



# Forest Products Commission Statement of Corporate Intent 2019-2020



### **Forests - Djarlma**

When the great Waugal created the *boodja* (land), he ensured that there were *wirrin* or spirits to look after the land and all that it encompassed. Some places such as the *kaart* (hills) and *ngamar* (waterholes) *boya* (rocks), *bilya* (rivers), *boorn* (trees) were created as sacred sites and hold *wirrin*, both *warra* (bad) and *kwop* (good). Noongar believe that the spirits of their ancestors live in the forests. The ancestral spirits of their *demanggar* (grandparents) are there to give them their healing and their food. Everything in Noongar *boodja* has a purpose; if the forest are not preserved and maintained then they will have no ancestral spirits to guide them and give them sustenance and healing, the forest spirits will go to sleep forever and Noongar will become sick in both mind and body.

Djarlma is about looking after *wirrin* which ensures the spiritual health of the forests. For Noongar, the spirit is in the forest, the forest is a place of worship, the Mother place (*wirrin/ngaank*).

The forest is not simply an asset but is life. Noongar identity and connection is drawn from the land (*kadjan/ kanya*) and their totems dictate a holistic responsibility for animals, trees and places (*borunga*). The trees in the forest cannot be considered separately to their spiritual ecosystem

(Courtesy of the South West Aboriginal Land and Sea Council)

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## **AGREEMENT**

The Statement of Corporate Intent 2019–20 describes the agreement between the Forest Products Commission and the Minister for Forestry on the intended priorities and performance.

The Statement of Corporate Intent is consistent with the Strategic Development Plan which details a five-year view of the Commission’s planning.

In accordance with the *Forest Products Act 2000* and with the Treasurer’s concurrence, the Minister for Forestry and the Forest Products Commission agree to the content of the Statement of Corporate Intent.

When unforeseen circumstances arise, the document may be amended by agreement of both parties. The respective parties agree to collaborate when addressing significant issues.



**Hon Dave Kelly MLA**  
Minister for Forestry



**Ross Holt**  
Chair  
Forest Products Commission

## ABOUT US

The Forest Products Commission (FPC) is responsible for the sustainable management and development of Western Australia's forest products industry, using native forest, plantation and sandalwood products on land managed by the State.

All our operations are undertaken in accordance with the *Forest Management Plan 2014–2023* (FMP). This plan protects all old-growth forest and balances the complex values of our forests including biodiversity and healthy ecosystems, soil and water resources, and social, cultural and economic benefits.

The FPC is committed to growing the forestry industry and supporting the employment of more than 6,000 Western Australians working in forestry-related industries. These industries include forest management, harvesting, primary processing and manufacturing sectors.

### Our Act

We are governed by the *Forest Products Act 2000* (the Act) and sections of the *Forest Management Regulations 1993*.

The Act outlines functions undertaken by the FPC including:

- performing commercial functions of growing, harvesting and selling forest products.
- supporting industry development; and
- Advising the Minister on forestry.

We comply with other relevant legislation and a list is published each year in the Annual Report.

### Our Owner

We are a statutory authority of the Crown. We report to the Minister for Forestry. 75 per cent of our surpluses are returned to State Government as dividends and the remainder is reinvested in the forest industry.

There are three State Agreement Acts for supply of forest products:

- Wood Processing (Wesbeam) Agreement Act 2002 – Wesbeam
- Wood Processing (WESFI) Agreement Act 2000 – Laminex
- Dardanup Pine Log Sawmill Agreement Act 1992 – Wespine

Other products are sold by way of contract as outlined in s59 of our Act. All tender and contract processes are in accordance with Department of Finance and State Supply Commission policies.

### Our Regulatory Framework

The activities of harvesting and regenerating on State forests are regulated by the Department of Biodiversity Conservation and Attractions (DBCA). The principal mechanism that sets standards for the south west forests of Western Australia is the *Forest Management Plan 2014-23*. This document was produced by the Conservation and Parks Commission, assessed by the Environmental Protection Authority and approved by the Minister for Environment. We also operate on private land which is governed by various State laws and industry codes of practice.

