

Forest Products Commission

# ANNUAL REPORT

July 2003 – June 2004



# Contents

3	REVIEW
5	BUSINESS PROFILE
7	VALUES AND OBJECTIVES
11	ORGANISATIONAL STRUCTURE
12	YEAR AHEAD
<b>13</b>	<b>ENVIRONMENTAL REVIEW</b>
14	ENVIRONMENTAL POLICY
14	ENVIRONMENTAL MANAGEMENT
16	ENVIRONMENTAL SERVICES
17	SUSTAINABLE FORESTRY
21	ENERGY MANAGEMENT
23	WASTE PAPER RECYCLING
<b>24</b>	<b>SOCIAL REVIEW</b>
25	REGIONAL DEVELOPMENT
27	PROMOTION AND CONSULTATION
29	COMMUNITY EDUCATION
30	OUR PEOPLE
<b>34</b>	<b>CORPORATE GOVERNANCE</b>
35	COMMISSIONERS AND COMMITTEES
38	EXECUTIVE
38	LEGISLATIVE REQUIREMENTS
40	CERTIFICATION AND COMPLIANCE
<b>44</b>	<b>ECONOMIC REVIEW</b>
45	FINANCIAL PERFORMANCE
46	FINANCIAL OVERVIEW 2003/04
48	ECONOMIC PERFORMANCE INDICATORS
<b>59</b>	<b>FINANCIAL REVIEW</b>
60	CERTIFICATION OF FINANCIAL STATEMENTS
61	STATEMENT OF FINANCIAL PERFORMANCE
62	STATEMENT OF FINANCIAL POSITION
63	STATEMENT OF CASH FLOWS
64	NOTES TO THE FINANCIAL STATEMENTS
100	APPENDICES
108	ACRONYMS
109	CONTACTING THE COMMISSION

## FOREST PRODUCTS COMMISSION HEAD OFFICE

Level 1, 117 Great Eastern Highway,  
Rivervale WA 6103

Locked Bag 888, Perth Business  
Centre WA 6849

Phone: (08) 9475 8888

Facsimile: (08) 9475 8899

Email: [info@fpc.wa.gov.au](mailto:info@fpc.wa.gov.au)

*See page 109 for list of Forest  
Products Commission offices.*

*For a copy of the full report visit  
[www.fpc.wa.gov.au](http://www.fpc.wa.gov.au)*

*or contact the Forest Products  
Commission on (08) 9475 8888.*



**ENVIRONMENTAL  
MANAGEMENT  
SYSTEM**  
ISO 14001 NATA CERTIFIED

Certification No 8289

Certified 11 July 2001

Operations Division

**TO THE HON KIM CHANCE MLC  
MINISTER FOR AGRICULTURE, FORESTRY AND FISHERIES**

In accordance with Section 66 of the *Financial Administration and Audit Act*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Forest Products Commission Western Australia for the year ended 30 June 2004.



**Murray Jorgensen**  
*Chairman, Forest Products Commission Western Australia*

## Review

The year 2003/04 marked a major milestone, not only for the Forest Products Commission (Commission) but for the entire timber industry. New ten-year contracts for jarrah, karri and marri sawlogs commenced and new business opportunities pursued through Infinitree™ - our tree farming initiative for low to medium rainfall zones.

In accordance with Government policy native forest harvesting has reduced and the plantation harvesting business continues to provide opportunities for the future.

The contracts for the South-West native timbers are aligned with the Government's new Forest Management Plan 2004/2013 at levels that can be sustained from regrowth or previously harvested forests and are consistent with the Government's *'Protecting Our Old Growth Forests'* policy.

In the contracts, successful bidders have committed to steps that will see increases in the utilisation of timber from the forest, and most importantly, the supply of milled timber to Western Australian manufacturers of high value end products. These manufacturers, in furniture, flooring and joinery businesses offer the greatest levels of employment for each unit of timber production, an important social outcome for communities in the South-West of the State.

