



Forest Products Commission ■

ANNUAL REPORT

■ July 2002 – June 2003



Securing a future for our grandchildren.

Cover photos:

Tending young seedlings at the Manjimup nursery.

Preparing pine sawlogs for export from the port of Bunbury.

Rocking chair by Jah Roc Furniture company.

Image from Infinitree™ campaign.

The Commission

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.

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.

Our activities

The Commission is committed to providing a balance of social, economic and environmental returns for the people of Western Australia.

Our native forest management assists with the development of the local furniture industry, provides regional employment opportunities, and aids the State's export industry.

Our plantation operations provide farmers with alternative, long-term income opportunities, and help to reverse land degradation. Our recently released commercial tree farming package, Infinitree™, aims to increase the level of investment in lower rainfall zones and in sawlog production in higher rainfall areas.

Our ongoing seed research and testing enables us to continue providing diverse and superior tree species that can address salinity, water logging and wind erosion in a variety of geographical locations across Western Australia.

We are actively educating the local and international community about the uniqueness of Western Australia's timbers, our timber products and the value adding opportunities available.

Our partnerships

Our partnerships with resource and energy businesses enable us to deliver effective carbon sequestration practices, which offset the greenhouse gas emissions in other sectors of the economy.

We are pursuing commercial opportunities locally and offshore, which in turn provide employment and income for our State.

Our ongoing liaison with other government agencies and local communities helps to develop long-term sustainability strategies in regional areas.

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Widely spaced eucalypt sawlog species.



WA sandalwood tree.



Certification No 8289
Certified 11 July 2001

For a copy of the full report visit www.fpc.wa.gov.au or contact the Forest Products Commission on (08) 9475 8888.

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

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 2003.



Murray Jorgensen

Chairman, Forest Products Commission Western Australia



A eucalypt sawlog alley designed for agricultural integration.

Review

During our first two years the Forest Products Commission has been working hard to deliver on major elements of government policy.

Significant milestones were achieved during 2002/03 in the development of new plantations for timber and environmental services such as salinity, erosion control and carbon sequestration, and in the establishment of a new manufacturing industry, particularly furniture, using the State's wonderful South-West timbers.



First export shipment of pine logs for Pentarch Forest Products is readied at the port of Bunbury.

In the area of plantations and tree farming, the Commission unveiled its new brand, Infinitree™. The brand, launched by the Premier of Western Australia, Dr Geoff Gallop, on 6 June 2003, is the new public face of the Commission's tree farming program. Infinitree now provides the Commission with an identifiable image to attract external investment and a focus for our interaction with farming communities. Use of the Infinitree brand will also help to promote the benefits of tree farming amongst the broader Western Australian community. A full description of Infinitree is contained on page 16.

The timing of Infinitree coincides with the successful completion of what was Australia's first major bluegum project for an overseas investor. In 1993, the State Government successfully attracted new investment into bluegum plantations through Albany Plantation Forestry Limited (APFL), representing a consortium of investors from Japan. The Share Farming units of the Department of Conservation and Land Management (DCLM) were set the task of planting 20,000 hectares of bluegum for APFL over ten years. As part of the Commission, those units have not only completed this task, but exceeded it, and by the time the last planting transpires during the 2003 winter, a total of 23,724 hectares will have been planted for APFL in the Albany region. During

this time, the Share Farm units and the Plant Propagation Branch have demonstrated an ability to develop new ways of operating in partnership with agricultural land owners, building methods for efficient mass production of seedlings, and an ability to deliver on commitments to an external investor. This winter, the last year of work for APFL, will be a moment of sadness for some, but will also be recognised as the completion of a great achievement.

The year 2002/03 also saw the start-up of pine log exports from Commission plantations. This also signalled an important milestone in the development of Western Australia's plantation industry. A market for log exports provides growers with an opportunity to sell log grades and quantities that are surplus to the needs of local industry. An agreement between the Commission and Pentarch Forest Products has led to the building of log export facilities at Bunbury, and it is hoped, shortly at Albany.

In the area of South-West timbers, the Commission continued to work closely with other agencies to achieve government policy, the development of high-value manufacturing from the timber volumes authorised under the next Forest Management Plan. This has been a lengthy and stressful time for communities and agencies, but we have been extremely pleased with the level of interaction with

companies, industry bodies and community groups to try and achieve the best possible outcome from the available timber volumes. During this time, we have seen Western Australia's furniture industry continue to grow in terms of its confidence in its ability and the quality of its product. Western Australia dominated the national furniture awards in November 2002, an event that the Commission was proud to support. The 2003/04 financial year will see the finalisation of new contracts and the start of new investment by the sawmilling and furniture industry, and we look forward to a close, ongoing relationship during this time.

As the detail in the later section of this report highlights, the Commission has shown a solid financial result with an operating profit and dividend payment to government in line with budget expectations.

During a time of reducing revenue from native forests, and an expansion phase for tree farming, this reflects on the quality of financial management in all divisions of the agency. The bottom line profit and loss result continues to be influenced by the sensitivity of standing timber valuation, and this is explained in detail in the financial reports.

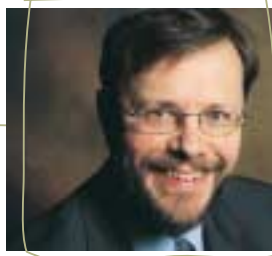
Other notable achievements include:

- a very good health and safety performance for the year
- increases in local sandalwood processing for its oil, along with innovations in sandalwood harvesting and regeneration methods; and
- continuing good results from external audits of our ISO 14001 Environmental Management System.

These achievements have been accomplished through the effort and dedication of staff throughout the Commission. Our staff continue to operate at the highest levels, running the finance and commercial systems, managing operations on the ground, and at the same time, contributing to the protection of lives, property and forest values during another busy and dangerous fire season. The State of Western Australia has reason to be proud of their efforts.