Sandalwood harvesting is regulated under the *Biodiversity Conservation Regulations 2018* under the *Biodiversity and Conservation Act 2016*.

Our relationship with the DBCA is expressed through a Memorandum of Understanding as required at section 10(1) (l) of the *Forest Products Act 2000* and tabled in Parliament (2001). Operational working and financial arrangements are agreed through separate documents. The FPC provides funding for the DBCA to undertake specific activities to contribute to *Commercial Forestry Activities* as detailed in the State Budget Papers.

The State of Western Australia and the Commonwealth of Australia signed the *Regional Forest Agreement for the South West Forest Region of Western Australia* on 4 May 1999. This document established a 20-year framework to manage the use of Western Australia's south-west forests to implement effective conservation, forest management and forest industry practices.

Operational activities are guided by a set of policies, procedures and work instructions that are developed and agreed with the DBCA and the Forest Industries Federation of Western Australia (FIFWA) where required.

To demonstrate commitment to environmental and quality standards, the FPC is certified to internationally recognised standards. Certification is achieved after rigorous, ongoing auditing and assessment by an external, independent auditing firm. Current certification includes:

- AS4708:2013 - Australian Forestry Standard (AFS)
- Program for the Endorsement of Forestry Certification (PEFC)
- ISO14001:2015 – Environmental Management System (EMS), the international standard for environmental management systems.

## Our Industry

The forest products industry is a small but important industry in Western Australia. It is worth approximately \$1.4 billion each year and employs around 6,000 people working in timber related industries. Most of this value and jobs is created in regional Western Australia.

The industry includes growing and management of plantation and native resources, harvest and haulage and processing and manufacturing.

The FPC works with industry representative groups, particularly FIFWA, the Australian Forest Products Association (AFPA) and Forest and Wood Products Australia (FWPA).

## Looking Forward

It's an exciting time to be in the forestry industry.

We are adopting new technologies to develop products from a renewable resource, while ensuring future generations can enjoy the benefits of our forests.

A changing resource base and global market competition will continue to provide challenges, but there are also new opportunities through innovation.

The Djarlma Plan for the Western Australian Timber Industry, developed under the guidance of an independent expert panel, will be released in 2019. The Plan sets out a strategic framework for the State's forestry industry, including the private sector and FPC, to achieve long-term regional economic well-being, employment, and investment to foster ecologically sustainable development and to provide social and environmental benefits.

The Plan identifies four interdependent strategic priorities:

**Healthy Forests and Woodlands** – Healthy forests and woodlands underpin the future of the Western Australian forestry industry.

**Wood Products and Ecosystem Values** – The industry of the future provides the full range of forest and woodland values in support of a sustainable low carbon future.

**Community Benefits** – The community supports, values and benefits from forests and woodlands.

**Industry for the Future** – A technologically-led, competitive, collaborative industry.

A series of implementation plans are being developed through a consultative process to support effective delivery of the Djarlma Plan. The outcomes of the Plan have informed development of the FPC's key initiatives and activities over the next five years.

The Western Australian Wood Encouragement Policy will be released in 2019 and encourages the use of responsibly sourced forest and wood products within procurement activities, alongside other building materials, particularly in building and construction. The Policy aims to achieve multiple employment, community and climate change mitigation objectives.

In the native forest sector, we will continue to work with industry and regional communities to develop new products that are based on other bole volume. This will be achieved with technologies that allow cost effective manufacturing and increased utilisation of our forests. Collaboration on trials with industry are providing exciting opportunities for greater integration of plantation and native forest timbers in the manufacturing of new products. The jarrah branding and marketing strategies we worked on with industry highlight and add value to the unique properties of our timbers. Further branding and marketing strategies, including for sandalwood, will also be prepared. Achievement and maintenance of independent certifications will continue to be a key component of these strategies.

A strong sandalwood sector will be maintained into the future through refinement and improvement of inventory and yield data and expansion of the regeneration program. The establishment of markets for residue products and utilisation of technology is achieving high resource removal and recovery rates that support a sustainable industry that benefits regional and Aboriginal communities.

