under the Agriculture Senior Officials Committee (ASOC), the RD&E framework seeks to identify and implement a coordinated collaborative approach to research development and extension activities undertaken by the research community.

A forest industry RD&E Forum was established with senior representatives of the forest products industry, government and research stakeholders. However, the decline in research funding and capacity has meant that there was little for the Forum to discuss, and as a consequence, it has not met for over two years.

The introduction of Government matching payments for voluntary contributions will definitely stimulate new R&D investment in the sector. Also, FWPA has been able to leverage its activities through new Australian Council of Research (ARC) industry transformation hubs and the Department of Agriculture and Water's R&D4Profit program.

A number of proposals have been developed to identify research priorities and rebuild research and technical capacity in the sector but they have not yet been sufficiently persuasive to attract government and industry funding. However, these initiatives have successfully raised awareness of the issue and put it firmly on the sector's collective agenda as demonstrated by the forest growers' commitment to fund a 2-year program to review research and extension structures and priorities.

The role of an ongoing RD&E Forum needs to be given some consideration as the current problem is lack of resources rather than duplication of activity. Consultation will be undertaken with key stakeholders about whether the Forum should be reactivated.

## Working with other RDCs

FWPA is a financial member of the Council of Rural Research and Development Corporations (CRRDC) with active staff involvement in a number of Council structures, working groups and programs. As a relatively small RDC, the company values these interactions as a means of understanding the broader policy environment, identifying industry trends and best practice, as well as creating leveraged investment opportunities.

Where possible, the company will seek to co-invest with other RDCs but the opportunities are usually limited to platform technologies, trees as part of a diversified farm portfolio and social licence-to-operate.

During 2016/17, FWPA will maintain its investment in the cross-sectoral climate change research strategy for primary industries program.

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

- Bio refineries
- Big data for decision making
- Agroforestry decision support tools.

## Rural research and national research priorities

The existing Australian Government rural R&D priorities complement, and are informed by, the Government's national research priorities, which highlight areas of particular social, economic and environmental importance to Australia, and where a whole-of-government focus has the potential to improve research and broader policy outcomes.

National research priorities address areas of strength, opportunity or need in Australian research. The alignment of FWPA's investment programs against rural R&D priorities and corresponding national strategic research priorities are shown in Table 1 and Table 2.

Most FWPA investment programs deliver outcomes across a number of national and rural priorities and, for the purpose of forecasting, R&D expenditure benefits have been attributed uniformly across the relevant priorities.

**Table 1: Matchable expenditure across National Science and Research Priorities**

	2. Soil and Water (\$m)	3. Transport (\$m)	5. Energy (\$m)	7. Advanced manufacturing (\$m)	Total (\$m)
1. Promoting the advantages of wood products	0	0	0	0	0
2. Aligning products to market needs	0	0	0	0.2	0.2
3. Assisting value chain optimisation	0	0.2	0.1	0	0.3
4. Increasing resource availability and reducing risk	0.4	0.1	0	0.1	0.3
5. Impacting decision making and industry capability	0.1	0.1	0	0.1	0.3
<b>Total Expenditure</b>	<b>0.5</b>	<b>0.5</b>	<b>0.2</b>	<b>0.3</b>	<b>1.5</b>

**Table 2: Matchable expenditure across rural RD&E priorities**

	Advanced Technology (\$m)	Biosecurity (\$m)	Soil, water and managing natural resources (\$m)	Adoption of R&D (\$m)	Total (\$m)
1. Promoting the advantages of wood products	0	0	0	1.0	1.0
2. Aligning products to market needs	0.1	0	0.3	0.1	0.5
3. Assisting value chain optimisation	0.1	0	0.3	0.1	0.5
4. Increasing resource availability and reducing risk	0.1	0.1	2.0	0.1	2.3
5. Impacting decision making and industry capability	0.1	0	0.2	0.1	0.4
<b>Total Expenditure</b>	<b>0.4</b>	<b>0.1</b>	<b>2.8</b>	<b>1.4</b>	<b>4.7</b>