Murray Jorgensen
CHAIRMAN



Paul Biggs
GENERAL MANAGER



Loading harvested blue gum for transport.

The Forest Products Commission works in close partnership with industry, government and local communities in an effort to provide a balance of environmental, economic and social returns for all Western Australians.

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.

Western Australia's diverse range of unique native timbers has provided the foundation of the State's timber industry for over 130 years.

During the 1960s and 70s commercial plantation timbers such as Maritime pine and radiata pine were introduced to provide supplies of softwood timbers in Western Australia.

For many years native timbers such as jarrah and karri were used in a wide variety of products, including structural and building applications.

The ever-increasing volume of Commission plantation timbers however, has meant our native timbers can now be used primarily in value adding products such as furniture and flooring, where their natural beauty can be appreciated.

As a result, a significant shift in the production of native and plantation timbers has occurred in recent years:

During the year, 987,190 hectares, or less than half of the State's native forest in the South-West, was available for timber production. Native forest production aids export earnings, creates employment opportunities in regional areas and provides unique materials for local furniture industries and manufacturers.

The Commission also managed 132,594 hectares of plantation timbers during the year, which are located across government-owned land, within the State forest and on private farms. Extensive planning is performed prior to plantation planting to ensure successful integration with existing agricultural activities, and optimal returns for farmers. As a part of the Commission's Infinitree™ commercial farming package, the Commission aims to increase the rate of planting up to 20,000 hectares per annum during the next five years.

The Commission has almost completed the establishment of 40,599 hectares of Tasmanian bluegum projects for external investors.

As a part of its industry development role, the Commission supports the operation of Ministerial Advisory Committees for the native forest industry and for the plantation industry. These committees advise the Minister for Agriculture, Forestry and Fisheries, with a range of agencies present, and provide a single point of contact for industry to raise matters across the range of portfolios.



Western Australian jarrah forest.

Year	Native Forest sawlogs harvested	Plantation sawlogs harvested
1997-98	602,765 cubic metres	262,348 cubic metres
2001-02	368,281 cubic metres	281,762 cubic metres
2002-03	352,609 cubic metres	365,017 cubic metres

Western Australia produces an array of unique timbers from native forests as well as sought-after timbers from an increasing number of plantations.



Feature-grade marri furniture.



Western Australian sheoak vase.

Native timber species

The Commission is responsible for harvesting and regenerating predominantly jarrah (*Eucalyptus marginata*), marri (*Corymbia calophylla*), karri (*Eucalyptus diversicolor*), blackbutt (*Eucalyptus patens*) and sheoak (*Allocasuarina fraseriana*) species from the available native forest area, and ensuring their ongoing and sustainable use.

Karri and jarrah timbers, renowned for their dark colour and consistent grain pattern, have great appeal in decorative products such as furniture and flooring. The Commission strongly supports the development of these end uses.

Marri, a light coloured timber, is increasingly valued for feature-grade indoor furniture.

Not all timber is suitable for milling due to defects such as rot, gum or splits within the log. This resource is used for firewood or charcoal (in the case of jarrah) or pulp and paper making.

Blackbutt, a light coloured timber, is highly regarded for both furniture and flooring.

Sheoak, a distinctively grained timber, is used in furniture, joinery, flooring and in shingles on heritage buildings.

Goldfields eucalypts, renowned for their durability and strength, can potentially be used in furniture, flooring, musical instruments and other specialist applications. These are currently being trialled as vineyard posts on South-West wineries.

WA Blackbutt is popular in furniture and flooring.



WA sandalwood

WA sandalwood (*Santalum spicatum*) timber, found in the drier areas of the State, has long been a viable industry in Western Australia. Traditional uses have included incense and insect repellents. More recently, WA sandalwood is being used in higher value commodities - the oil is being used in perfumes and there is some indication WA sandalwood could be used in pharmaceutical applications in the future. The Commission is developing plantations of WA sandalwood as a part of its Infinitree™ program.

Plantation timber species

The Commission's plantation timbers include largely radiata pine (*Pinus radiata*), Maritime pine (*Pinus pinaster*), WA sandalwood and a variety of eucalypt species for sawlog production.

Pine is largely used in structural applications such as roofing, or in medium density fibreboard and particleboard panels. Pine products are a key resource for the State's building and housing industries. Pine that is surplus to local demand is exported as logs through the port of Bunbury.

Extensive areas of privately-owned Tasmanian bluegum (*Eucalyptus globulus*) plantations are already providing increasing amounts of export timber for pulp and paper manufacture in Japan.

O u r C u s t o m e r s

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 1.5 million tonnes of timber to its 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.



Stacking medium density fibreboard at Wesfi Limited's Welshpool plant.

Following the restructuring of the native timber industry, 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 with domestic and industrial firewood (charcoal), and overseas buyers with 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.

O u r L i n k s w i t h G o v e r n m e n t

The Commission works in close partnership with a number of government agencies:

- Conservation Commission;
- Department of Conservation and Land Management;
- Department of Environment (Water and Rivers Commission);
- Water Corporation;
- Department of Industry and Resources;
- Austrade; and
- WA Government Trade Office

V a l u e s a n d O b j e c t i v e s

Our vision

To be a leader in achieving an environmentally sustainable and commercially viable forest products industry providing economic and social benefits to the people of Western Australia.

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.



Western Australia jarrah vase.

Our mission

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 Products 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.

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*) 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 exploitation 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 the government's forest policy.

**Objective (i)
Production from Indigenous
Forests**

Provide to Western Australia's forest products industry a long-term supply of forest products from indigenous forests on public land in a manner, which is both profitable and consistent with relevant management plans, which are based on the principles of ecologically sustainable forest management.