In the softwood sector, there will be increased focus on management and protection of existing plantation assets. In collaboration with DBCA, the FPC will be targeting additional fire prevention and suppression resources to mitigate the increased risk of bushfires impacting plantation resources in the south west. Facilitation of long-term private investment will be critical to achieving plantation expansion targets required to support a competitive industry. Also a key focus of the 2018 national forestry industries plan, *Growing a Better Australia – A billion trees for jobs and growth*, expansion of the plantation estate will play a key role in supporting carbon sequestration, local land remediation and the lowering of carbon emissions.

The ongoing development of engineered wood products and the use of timber in pre-fabricated flooring, walls and roof systems are providing new markets for plantation timbers. Changes to standards that allow the use of engineered timber products in high rise building construction will transform the utilisation of timber in building and construction.

Globally, a broad range of new products and uses for wood fibre are being developed. These include bio-energy, bio-based chemicals, and cellulosic fibres.

Greater integration of planning, production and supply chain logistics across all industry sectors will achieve greater efficiencies and contribute to a long-term competitive forestry industry.

Implementation of the FPC's Aboriginal Reconciliation Action Plan will result in collaborations to achieve opportunities for Aboriginal forest enterprises and employment across all industry sectors.

Climate change is expected to continue to affect forests and plantations in Western Australia. Adaptive management, including ecological thinning and improvements in drought tolerant genetics, can mitigate the damaging impact of climate change on our native forests and maintain the growth in plantations. However, scenarios of continued winter rainfall decline and temperature increase will limit suitable areas for commercial plantation development to regional industry hubs that have adequate rainfall to support healthy plantation growth.

An industry workforce strategy that addresses training opportunities and promotion of career paths available within the industry will be implemented. Identifying training needs and skills for the future of the industry will be a critical component of this work.

There will be an ongoing focus on safety. A People and Safety Committee was established in 2018. This committee will ensure the continuous improvement of the FPC's Occupational Safety and Health management framework and consider strategic occupational safety and health initiatives that respond to emerging trends, issues or legislative changes.

## Our Vision

To build and maintain a sustainable and commercially viable forest products industry that provides economic and social benefits to the people of Western Australia.

## Our Mission

To contribute to Western Australia's economic and regional development through:

- Sustainable harvesting and regeneration of the State's forest resources;
- Promoting innovation in forest management and local value-adding of timber resources; and
- Generating positive returns to the State.

## Our Values

- **Nurture**  
*Our people and their safety*
- **Respect**  
*Our environment, heritage and each other*
- **Deliver**  
*Outstanding results and superior service*

## Our Goals

- **Deliver healthy forests for future generations**  
The FPC will ensure that it upholds all principles of ecological sustainable forest management; conserving biodiversity, ecological integrity and manages forests for the community to enjoy
- **Facilitate a vibrant forest industry to deliver social and economic benefits, particularly in regional WA**  
The FPC will contribute to a vibrant and economically diverse regions, the forest industry has plans for the future of a sustainable industry at National, State and Regional levels.
- **Ensure efficient, effective and safe delivery of business outcomes**  
The FPC will remain self-sustaining and profitable and continue to invest in the long-term economic health of the industry.

## Our Role

We are a team of forestry professionals engaged in the industry from the seed to the product. We work with the community, industry and government to create a vibrant forest industry.

We will create an environment of innovation to ensure that our forests are a strategic and sustainable resource for the future.

## Our Business

The forest products industry is an important industry in regional Western Australia. The FPC drives economic value into Western Australian regions with more than 70 per cent of its staff being regionally based and, the planned purchase of more than \$1 billion in goods and services for harvesting and forest management, from Western Australian companies and people over the period of the Forest Management Plan 2014-23.

The Strategic Objective of each operational area is:

### Plantations

Enable an internationally competitive softwood plantations sector based on efficient industry hubs. Encourage investment in new plantations, promote collaboration to improve efficiency across the supply chain and maximise productivity of the existing estate through utilisation of new technologies.