Outside the South-West, the Commission has taken important steps to develop tree farming options for lower rainfall zones under the Infinitree brand, launched by the Premier of Western Australia. Supplementing sharefarms with farmers in all Infinitree cells, the Commission purchased four properties in the Mid-West, Great Southern and South Coast regions. On these properties, the Commission will demonstrate applications of tree-farming integrated with cropping and grazing with the aim of controlling water tables while providing commercial and social benefits through employment and industry development in these regions.

During the year, the Commission has continued to work with potential investors to seek avenues for non-government investment in these areas. The Government's introduction of carbon rights legislation and the proactive nature of plantation forestry provide opportunities for the Commission to pursue national and international investors.

Together with the federal Department of Agriculture, Forestry and Fisheries, the Commission sponsored a forest investment workshop to explore with industry and community groups opportunities to encourage new investments in the WA forestry and wood products industry, particularly in lower rainfall areas. Katanning was the venue for the second in a series of regional workshops to be held in Australia's major forest regions.

The year has also thrown up major challenges, not the least being the wildfire at Bridgetown on 27 December 2003, which burnt 670 hectares of State-owned pine plantations in addition to private property and native forest. Working with other agencies, Commission staff and our harvesting contractors salvaged over \$2 million worth of timber from these plantations and with our customers, found end markets for a wide range of the salvage material. Staff faced major challenges with safety and environmental protection during the operation and achieved a magnificent result in all areas.

Infinitree™ is a registered trademark of the Forest Products Commission Western Australia.

## Review *cont'd*

The community, Commission and our customers have also responded to a slower-moving threat in the form of an incursion of the insect pest European house borer. Staff, cooperating with the Department of Agriculture and other agencies, have responded quickly to the need for mapping of the incursion, its containment and plans for its eventual eradication.

In the arid zones of the State, implementation of vertical lift harvesting techniques in new sandalwood harvesting contracts continued to provide increased recovery of butts and roots with lower environmental impact.

Behind the scenes, the Commission has undertaken a review of its board and top management structures. We have changed structures and reporting arrangements in the executive with the aim of increasing our effectiveness in all business segments.

All of the work summarised in this review, and a huge volume of work that has not been mentioned, is delivered by over 200 committed and dedicated staff throughout the organisation. They are recognised nationally and internationally for their unique skill sets and intellectual property and are well positioned to assist forestry development in WA. We thank them for their tireless work during another year of challenge and change.

Our Annual Report this year has taken on a new format so as to provide our stakeholders with feedback on the Commission's performance in the pursuit of its Vision Statement and related sustainability objectives. For the first time we have segmented the Annual Report to highlight our Social, Environmental, Governance and Economic goals, deliverables and achievements in the year. We look forward to continuing to work with all our stakeholders, including the community, our staff and customers during this exciting change in forestry in WA.



**Murray Jorgensen**  
CHAIRMAN



**Paul Biggs**  
GENERAL MANAGER

## Business Profile

The Forest Products Commission manages the commercial production of Western Australia's public native forest and plantation timbers, and manages a growing estate of tree farms for both public and private investors.

The Commission's plantations and tree farms are producing the bulk of Western Australia's commodity timbers and our native forest timbers are being used increasingly for high value end uses such as furniture and flooring.

The Commission manages more than 350 contracts (including State Agreements) for works and services contracts and the sale of forest products. These contracts have an approximate life value in the vicinity of \$2.5 billion.

We work in close consultation with industry, government and the Western Australian community to ensure the long-term sustainability of our State's renewable timber resources.

A strong focus on research and development underpins the operation of the Commission's plantation and native forest business. The Technical Services Branch provides research, development and monitoring for plantations and environmental services and the Timber Technology Centre plays a pivotal role in joint research programs based on value adding particularly to plantation grown hardwood timber. The Plant Propagation Centre, which comprises the Manjimup nursery, Seed Technologies and Tree Breeding Centre, provides diverse and superior tree species and meets the needs of our growing business.

The Commission reports to the Minister for Agriculture, Forestry and Fisheries through a seven-member Commission.

As required under the *Forest Products Act 2000*, the Commission aims to ensure that a profit consistent with planned targets is made from the use of forest products while ensuring:

- the long-term viability of the forest products industry; and
- the principles of ecologically sustainable forest management is in accordance with the management of indigenous forests located on public land.