**Objective (ii)
Production from Plantations**

Provide to Western Australia's forest products industry a long-term supply of forest products from publicly owned and managed plantations in a manner which is both profitable and consistent with environmentally sound management practices.

**Objective (iii)
Plantation Development**

Increase the area of hardwood and softwood plantations through profitable means to meet regional development opportunities and environmental objectives.

**Objective (iv)
Promotion and Development of
the Forest Products Industry**

Promote increased level of economic return to Western Australia from the use of forest products.

**Objective (v)
Business Performance**

Meet the financial targets agreed with the Western Australian Government.

**Objective (vi)
Pricing Arrangements**

Optimise the price of forest products to satisfy the requirement for the Commission to be profitable whilst maintaining a viable forest products industry.

**Objective (vii)
Recruitment and Human
Resources**

Employ suitably qualified, experienced staff who are supported to deliver the objectives of this plan. High levels of performance by staff, aligned with the Commission's vision and mission.

**Objective (viii)
Community Support**

Improve community and industry knowledge and support of the Commission's activities.



Commercial plantations of Tasmanian bluegum.

O u r O r g a n i s a t i o n

T h e C o m m i s s i o n e r s

Our seven Commissioners have been appointed for their expertise in commercial activities, the plantation timber industry, or in the labour relations field, as is relevant to the functions of the Commission.



Murray Jorgensen - Chairman

Mr Jorgensen is the principal of a management and business consultancy for a wide range of Local Government and commercial clients. He has extensive experience in Local Government, including five years as the Shire Clerk at the Shire of Manjimup and 10 years as the Chief Executive Officer of the Town of Albany. He was a Commissioner at the City of Cockburn between April 1999 and December 2000. Mr Jorgensen is also Chairman of the Plantation Industry Ministerial Advisory Committee (PIMAC). He is a member of the Forest Management Plan Steering Committee with members of the Conservation Commission and staff of the Department of Conservation and Land Management (DCLM).

Dr Per Christensen - Deputy Chairman

Dr Christensen is a forester and a consultant ecologist with broad and authoritative experience in forestry and fauna ecology in Western Australia. He has extensive experience at senior management level within State Government and currently sits on a number of committees, including the Shark Bay World Heritage Property Scientific Advisory Committee. Dr Christensen is the scientific adviser and member of the management committee of Project Eden, which aims to rid Shark Bay's Peron Peninsula of feral cats and foxes.

Sandy Breeze

Ms Breeze has been a business proprietor and manager in the furnishing industry since 1982. National Director of the Furnishing Industry Association of Australia (FIAA), she has been a councillor of the FIAA (WA) since 1990 and Vice President since 1999. She has also been Chairperson of the Australian Furniture of the Year Awards since 1995.

John Castrilli

Mr Castrilli has been Mayor of the City of Bunbury since May 1997. He has extensive experience in accounting, financial management and commerce and is a board member on a wide range of government, business, educational and community groups.

Dr Marilyn Clark-Murphy

Dr Clark-Murphy is a senior lecturer in finance at Edith Cowan University. Prior to joining ECU she had a long career in industry and has broad experience in financial management and stock broking. Dr Clark-Murphy has served as a board member of several government instrumentalities/agencies. She was a Commissioner to the City of Wanneroo from November 1997 to December 1999, overseeing the creation of two separate Local Government authorities, and member of the Metropolitan Cemeteries Board from 1994 to 2002.



Forest Products Commissioners. Pictured from left to right (back row) John Castrilli, Sandy Breeze, Ray Curo, Dr Per Christensen (Deputy Chairman), Nick Oaks, and (front) Murray Jorgensen (Chairman) and Dr Marilyn Clark-Murphy.

Ray Curo

Mr Curo is self-employed as a cabinetmaker. He has extensive knowledge of the Western Australian hardwood timber industry through 25 years of bush work, roading, contract management, training and management of harvesting operations. He has extensive experience in land use conflict resolution and continues to work as a consultant to industry. Mr Curo was Chairman of the Forest Industries Training Services between 1995 and 1997 and has been a Manjimup Shire Councillor since 1997.

Nick Oaks

Mr Oaks is currently employed as a Workers Employment Adviser supporting the implementation of Workers Assistance Program, a part of the government's 'Protecting Our Old Growth Forests' policy. He was previously the South-West organiser of the Australian Workers' Union for 11 years. Mr Oaks is a board member of the Forest Heritage Centre, Chair of the Timber Training Group, Chair of the WA Primary Industries Training Council and Deputy Chair of the Warren Blackwood Economic Alliance.

The Board of Commissioners met 12 times during the year with all Commissioners attending 10 or more meetings.

<i>Murray Jorgensen</i>	<i>12</i>
<i>Dr Per Christensen</i>	<i>10</i>
<i>Sandy Breeze</i>	<i>12</i>
<i>John Castrilli</i>	<i>10</i>
<i>Dr Marilyn Clark-Murphy</i>	<i>10</i>
<i>Ray Curo</i>	<i>12</i>
<i>Nick Oaks</i>	<i>12</i>

C o m m i t t e e s

The Commissioners sit on a number of committees to evaluate and make recommendations on specific aspects of the business.

