Certification Of Performance Indicators

We hereby certify that the performance indicators of the Forest Products Commission are based on proper records, are relevant and appropriate for assisting users to assess the Commission's performance and fairly represent the performance of the Commission for the financial year ended 30 June 2002.

Murray Jorgensen
Chairman

21 November 2002

Dr Marilyn Clark-Murphy
Commissioner

Key Performance Indicators

Under the *Forest Products Act 2000* the Commission is required to sell and harvest forest products by means of production contracts.

The Commission's outcome is to try to ensure that a profit that is consistent with the planned targets is made from the forest products while ensuring:

(a) the long-term viability of the forest products industry; and

(b) principles of ecologically sustainable forest management are applied in the management of forest products located on public land.

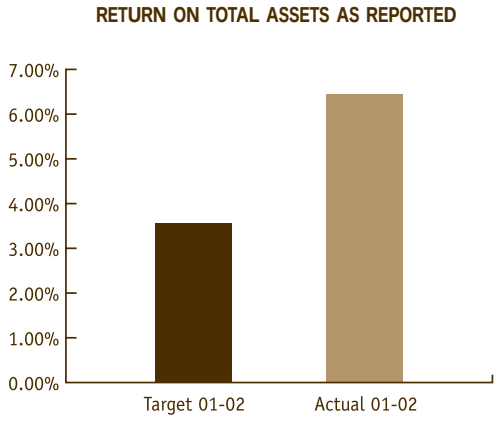
For Outcome 2 Key Effectiveness Indicators 1,3 and 4: The following comparative figures for 2000-2001 include log production by the Department of Conservation and Land Management until 16 November when it was taken over by the newly established Forest Products Commission.*

OUTCOME 1:

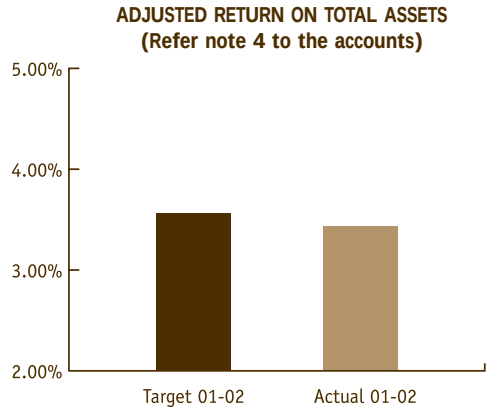
Ensure a profit consistent with planned targets.

Key Effectiveness Indicator:

RATIO OF PROFIT BEFORE INTEREST AND TAX TO TOTAL ASSETS (RETURN ON TOTAL ASSETS):



The return on total assets as reported includes the effects of issues that do not relate to the current financial year – refer note 4 to the accounts. After adjusting for the effect of these transactions the restated return on total assets is as follows:



Measure:

The ratio of profit before tax and interest as a percentage of total assets of 3.43% is lower than target of 3.56% due mainly to the decrease in the value of the natural resource assets of $1.2m (impact of 0.35% on percentage profit before tax and interest to total assets).

OUTCOME 2

Ensure the long-term viability of the forest products industry.

Key Effectiveness Indicators

1. QUANTITY OF NATIVE FOREST HARDWOOD LOG TIMBER HARVESTED COMPARED TO SUSTAINABLE LEVELS AND TARGETS*

The sustainable level is the average quantity of timber available for harvest each year which can be continued in the long term.

Forest areas available for timber harvesting are measured using specially designed inventory plots to determine the quantity of timber available and the rate at which it is growing.

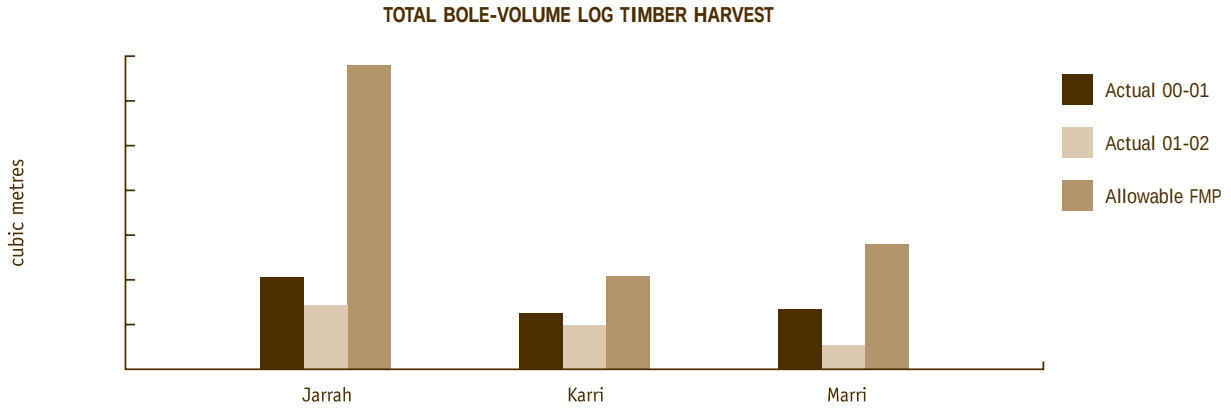
Based on independent analysis of this information, an estimated sustainable level of harvest is determined for the term of the current Forest Management Plan 1994-2003 (FMP).