### Sandalwood

Facilitate a sustainable and ethical sandalwood industry that creates jobs and opportunity for regional and Aboriginal communities and supports domestic processing in Western Australia. Enhance brand confidence, recognition and industry collaboration to enable an integrated wild and plantation based industry.

### Native Forests

Build on stakeholder support to operate in the forests of the South West. Facilitate the longevity and resilience of industry through transformation of the Native Forests business to innovative and diversified renewable products that maximise forest health and resource value in State forest.

These industries are supported by ongoing corporate initiatives to ensure we can respond to challenges and opportunities in the sector. This includes strengthened policy and strategy capacity and increased collaboration with stakeholders to develop future strategies.

## Our Strategic Risks

The management of strategic risk is overseen by the Audit and Risk Committee – a subcommittee of the Commission. They include:

- Wildfire losses to forest resources
- Loss of markets
- Failure to secure new markets
- Failure to secure land to support plantation expansion
- Lack of community support for operations in Native Forest sector
- Climate change
- Failure to meet compliance obligations and loss of environmental certification
- Potential of high risk operations causing serious injury
- Lack of skilled personnel and continuity in the industry

## Our Stakeholders

Engagement with stakeholders is an integral part of our operations and embedded in core values. Stakeholders are those people and organisations who can influence outcomes, have an interest in, or are affected by our activities. We have committed to implementing reconciliation initiatives and furthering relationships with Aboriginal people.

Effective stakeholder engagement assists us to achieve an environmentally sustainable, renewable and commercially viable forest products industry. It is also essential to ensure

stakeholders' needs and interests are consistently, transparently and meaningfully considered our activities and to ensure the success of ongoing operations.

The FPC has three stakeholder engagement goals:

- **Stakeholder confidence**  
Stakeholders trust us to deliver sustainable forestry in Western Australia.
- **Stakeholder inclusivity**  
A diversity of stakeholder interests is represented through collaboration, consultation and information sharing.
- **Stakeholder value**  
Stakeholders value and directly benefit from the stakeholder engagement process.

Stakeholder groups include:

- Contractors and suppliers
- Community groups
- Industry bodies
- Education and research
- Active forest users
- Employees
- Neighbours
- Customers
- Aboriginal groups
- Government
- Media
- Sharefarmers
- General public

### **Our Commissioners**

- Ross Holt                      Chairman
- Amelia Yam                  Deputy Chairman
- Robert Pearce
- Louise Duxbury
- Nick Bayes
- Vanessa Elliott
- Jacqueline Jarvis

### **Our Executive Team**

- Stuart West                  General Manager
- Gavin Butcher              Director Operations
- John Tredinnick            Director New Business and Innovation
- Antonio De Nobrega      Director Finance
- Andrew Lyon                Director Business Services

## FOREST PRODUCTS COMMISSION STRATEGY

To align with government goals, the FPC has three strategic goals; key outcomes to achieve these are listed below.

### Deliver healthy forests for future generations

Objectives	Outcomes 2023-2024	Performance Indicators	Highlights 2019-20
<p>Work with Department of Biodiversity Conservation and Attractions in planning, harvest and regeneration activities to optimise forest values</p> <p>Ensure sufficient mechanisms are in place to manage risk and respond to wildfire and other environmental risks</p> <p>Contribute to state and national policies and projects on Climate Change</p>	<ul style="list-style-type: none"> <li>Best practice environmental certification is maintained and enhanced</li> <li>Deliver on initiatives in the Forest Management Plan and work towards the new FMP to be delivered in 2024.</li> <li>Environmental and Forest Management Plan reporting meets community expectations</li> <li>Work collaboratively with other government agencies and the community to ensure we implement a comprehensive fire mitigation and management strategy</li> <li>Improve the contribution to climate change for the WA forestry industry</li> </ul>	<p>Key Performance Indicators:</p> <ul style="list-style-type: none"> <li>Quantity of native forest timbers harvested compared with FMP sustainable levels and targets</li> <li>Harvest of sandalwood does not exceed Order In Council</li> <li>Effectiveness of forest regeneration (karri, jarrah, sandalwood)</li> <li>Independent certification maintained</li> <li>All aspects of road construction within guidelines</li> <li>All operations commence with required approvals</li> <li>Planned fuel reduction and fire break activities achieved</li> <li>Achievement of thinning schedules</li> </ul>	<ul style="list-style-type: none"> <li>Support the development of new and diverse markets for thinning and harvesting residues to improve efficiency of resource use and enable achievement of silviculture objectives, including development of a biomass market</li> <li>Reduce the threat to FPC's priority pine plantations through managing adjacent fuel ages to less than 5 years</li> <li>Collaborate with DBCA and the mining industry to undertake operational trials and research on ecological thinning and mechanical fuel reduction in native forests to demonstrate and validate improved forest health and resilience outcomes</li> </ul>