Risk Management and Audit Committee

Dr Marilyn Clark-Murphy - Chairperson
Mr John Castrilli
Mr Ray Curo

Resource Utilisation Committee

Mr Ray Curo - Chairperson
Mr Nick Oaks

Finance Committee

Dr Marilyn Clark-Murphy - Chairperson
Mr John Castrilli
Mr Ray Curo

Forest Management Plan Steering Committee

Mr Murray Jorgensen
Dr Per Christensen

Communications Committee

Ms Sandy Breeze - Chairperson
Mr Murray Jorgensen
Dr Per Christensen

The Executive



**Dr Paul Biggs,
General Manager**

Paul Biggs holds a Bachelor of Science (Hons) in Forestry

and a PhD in Forestry from Melbourne University. He has a strong technical background in forest measurement and has been recognised for scientific writing with awards from the American Society of Photogrammetry and the Institute of Foresters of Australia. He worked in a range of senior positions with the Department of Conservation and Land Management (DCLM) and has been a Policy Adviser to previous ministers for the Environment and Forest Products.

The Commission Executive, headed by Dr Paul Biggs, takes responsibility for the Native Forest Operations, Plantation Operations and Business Development and Services divisions.



**Jon Murch,
Executive
Manager Native
Forest
Operations**

Jon Murch has been involved in the management of forest resources in Western Australia for nearly 30 years and has specialist experience in managing native forest and plantation contracts and the selling of timber products. Before being appointed to his current position, he was the Manager for Forest Resources with DCLM. He holds a Bachelor of Science (Hons) in Forestry, specialising in harvest management and the selection of harvesting systems.



**Gary Downes,
Executive Manager
Business
Development and
Services**

Gary Downes has occupied the position of Chief Financial Officer for a number of boards of management and has extensive executive experience in business analysis, information technology, legal issues, strategic positioning and company secretarial matters. He holds a Bachelor of Business degree, is a Fellow of CPA Australia and is a member of the Australian Institute of Company Directors. He was Deputy Chair of Uniting Church Homes and Chair of the Board's Finance and Audit Committee.



**Gavin Butcher,
Executive
Manager
Plantation
Operations**

Gavin Butcher has a career spanning more than 20 years in plantation and native forest management and has particular strengths in the strategic, analytical and financial fields of forestry management. He holds a Bachelor of Science in Forestry and has also lectured part-time at Edith Cowan University. His previous position was Plantations Group Manager with DCLM.



**John Kime,
Executive
Officer**

John Kime has over 30 years experience in senior government positions. He has worked in the Water Corporation and as a Policy Advisor and Chief of Staff for a period of eight years.



O r g a n i s a t i o n a l S t r u c t u r e

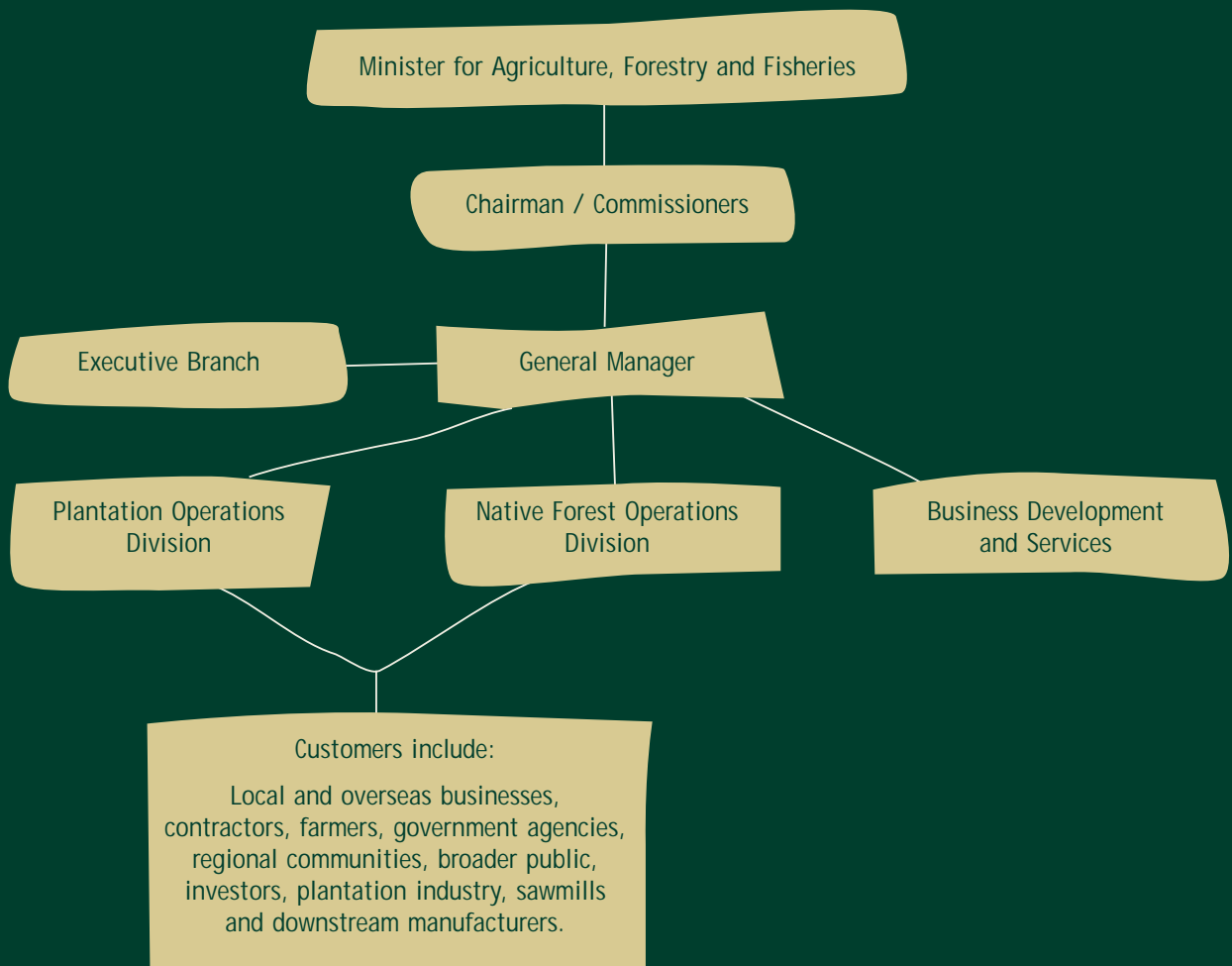
During 2002, the Commission's executive team implemented a process of development that reduced the focus on divisional management and increased the interaction of all members of the executive across the business of the agency.