## Business Profile *cont'd*

### OUR CUSTOMERS

Our customers encompass a diverse group of local and overseas businesses, contractors, farmers, government agencies, regional communities and the broader public.

The Commission produced and sold 1,479,806 tonnes of timber to these customers during the year. It also established and managed plantations for a range of investors.

The plantation industry is now the Commission's largest customer and includes the Wespine sawmill, Wesfi Limited's particleboard and medium density fibreboard plants and Pinetec's sawmill. Output from this industry now provides the bulk of Western Australia's construction timber and panels for cabinet work.

Following the introduction of the new Forest Management Plan 2004/2013, the Commission supplies about fifteen small to medium sized sawmills and a number of craftwood-scale customers with sawlogs, which are now used predominantly for furniture timber. Mills supply a valuable local industry of indoor and outdoor furniture manufacturers with a focus on production for interstate and overseas export.

Low grade, or residue timbers, supply local industries for domestic and industrial firewood (charcoal) as well as overseas buyers of logs and woodchips for pulp and paper making. The Commission continually seeks local markets for these resources in preference to export markets.

WA Sandalwood is sold to a combination of local and overseas buyers - the largest buyer being Mount Romance Australia, which produces oil at its facilities near Albany.



## Values and Objectives

The Forest Products Commission is the State's trading enterprise responsible for the allocation and sale of forest products from State-owned and State-managed plantations, and from the State's native forests and woodlands. The Commission works with industry and the community to develop and promote the use of Western Australia's renewable timber resources.

### VISION STATEMENT

An environmentally sustainable and commercially viable forest products industry providing economic and social benefits to the people of Western Australia.

### MISSION STATEMENT

To contribute to Western Australia's economic and regional growth by:

- developing the sustainable use of the State's plantation and native timber resources;
- promoting innovation and local value adding for these resources; and
- achieving appropriate returns to the State for the use of publicly owned and Forest Product Commission-managed plantation and native forest resources.

### VALUES

#### Achievement

*We will deliver best practice service.*

#### Innovation

*We will be creative and innovative in meeting our objectives.*

#### Leadership

*We will provide leadership to assist in the development and restructure of the timber industry.*

#### Customer focus

*We will understand and meet our customers' needs.*

#### Environmental responsibility

*We will adhere to ecologically sustainable management.*

#### Accountability

*We will adhere to processes that are understood and measured.*

#### Integrity

*We will act honestly and ethically in accordance with the Commission's Code of Conduct.*

## Values and Objectives *cont'd*

### OBJECTIVES

The *Forest Products Act 2000* establishes two objectives for the Statement of Corporate Intent:

1. the long-term viability of the forest products industry;
2. the application of the principles of ecologically sustainable forest management set out in section 12(2) (of the *Forest Products Act 2000*), which state that the Commission decision making process should integrate long and short term environmental, social and equitable considerations in the management of indigenous forest products located on public land;

and also defines the principle that the Commission must try to ensure that a profit that is consistent with planned targets is made from the management of forest products whilst ensuring that these two objectives are met.

These broad objectives, and the principle relating to profit, have been further developed to provide more detailed targets and measurable performance indicators. They have also been aligned to be consistent with Government's policies.

### PLANTATIONS

#### Goal:

*To develop the Commission's tree farm and plantation business providing forest products and environmental services at scales relevant to market opportunities and environmental needs.*

### NEW TREE FARMS AND PLANTATIONS

#### Objectives:

- For each cell, a tree farm estate of a scale that will support a competitive processing industry in the quickest feasible timeframe; and
- Maximised contribution to watertable control and biodiversity enhancement consistent with regional Natural Resource Management (NRM) strategies.

### MATURE PLANTATION ESTATE

#### Objectives:

- Maximised log production and financial return from the plantation estate in both the short and long-term;
- A secure plantation estate in both the short and long-term, compatible with other land use objectives; and
- An increase in private investment in pine plantations.