## Facilitate a vibrant forest industry to deliver social and economic benefits, particularly in regional Western Australia

Objectives	Outcomes 2023-2024	Performance Indicators	Highlights 2019-20
<p>Community and industry are engaged in forestry planning and opportunities</p> <p>Forestry adds value in local communities</p> <p>The FPC contributes to strength of forestry industry by playing proactive role in policy development and industry leadership</p>	<ul style="list-style-type: none"> <li>Implement strategies identified through the Djarlma Plan for the Western Australian Forestry Industry</li> <li>The community recognises the value of forestry</li> <li>Implement the Softwood Industry Strategy for WA</li> <li>Implement the Sandalwood Industry Strategy for WA</li> <li>Implement the Farm Forestry Strategy</li> <li>Have a sustainable native forest sector where markets match the available resource</li> <li>Implement Stakeholder Engagement Strategy</li> <li>Implement an Aboriginal Engagement Strategy</li> </ul>	<p>Key Performance Indicators:</p> <ul style="list-style-type: none"> <li>Timeliness of response to stakeholder concerns or complaints</li> <li>Area of softwood plantation established against target</li> <li>Expansion of the plantation estate. Employment and social benefits maintained or increased, increased local processing capacity</li> <li>Increase in low value resource delivered to and processed by local markets</li> <li>All high value sawlog resource processed locally</li> <li>Log delivery consistent with contractual obligations</li> </ul>	<ul style="list-style-type: none"> <li>Work with industry on implementation of the Djarlma Plan</li> <li>Manage existing FPC plantation land base to optimise tree growth, including implementation of silvicultural regimes and application of new technologies</li> <li>Work with industry to develop a sustainable model for ongoing plantation expansion</li> <li>Develop and implement a Sandalwood Certification Strategy</li> <li>Develop and implement a sandalwood branding and marketing strategy that recognises the source, sustainability, regeneration efforts, certification and involvement of Aboriginal people</li> <li>Continue to promote multiple-use activities associated with FPC forest operations</li> </ul>

## Ensure efficient effective and safe delivery of business outcomes

Objectives	Outcomes 2023-2024	Performance Indicators	Highlights 2019-20
<p>Be financially self-sustaining</p> <p>Forestry is a safe place to work</p>	<ul style="list-style-type: none"> <li>Have a highly productive workforce made up of multi-skilled, innovative and engaged people</li> <li>Our science and innovation strategy will lead growth in our business and industry</li> <li>Technology will generate efficiencies in operations</li> <li>Business reporting provides timely and accurate information to managers</li> <li>Safety management framework meets recognised Australian or International Standards</li> </ul>	<p>Key Performance Indicators:</p> <ul style="list-style-type: none"> <li>Operating profit</li> <li>Timeliness of response to initial requests to Ministerials and PQs</li> <li>Costs per dollar of revenue generated for each forest type</li> <li>Green sandalwood roots as a percentage of green sandalwood harvested</li> </ul>	<ul style="list-style-type: none"> <li>Continue investigation of new and emerging technologies in remote sensing to improve harvest planning and regeneration monitoring</li> <li>Complete logistics mapping across all forest industry sectors and implement improvements</li> <li>Implement a forest and timber industry workforce development strategy that promotes diverse and safe work environments and a highly skilled and motivated industry wide workforce targeted towards future industry needs</li> <li>Improve safety outcomes through adoption of improved technologies and work practices on roads and logistics</li> </ul>