This change was also reflected in the retitling of the positions to Executive Managers.

The former Corporate Services area, now titled Business Development and Services, is responsible for leading the development of new business and investment. This division has a lead role in investment for the new Infinitree™ program and has been boosted with resources in investment analysis and marketing.

The operational divisions known as Native Forest Operations and Plantation Operations, continue with their key operational responsibilities.

The Plantation Operations area has been restructured to ensure the Infinitree program is supported effectively. Within this area the Infinitree Brand Management Group is being introduced and the Share Farming Branch is being examined to ensure that it is best placed to deliver on the objectives of new tree farming projects under Infinitree.



The following summaries outline the highlights for the 2002/03 period. Further details are provided later in this document.

Infinitee™ commercial package launched

Infinitee - the Commission's complete commercial farm forestry brand - was launched by WA Premier, Dr Geoff Gallop, at Tenterden in the Great Southern region, in June 2003. Building on approved government borrowings, Infinitee is providing a commercial, long-term alternative for farmers, and providing solutions for environmental problems such as salinity, erosion and water logging. With successful investment strategies it is expected Infinitee could increase plantings on cleared farmland up to 20,000 hectares per year, during the next five years...

Log exports commence in Bunbury

The Commission finalised its contractual arrangements with Melbourne company Pentarch Forest Products. Pentarch Forest Products supplies predominantly radiata pine pulpwood logs from Australia and New Zealand, to South East Asian countries. The first export shipment departed in June 2003. Pentarch Forest Products will export 120,000 cubic metres of logs per year from Bunbury...

WA leads in plantation development

The National Plantation Inventory's 2003 update advised that Western Australian plantation growers are leading the nation in the development of new hardwood and softwood plantations. Over the last nine years, WA's plantations estate has grown from 148,000 hectares in 1994, to in excess of 351,000 hectares. Western Australia now has the second largest plantations estate in Australia...

Laminated Veneer Lumber Plant progresses

The Agreement between the State Government and Western Australian company Wesbeam was ratified by parliament in September 2002. Wesbeam owns the Laminated Veneer Lumber processing plant at Neerabup. The Commission will supply the plant with 4.12 million cubic metres of softwood logs over the next 26 years, which will be used locally, on the east coast of Australia and overseas...



WA Premier Dr Geoff Gallop launches Infinitee on the Gillam's Tenterden property.



New Tasmanian bluegum seedlings are delivered and readied for planting.



The official signing ceremony for Wesbeam's Laminated Veneer Lumber processing plant.



Action Plan for Tree Farming

The Commission's 'Action Plan for Tree Farming in WA' was launched in September 2002 as an integral part of the government's commitment to sustainability and the environment. The plan outlines future planting strategies with a focus on lower and medium rainfall zones in WA, and seeks to identify the best opportunities for processing industries and investors. Central to this strategy is the newly released Infinitree commercial tree farming program.



Action Plan for Tree Farming in WA.

WA manufacturer wins industry award

Western Australian furniture manufacturer Jah Roc Furniture was awarded the 'Best of the Best' award for its 'Chaise Lounge' at the 2002 Furnishing Industry Association of Australia awards. A multi-award winning company with galleries in Margaret River and York, it designs, manufactures and retails high end timber furniture by combining native hardwoods with forged iron, stainless steel, stone and leather. The Commission was proud to be 'Platinum' sponsor of the awards...

Goldfields vineyard posts in South-West

Small diameter Goldfields eucalypts have been successfully introduced into a number of South-West wineries as vineyard posts. The species is renowned for its strength and natural durability and is valued for its chemical free certification...



Jah Roc Furniture's Chaise Lounge, winner of the 2002 FIAA awards.

In June 2003, the Forest Products Commission's new commercial tree farming brand, Infitree, was launched by WA Premier, Dr Geoff Gallop.

Designed to boost Western Australia's farming and timber industries, Infitree will aim to increase planting rates up to 20,000 hectares per annum, over the next five years.

Infitree offers revenue-earning opportunities for farmers, addresses salinity and is likely to create employment in regional areas through the injection of investment dollars and the development of commercial infrastructure.

Why Infitree?

The farmer, the land, and the local community are benefactors of Infitree investment. It provides long-term solutions and encourages agricultural integration. The most suitable tree species are matched with the soil and rainfall conditions of a particular area prior to planting. The program focuses on low to medium rainfall areas.

What species are planted?

Maritime pine, radiata pine, several eucalypt species and WA sandalwood are planted in cells defined by the 'Action Plan for Tree Farming in WA'. The largest target areas - Mid West, Esperance and South Coast - have strong drivers related to salinity and water table control. In the South-West, the drivers are the development of a new sawlog resource to replace old growth timbers and the improvement of water quality in priority catchments.



More than 70% of Australia's salt affected land is in Western Australia.

What is the process?

Farmers provide land in exchange for upfront cash payments and a share of the timber crops at harvest time, inclusive of an optional share of carbon revenue.

The partnership between the farmer and Infitree is formalised through a legal contract. The establishment, management, harvesting and marketing of the crop are carried out by the Commission in close consultation with the farmer. The Commission's Infitree staff will assess a site for suitability, prepare the contract and register it on the land title.

The farmer constructs and maintains firebreaks within and around the tree crop according to local authority requirements and provides fencing to protect the crop from stock. A farmer can choose to perform some of the establishment and tending operations in return for current contractor rate payments.