## Values and Objectives *cont'd*

### NATIVE FORESTS

**Goal:**

*To develop the Commission's native forest products business to produce timber for the high value manufacturing industry in Western Australia.*

### SOUTH-WEST FORESTS

**Objectives:**

- A viable and sustainable industry based on downstream processing;
- A Commission business providing timber to industry in a profitable manner matched to the resource available; and
- Maximum utilisation and value adding of all timber harvested.

### WESTERN AUSTRALIAN SANDALWOOD

**Objectives:**

- Consolidation and expansion of existing and new markets to provide stability and diversity, increased profits and appropriate levels of local value adding;
- Maintenance of sustainability; and
- Expansion of the resource.

### DESERT TIMBERS

**Objectives:**

- An industry processing 5,000 to 10,000 tonnes of log material for high value niche markets; and
- Operations able to deliver forest products from woodland areas at a competitive price.

### TROPICAL TIMBERS

**Objectives:**

- The development of a tropical timber industry.

### OVERARCHING AND SUPPORT SERVICES

**Goal:**

*Provide the necessary infrastructure and services to support goals of plantations and native forests operations.*

#### Plant Propagation Centre

The Plant Propagation Centre encompasses the Commission's nursery, seed centre and genetic deployment unit.

**Objectives:**

- Reliable and competitive supply of seeds and seedlings (including cuttings, emblings, clones etc.) to meet Commission and external market needs;
- Quality, genetically superior seeds and seedlings;
- Products matching market opportunities; and
- Maximum utilisation of plant propagation assets.

## Values and Objectives *cont'd*

### CORPORATE SERVICES

Corporate services include financial, business analysis, information technology and human resource services across the whole agency. The strategy for this support area is to:

#### Objectives:

- Quality financial, business, information technology and human resource systems appropriate and responsive to the Commission business; and
- Efficient and effective use of in-house and external providers.

Performance measures relating to these objectives are provided in the Annual Report.

Audited key performance indicators are marked with the symbol , measures against planned targets in the Statement of Corporate Intent (SCI) are marked with the symbol  $\diamond$  and in addition measures suggested by the Global Reporting Initiative (GRI)<sup>1</sup> have been included.



<sup>1</sup> GRI is a joint initiative of the US Coalition for Environmentally Responsible Economies and United Nations Environment Programme with the goal of enhancing the quality, rigour and utility of sustainability reporting.