In 1999 the Regional Forest Agreement (RFA) set new sawlog sustained yield targets for the period 1999 – 2003 inclusive of an average 324,000m^3 per annum jarrah first and second grade sawlogs, 186,000m^3 karri first and second grade sawlogs adjusted to 149,000m^3 by Government policy and 78,000m^3 per annum of marri sawlogs.

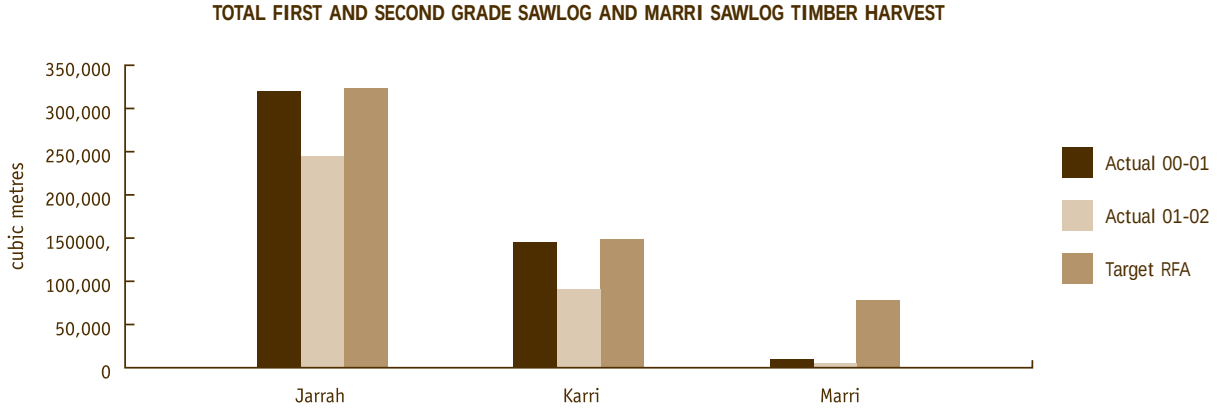
Harvest means the commercial extraction and sale of log timber for processing and value adding.

Measure

(i) Actual quantity of the total bole volume harvest of native forest hardwood log timber for the period 2001-02 for jarrah was 285,673m^3, for karri 196,874m^3 and marri 108,139m^3.



(ii) Actual quantity for 2001-02 of first and second grade jarrah was 245,033m^3 and karri sawlog 90,916m^3 and marri sawlog 5,517m^3.



Sawlog deliveries are reducing due to business exits and voluntary restructuring in line with the Government's policy 'Protecting our old growth forests'. New targets will be established in the next Forest Management Plan.

2. THE AREA OF PLANTATIONS ESTABLISHED WILL MEET THE DEFINED OUTCOME.

Plantation establishment straddles the financial year, therefore areas of establishment reported in this annual report are those established during the winter of 2001.

Areas established can achieve a range of benefits. This will be to supply an existing industry, to develop resources in new areas for future regional economic benefits and for multiple landcare protection purposes.

Measure:
The areas established against targets.

		Second rotation pine species	First rotation pine species	Eucalypt species	Sandalwood
	Target	1,229 (1)	5,000 (2)	4,500 (3)	200 (4)
	Total Area (ha)	943	3,442	3,639	84
Purpose	Sustain existing industry	943	2,621	-	84
	Regional development	-	821	3,609	-
	Salinity, water quality and landcare	-	3,442	30	84

NOTE:

(1) Second rotation pines
Goal:

(i) Re-establish all areas clearfelled and ready for replanting (943 ha). It was predicted that 1,229 hectares would be available at the start of the year.

(2) First rotation pines
Goal: Whereas there is an annual target for planting areas, these are in effect to relieve a long-term goal of a commercially viable plantation estate within a geographic area.

(i) Midwest to replace areas to be clearfelled at Gnangara (approx. 23,000 hectares) to date a total of approximately 8,407 hectares established in new areas (as at 31 December 01);

(ii) Final goal for various regional cells (Katanning, Esperance, Albany) yet to be determined as part of detailed planning for a coordinated approach to tree farming in Western Australia.