The future

An extensive television and print campaign will progress into 2003/04 with a focus on land acquisition and investment attraction. Further information is available at www.infitree.com.au or on FREECALL number 1800 241 688



The WA Premier, Commission's General Manager and Chairman, and the Hon Minister for Agriculture, Forestry and Fisheries plant the first Infitree seedlings as a part of the official launch.



The Commission's Chairman and Henry Gillam at the launch of Infitree.



Certification No 8289
Certified 11 July 2001



Auditing a first grade karri sawlog.

Environmental Management Services

The Commission operates under an Environmental Management System certified under ISO 14001. It is committed to the development of a long-term viable timber industry that provides positive environmental outcomes for the State. To this end, it works in close cooperation with other government agencies and has been an active contributor to the Forest Management Plan during the past year.



Commission staff audit in progress.

The Commission's activities play an essential role in protecting Western Australia's land, water and biodiversity assets. Our range of environmental services include:

- reducing rising groundwater and salinity
- improving water quality
- providing corridors to link remnant vegetation
- providing buffers to protect sensitive ecosystems such as wetlands and rivers
- providing renewable energy sources
- providing carbon sinks to offset greenhouse emissions

The Commission's focus is to ensure products are grown, extracted and developed in an environmentally sustainable manner.

Certification

During 2002/03 a full certification audit was successfully completed on the Commission's nursery at Manjimup.

Implementation of the Regional Forest Agreement

The Commission is responsible for the implementation of four of the commitments made under the Regional Forest Agreement (RFA) between the Western Australian and Federal Governments signed in May 1999.

The following have been completed:

- development of a Memorandum of Understanding for a Forest Industry Structural Adjustment Program; and

- review of timber harvesting documents with a view to improve understanding by field operators and field staff.

Substantial progress has been made in relation to:

- legislative review and competitive neutrality review regarding wood-based businesses; and
- pre-logging fauna assessment.

Australian Forestry Standard Certification

During 2003, the Commission began actively working towards certification of its forest operations in line with the Australian Forestry Standard (AFS).

The AFS was approved by the Standard Development Board in 2002 and was published as an approved Final Standard by Standards Australia as AS4708 (Int). The standard was developed by Commonwealth, State and Territory Governments in partnership with the National Association of Forest Industries, Plantations Australia and Australian Forest Growers.

The AFS joins a number of global forest certification schemes that provide the basis to certify forest management practices against agreed criteria, and to determine whether the forests are being managed in a sustainable fashion. The AFS takes into account Australian conditions.

Once achieved, the certification will compliment the Environmental Management System and provide even greater assurance to potential customers that forest operations managed by the Commission are sustainable.

Auditing

Internal and external quarterly audits are conducted to ensure the Commission monitors environmental impact, has objectives to manage this, is effective in implementing its environmental systems, and monitors and reviews its performance.

The following incidents were identified during auditing:

Work area	Level 1 (low impact)	Level 2 (medium impact)	Level 3 (high impact)	Number of audits
Share Farms	26	5	2	3
Plantation Propagation	6	3	5	3
Arid Forests	3	2		1
Commission Plantations	23			2
Corporate Executive	16	1		3
Native Forests	18	8		2
Total	92	19	7	

Five of the 'Level 3' incidents above related to procedures at the Commission's Manjimup nursery. These were identified and addressed during the certification process. They included an Environmental Management Plan for chlorine gas, procedures for hydrocarbon spills, licences for diesel, LPG and dangerous goods, records for Environmental Management System meetings and containment around a diesel storage area.

Two of the 'Level 3' incidents in Share Farms were plantation wildfires and responses involved site cleaning and replanting.

Meeting the silviculture challenge

Silviculture - the regeneration, growing and tending of trees - is one of the Commission's key functions. Natural regeneration, supplemented by an appropriate planting regime, is the primary outcome of the Commission's silvicultural program in all previously harvested forest areas.

In 2002/03, the Commission:

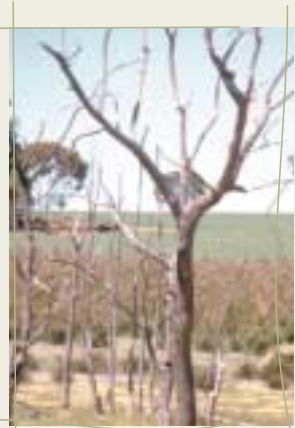
- Completed regeneration on 1,237 hectares of harvested karri forest and prepared 1,350 hectares of harvested karri forest for regeneration.
- Treated 1,966 hectares of previously harvested jarrah forest for regeneration and non-commercially thinned 747 hectares of forest.

National Action Plan for Salinity and Water

The National Action Plan for Salinity and Water Quality (NAP) has indicated the Commonwealth Government will inject funds into the fight against salinity and the decline in water quality in WA. The Commission is currently seeking over \$30 million from the NAP and is continuing to work closely with community organisations, State agencies and the Commonwealth Government to secure funding for strategic tree farming initiatives. Central to the fight against salinity is the Commission's newly released Infinitree™ tree farming program,



Marking a jarrah tree as a 'habitat tree' for preservation.



Salinity ravaged land.

which will reverse the affects of salinity, water logging and wind erosion.

Salinity mitigation

Much of the low to medium rainfall zones within WA's agricultural area are threatened by salinity, which is caused by rising saline groundwater tables. Strategically located trees will assist by drawing groundwater down and reducing the risk of saline waters reaching the surface. This will help prevent further salinisation of remnant native vegetation, water supplies and productive agricultural land.

During the Commission's 2002 Share Farming activities, 1,399 hectares of tree farms* were established in salinity-affected regions.