## FINANCIAL TABLES

Table 1: Financial statement and business targets

<b>Economic Assumptions</b>	<b>Forecast</b>
<b>Timber supply ('000 tonnes)</b>	
Native Forest	1,041
Plantations	1,170
Sandalwood	2.0
<b>Forest activity</b>	
Native Forest harvest areas (ha)	9,331
Plantation establishment (ha)	2,663
Sandalwood seedlings (tonnes of seed)	22
<b>Other</b>	
\$A/ \$US exchange rate (cents)	73.2
<b>Financial outcomes (\$ million)</b>	
Timber revenues	154.2
Operating profit	6.9
Net profit (loss) after tax	(0.2)
Closing cash balance	23.9
Dividend paid on previous year's result	0.3
Tax paid	0.5
<b>Performance indicators (%)</b>	
Return on assets	1.7
Return on equity	1.9
Operating profit to timber revenues	4.5

Table 2: Asset investment program

<b>Asset investment program (\$ millions)</b>	<b>Forecast</b>
Computers, plant and equipment	0.7
Land	0.7

Table 3: Plantation establishment

<b>Plantation establishment</b>	<b>Forecast</b>
Hectares	1,690
<b>Estimated expenditure (\$ million)</b>	
Afforestation	2.9
Reforestation	2.4
<b>Total plantation establishment (\$ million)</b>	<b>5.3</b>

## NOTES FOR FINANCIAL ACCOUNTS

### Reporting to the Minister

The FPC monitors its performance based on the business activities listed in the Statement of Corporate Intent and the Strategic Development Plan. The FPC provides a report to the Minister based on performance and financial outcomes in the Half Year and Annual Reports. The Commission advises the Minister of any significant variation should it arise as required by s.17 of the Act. The FPC has reporting obligations to the Department of Treasury. The FPC submits quarterly reports on its budgets.

In 2018, Treasury approved 19 key performance indicators. They are:

1. Quantity of native forest timbers harvested compared with FMP sustainable levels and targets
2. Harvest of sandalwood does not exceed Order In Council
3. Effectiveness of forest regeneration (karri, jarrah, sandalwood)
4. Independent certification maintained
5. All aspects of road construction within guidelines
6. All operations commence with required approvals
7. Planned fuel reduction and fire break activities achieved
8. Achievement of thinning schedules
9. Timeliness of response to stakeholder concerns or complaints.
10. Area of softwood plantation established against target
11. Expansion of the plantation estate
12. Increase in low value resource delivered to and processed by local markets.
13. All high value sawlog resource processed locally
14. Log delivery consistent with contractual obligations
15. Operating profit
16. Positive financial health and socioeconomic outlook of forestry industry
17. Timeliness of response to initial requests to Ministerials and PQs
18. Costs per dollar of revenue generated for each forest type
19. Green sandalwood roots as a percentage of green sandalwood harvested

Copies of the FPC's major documents are available on the FPC's website.

### Accounting Policy

The FPC's financial statements are prepared in accordance with Australian Accounting Standards, *the Financial Management Act 2006* and the Treasurer's Instructions.

The *Financial Management Act 2006* and the Treasurer's Instructions are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board. The notes that accompany the financial report in our Annual Report outline the FPC's significant accounting policies.

### **Pricing Arrangements**

Pricing arrangements are determined by a number of factors including requirements under s.59 of the Act, which prescribes the costs that are to be factored into a price for forest products.

### **Dividend Policy**

Dividends are calculated at 75 per cent of adjusted profit, i.e. net profit after tax adjusted for non-cash items of biological asset valuation, and onerous contracts revaluation. From 1 July 2014, the dividend calculation includes the impact of the FPC's investment in plantation establishment. Dividends are approved by the Commission and paid in the following financial year (normally in the December quarter).

### **Non-commercial Activities**

The FPC undertakes a range of activities to support the industry that are not directly related to its commercial functions. These activities include ministerial support, forest education, policy development, outreach programs and sponsorship. These activities are funded from the profits the FPC creates from its commercial businesses.