(3) Eucalypt species
Goal: Annual targets are set by investors to achieve their long-term goals in accordance with State Agreements and Project Plans.

(i) Eucalypt species – establish plantations to meet requirements of FPC clients. Target 56,000 hectares – established to date 41,597 hectares.

(4) Sandalwood
Goal: 200 hectares.

This measure was not recorded last year as FPC had not established any plantations between 16 November 2000 and 30 June 2001.

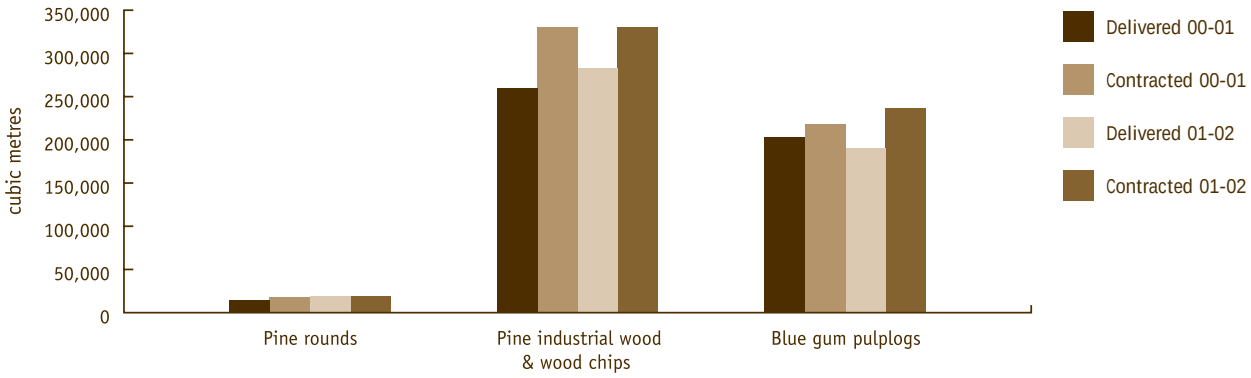
3. PLANTATION LOG PRODUCTION IS CONSISTENT WITH SUSTAINABLE SUPPLY TO INDUSTRY.*

Harvesting means the commercial extraction and sale of log timber for processing and value adding.

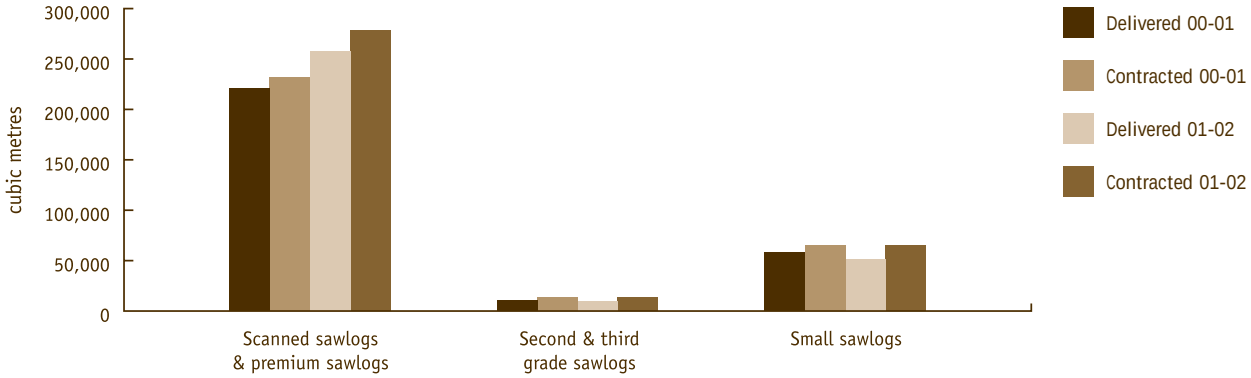
The sustainable level is the quantity of timber of a particular specification that can be harvested in the current year consistent with achieving the planned long-term supply to industry. As the plantations mature increasing quantities of logs are becoming available, and annual supply increases. Actual annual intake by industry will vary in accordance with the prevailing markets during that year.

Measure:
A comparison between actual productions compared to FPC's contractual commitments to supply

TOTAL PINE ROUND, PINE INDUSTRIAL WOOD AND WOODCHIPS AND BLUE GUM PULP



TOTAL PINE SAWLOGS HARVEST CONTRACTED



Contractual supply levels indicate the current commitments consistent with the long-term sustainable supply. Log production to each customer varies on an annual basis in accordance with the prevailing market conditions for their products.