*As trees are established during the winter and the planting season straddles two financial years, the establishment figures are quoted on a calendar year rather than a financial year basis.

Carbon investors

International agreements, particularly the 'Kyoto Protocol', establish targets to reduce global greenhouse gas emissions. As growing trees can reduce the amount of carbon dioxide (CO₂) in the atmosphere by storing it in their cells, many large emitters of carbon dioxide are now seeking opportunities to invest in tree farms that will help 'offset' emissions. The BP Refinery in Kwinana has been investing in the Commission's program since 1999. Additional investment is still being sought from the corporate sector (both nationally and internationally) and from the Commonwealth Government via grants under the Greenhouse Gas Abatement Program.

Carbon sequestration

The Commission's plantations estate has already locked up (or sequestered) considerable amounts of carbon dioxide and these quantities will continue to increase as the plantations estate expands. Protocols for the measurement of sequestered CO₂ continue to evolve, but the Commission has estimated the following volumes (based on current procedures) of sequestration in plantations planted on previously cleared land, since 1990:

Twelve months to 31 December 2002
= 259,000 tonnes CO₂

1 January 1990 to 31 December 2002
= 1 146 000 tonnes CO₂

**As trees are established during the winter and the planting season straddles two financial years, the establishment figures are quoted on a calendar year rather than a financial year basis.*

Clearfelling at Pinjar plantation to help recharge groundwater at Yanchep caves.



Calculating the carbon sequestration levels of a young Maritime pine tree.

Yanchep limestone caves

Unique stygofauna inhabiting Yanchep's limestone caves are under threat from a drying climate and human impact. The Commission clearfelled the 200 hectares of plantations closest to the caves to enhance groundwater recharge. The surrounding 6,000 hectares of plantations have also been heavily thinned since 1999 to help increase water levels. The Commission continues to work in close partnership with other government agencies to define strategies that will re-establish the water levels. Other measures such as burning and controlling water abstraction are also being considered by other agencies.

A northern jarrah forest suffers a lightning-induced wildfire - the worst in 30 years. In the foreground - the Cooke plantation of Maritime pine, east of Armadale.



WA sandalwood sustainability

Research has shown the near extinction of the woylie (*Bettongia pencillata*) and other small to medium weight range marsupials and rodents may be the most significant factor in the reduction of WA sandalwood recruitment in its natural distribution.

Predation by foxes and feral cats has seen the collapse of a relationship between native seed dispersing animals and WA sandalwood.

Through the Commission's ongoing 'WA Sandalwood Enrichment' program, an increased number of seeds reach germination every year. For every tree that is harvested, 12 new WA Sandalwood seeds are buried in the same area, to mimic the function of the woylies.

The Commission has also adopted an improved mechanical harvesting technique to vertically extract the trees so that everything from the roots to the small branches of the crown can be processed. This technique ensures the maximum utilisation of the trees.

Introducing treejacking

Best practice environmental management in native forests requires that rivers, streams and sensitive reserve areas remain unaffected by the felling of trees. The process of treejacking was introduced in 2002 and allows the safe felling of trees at 180 degrees to their lean. The process aids in the removal of trees that would otherwise risk disturbance of these reserve areas.

Treejacking also permits increased resource utilisation and reduced operating costs, as well as improved long-term silviculture, fire and safety management. The trialling of treejacks in the Manjimup area enabled the retrieval of approximately 1,500 tonne of karri sawlogs (worth approximately \$90,000). It is expected the treejacking process will greatly increase the utilisation of available karri resources.

Fire management strategies

Severe fire conditions were experienced during the 2002/03 season, leading to the loss of some forest assets. A six-fold increase in lightning fires was recorded, in what was the fourth successive year of drought conditions.

Commission staff performed fire emergency duties in close partnership with DCLM staff and were involved in the suppression of approximately 300 wildfires. Commission staff also assisted with protection and regeneration burning operations in jarrah and karri forests.

A total of 519 hectares of plantations were affected by wildfire. This comprised 285 hectares of pine plantations in the South-West, and 153 hectares of pine and 81 hectares of Tasmanian bluegum in agricultural regions.



Commission staff auditing a truck load of karri sawlogs.

The Commission's Plant Propagation Branch comprises the Manjimup Nursery, Seed Technologies, and the Tree Breeding Centre. The following research and development projects have commenced:



Establishing the radiata pine clonal trial at Ferguson Valley.

Manjimup Nursery...

- The Commission's 226 hectare nursery produced 18 million seedlings for sale and planting. Species grown included Maritime pine, radiata pine, Tasmanian bluegum, karri, Sydney bluegum, sugar gum, and jarrah.



Measuring salinity with the EM38.

Seed Technologies...

- Genetic gain trials of Sydney bluegum have been established in Cranbrook and Frankland.
- Clones of radiata pine have been planted through somatic embryogenesis, which allows large numbers of like-embryos to be produced. This allows the highest level of genetic selection to be used to produce the fastest growing trees with the wood attributes favoured by local industry.
- Field and tank trials of various salt tolerant species including *Eucalyptus occidentalis*, *Eucalyptus camaldulensis*, *Eucalyptus cladocalyx* and various *melaleucas* have been conducted.
- Indian sandalwood (*Santalum album*) seedlings have been established in the Seed Technologies Research Nursery to test pot host relationships, seed germination and growth performance.



Grafting Sydney bluegum.



Hardened-off radiata emblings.

*(top) Salt and water log trial site at Cranbrook.
 (middle) Radiata tissue culture plants.
 (bottom) The Hon Minister for Agriculture, Forestry and Fisheries inspects a young Maritime pine with the Commission's Tree Breeding Manager.*

Tree Breeding Centre...