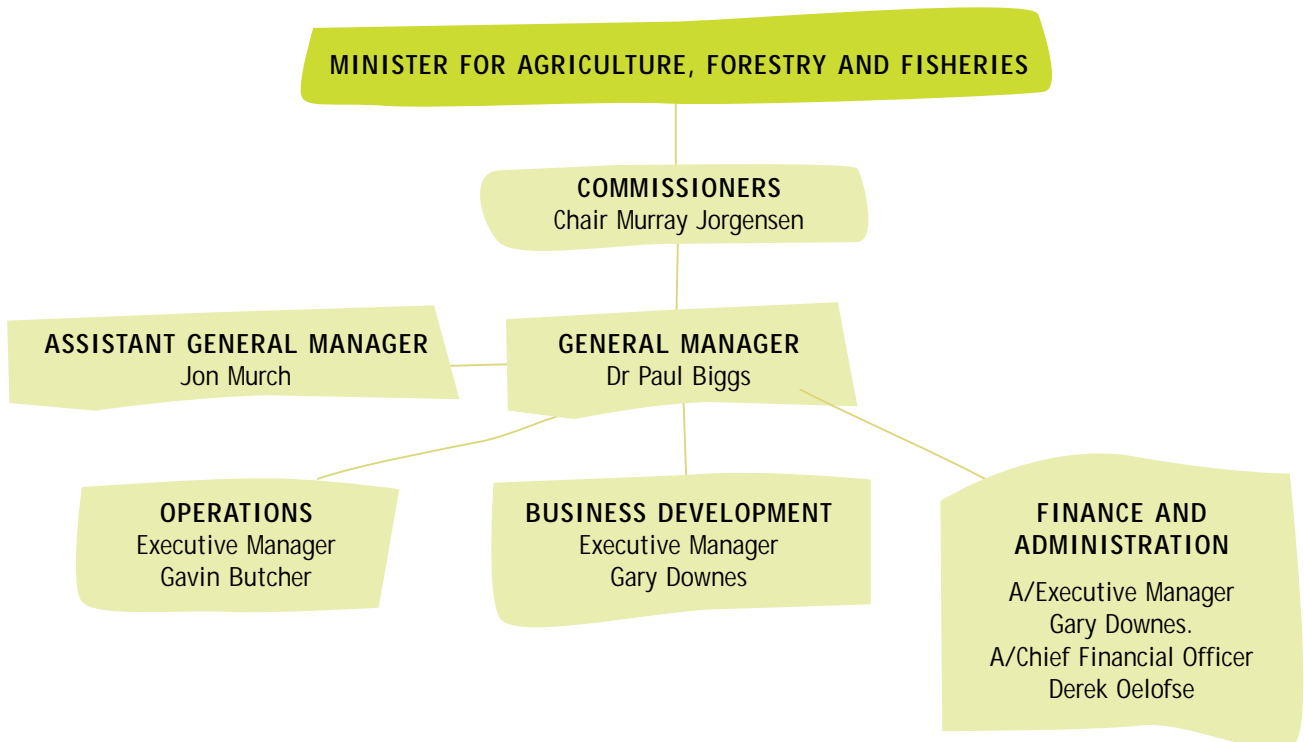
## Organisational Structure

During 2003, the Commission initiated a senior management review and reorganised its structure to ensure it is in the best position to deliver on its strategic goals and directions.

With the finalisation of the next 10-year Forest Management Plan, reduction in native forest activity and growing dominance of plantations, these two operations now come under a single division. This is supported by a newly created Technical Services Branch providing a strong focus on research and development and an Operational Services Branch focusing on technical implementation and providing support services.

Business Development, with its focus on new business, marketing and investment has been separated from other corporate services, which now comes under Finance and Administration, consistent with the Government's functional review program.

The new position of Assistant General Manager has a senior negotiation role.



## Year Ahead

The year ahead will focus on final allocations of feature logs and firewood allowable under the Forest Management Plan 2004/2013, and continuing to pursue investment into plantations in lower rainfall areas based on a mix of salinity, investment, carbon sequestration and private sector investment.

### Relocation of Timber Technology Centre

The next step in improving our research and development capacity will be the relocation of the Timber Technology Centre from Harvey to the University of Western Australia (Facility of Architecture, Landscape and Visual Arts). The Commission will retain its own independent identity but will share facilities and be in a position to significantly leverage its research funding capabilities with the University of Western Australia as well as other tertiary research institutions in WA and interstate.

To get maximum benefit from research funding, it has become increasingly important to participate in joint research programs with industry and other research providers, with particular emphasis on a national approach to achieve efficient leveraging of those funds.

### Laminated Veneer Lumber

On the opening of the new Wesbeam-owned Laminated Veneer Lumber (LVL) Plant at Neerabup, the Commission will supply the plant with 4.12 million cubic metres of softwood logs over the next 26 years. The main source of logs will come from the Gngangara mound. The plantation harvesting strategy has been based on the need to optimise the water recharge.

### Pinetec relocation

Pinetec has operated its sawmilling business for pallets, packaging and other products for a number of years from Bassendean. In order to expand the business, the company has elected to move to Collie adjacent to the Muja power station. The manufacturing and preservation operations will remain at Bassendean. The company will have an intake of 96,000 cubic metres of logs from Commission plantations throughout the South-West. If amending legislation is passed through parliament, the Commission will enter into a 20-year supply contract with Pinetec.

### Environmental monitoring of trees on farms

The establishment of plantations and integrated tree crops in the medium rainfall zone of southern Western Australia under the Infitree brand is designed to provide both economic and environmental benefits to the State. The demonstration of the environmental benefits from tree crops is critical to the development of the Infitree program. The impact of these plantings on soil, water stores and groundwater levels will be monitored so that the benefits of revegetation in ameliorating dryland salinity can be demonstrated. Additionally, the impact of these plantings in sequestering carbon will be determined as part of the ongoing plantation inventory assessment of these plantings.