4. THE HARVEST OF "GREENWOOD" SANDALWOOD WILL BE MAINTAINED AT A SUSTAINABLE LEVEL.*

Quantity of "greenwood" sandalwood harvested.

The annual sustainable level of harvest for green sandalwood is set in accordance with relevant legislation and ISO 14001. (In addition to the sustainable green sandalwood harvest, deadwood is also harvested.)

Measure:

Green sandalwood quantities harvested were 1399 tonnes for the 2001-02 period, within the permissible harvest level of 1500 tonnes determined in accordance with the *Sandalwood Act 1929*.

Green sandalwood quantities harvested for 2000-01 period were 1020 tonnes within the permissible harvest level of 1930 tonnes in accordance with the *Sandalwood Act 1929*.

OUTCOME 3

Ensuring principles of ecologically sustainable forest management are applied in the management of forest products located on public land.

Key Effectiveness Indicator

AREA OF NATIVE FOREST HARDWOOD REGENERATED.

Regeneration treatments applied in any one year may include parts of areas harvested over a number of preceding years.

In order to remain sustainable over the long term, the area regenerated should be equal to the area harvested.

However on an annual basis the area regenerated may fluctuate above or below the area harvested due to unsuitable field conditions.

This is the first year FPC has reported on this key performance indicator, which covers the 2001 calendar year.

Measure:

The area of native forest hardwood regenerated compared with the area harvested for regeneration.

The area of native forest harvested for regeneration was 10780 hectares. Of this, 660 hectares were not proposed for treatment as it was due for mining in the short-term. An additional 250 hectares did not require follow-up treatment post harvesting as the silvicultural objectives were met during harvesting. The remaining 9460 hectares were regenerated from this or previous years' cutting.

OUTPUTS

OUTPUT 1 NATIVE FOREST OPERATIONS DIVISION

The Native Forest Operations Division is responsible for the planning, harvesting and sale of forest products from indigenous forest on State-owned land. The output of this division is the harvesting of native forest hardwood and sandalwood.

KEY EFFICIENCY INDICATORS

1. Cost of harvesting - Native forest hardwood.

The major elements of this cost relate to payments to contractors for harvesting and delivery, the road construction and maintenance.

Measure:

The cost per tonne harvested was $32.32, an increase of $0.63 per tonne compared to $31.69 for the period 16 November 2000 to 30 June 2001.

2. Cost of harvesting - Sandalwood

The gross cost per tonne of harvesting sandalwood includes greenwood and deadwood. The major elements of this cost relate to payments to contractors for harvesting, delivery, regeneration and associated research.

Measure:

The cost per tonne harvested was $3,513.10 an increase of $726.33 per tonne compared with $2,786.77 for the period 16 November 2000 to 30 June 2001. This increase is due to increased silvicultural costs (sandalwood enrichment program)

3. Cost per hectare managed native forest hardwood.

The Commission has access rights to a total State forest estate of 987,190 hectares.

Measure:

The cost per hectare managed was $21.48 per hectare. This is a new measure hence no comparative figures are available.

OUTPUT 2 - PLANTATION OPERATIONS DIVISION

The Plantation Operations Division has three main operating arms:

- the Plantation Branch which covers State-owned plantations;
- the Sharefarms Branch, which has the responsibility of sharefarming agreements with landowners; and
- the Propagation Branch, which produces seedlings for internal needs as well as for external customers.

The outputs of this division are:

(a) the harvest of all species of plantation timber; and

(b) management of plantations.

KEY EFFICIENCY INDICATORS

1. Costs of harvesting.

Gross cost per tonne harvested for all species of plantation timber. The major elements of the costs comprise payments to contractors for harvesting and delivery, and roading.

Measure:

The average cost per tonne harvested (all products) from 1 July 2001 to 30 June 2002 was $29.11 per cubic metre, whereas for the period 16 November 2000 to 30 June 2001 the average was $27.11 per cubic metre.

2. Operating cost per hectare managed.

The average cost per hectare of plantation established and maintained excludes $3.55 million costs associated with sharefarming agency operations where the Commission acts as an agent.

Measure:

The average cost for the year ending 30 June 2002 was $236.81 per hectare managed. The unit cost includes interest charges, rent, corporate overheads and cost of producing seedlings for external sales. This is a new measure hence no comparative figures are available.

3. Cost per hectare re-established.

The Commission planted 943 hectares of new plantations to the end of December 2001. The afforestation program establishment areas for the period was 3,526 hectares, however, the costs associated with the afforestation program have been capitalised and therefore do not form part of this measure.

Measure:

The establishment cost was $2,166 per hectare. This is a new measure hence no comparative figures are available.