- A total of 12 hectares of radiata pine have been planted to demonstrate the growth potential of this species on sites where water is not limited. Over 13,000 seedlings were planted using superior genetics and optimal site location.
- In partnership with the New Zealand Radiata Pine Breeding Cooperative, a series of international trials were conducted to evaluate the growth, wood quality and disease resistance of Western Australian radiata pine. Trials were planted in South Africa (two sites), Spain (four sites), France (two sites), Chile (two sites) and in New Zealand (three sites).
- Four hectares of the drought-tolerant species brutian pine were planted in new trials at Marchagee, Brookton and Esperance.

- As a partner of the JVAP Australian Low Rainfall Tree Improvement Group (ALRTIG), the Commission participated in a series of genetic trials across Australia. Spotted gum, river red gum, and ALRTIG brutian pine were planted.
- Intensive malformation assessments have been conducted on 19,000 Maritime pine pedigree trees. Ongoing studies will identify the causes of stem malformation and its association with certain site types.
- A review of mature Western blugeums from 20 hectares of genetic trials identified elite trees for vigour and wood density. Over 1,000 grafts were made at the Manjimup Propagation Branch and 43% of these were successful. The elite trees have been planted in orchards and genetic archives.



Establishing an Indian sandalwood seed orchard with hosts.

Consultation and communication with stakeholders is a central component of all Commission activities.

The creation of employment in regional areas, promotion of value adding opportunities and the long-term sustainable management of our timbers are key priorities.

A number of commercial projects have been progressed in the last year and new opportunities for Western Australian timbers and timber products are being established nationally and overseas.

Ongoing information sharing with other scientific institutes has enabled the Commission to progress in the area of technological innovation.



Community consultation and education is a key component of Commission activities.

Native forests consultation and extension

The Commission consulted a range of stakeholders on the following topics during the year:

- 2003 Harvest Plan for South-West forests
- Forest Management Plan
- Harvest coupes adjacent to private properties
- Forest management/awareness
- Indigenous values near and within harvest coupes

Stakeholder groups included the public, property owners, indigenous representatives, shires, parliamentary members, corporations, conservation groups, students and government agencies.

The Commission ensured prior notification was provided via media notices and direct mail when required. Detailed coupe maps, educational tours and follow up contact was also provided by Commission staff upon request.

Committee communication

The Minister for Agriculture, Forestry and Fisheries established the Plantation Industry Ministerial Advisory Committee (PIMAC) in July 2003, to encourage communication between the government and the private plantation sector. The Committee's membership includes growers, harvesters, processors, users and key stakeholders from the community.

The Commission participated in Regional Plantation Committees in the South-West (Trees Southwest) and Great Southern (Timber 2002) as well as the TIRES (transport planning) group. Senior Commission staff also gave presentations at various strategic planning forums and were regular contributors to the local branch of Australian Forest Growers (the national private forestry body) and the WA Agroforestry Working Group.

Timber industry restructure

The Commission worked closely with the Department of Industry and Resources (DoIR) in assessing the 29 new Business Exit Assistance (BEA) applications during the year.

Forest Enhancement Program

During 2003, the Forest Enhancement Program (FEP) provided employment for up to 11 forest workers and fire fighters in the Conservation and Land Management district workforces based in the Perth Hills, Wellington and Donnelly districts. Some of these staff carried out silvicultural enhancement treatments in the forests.

A further four indigenous workers were employed by the Commission to complete jarrah forest thinning treatments. All four staff were employed through the Noongar Employment and Enterprise Development Aboriginal Corporation (NEEDAC).

Integrating trees and agriculture

Considerable progress was made during the year to develop planting designs and systems that will fit more effectively with current farming operations and enable better watertable management and control.

The broadscale planting of north and south orientated tree belts, has been successfully integrated into existing farming activities. This enables a contoured agricultural production emphasis and addresses land management issues more effectively.

Integrating commercial tree plantations with livestock.

Wood products research

The Commission's Timber Technology division conducted invaluable collaborative research during the year, on wood manufacturing processes in partnership with a number of national science and technology-based organisations.

Projects included research into the revolutionary potential of microwave technology, bending, drying and gluing processes; and the coating durability of certain woods. Assessment of the solid wood potential of pruned, 25 year-old Tasmanian bluegums and native species in semi arid areas, was also progressed.

Jarrah sawlog proposals

Together with the Department of Industry and Resources (DoIR), the Commission assessed detailed business plans for the short-listed proponents bidding for jarrah sawlog allocations. Finalisation of allocations was delayed pending decisions on the Forest Management Plan.

Indian sandalwood research continues

Research trials on Indian sandalwood continued at Kununurra, with a focus on developing high quality genetic material from existing stock. A review of existing trials and the identification, collection and storage of sandalwood seed has been performed. The University of Western Australia is conducting research on behalf of the Commission to quantify the oil yields and oil quality of existing stands of Indian sandalwood.

Researching wood manufacturing processes.



Goldfields eucalypts in South-West vineyards

Small diameter eucalypt posts, renowned for their strength and durability, have been sourced from regrowth woodlands in the Goldfields and incorporated in a number of South-West vineyards.

The posts provide a durable alternative to traditional timbers and offer competitive prices. The utilisation of these posts enables the thinning of dense regrowth arid eucalypt woodlands, which will increase the growth of the retained trees. This new product may provide another option for tree farms within the mid to low rainfall areas.

Seeking new markets for marri

Marri timber is increasingly important in Western Australia's furniture industry and during 2002, the Commission implemented new procedures to identify and supply marri sawlogs. At the same time, spot markets for the reduced quantities of marri residue or woodchips, were pursued to ensure that marri removed to assist silvicultural regeneration, was not wasted.

Pentarch Forest Products exports commence

Negotiations with Melbourne-based company Pentarch Forest Products, regarding the export of radiata pine logs from Bunbury and Albany, have concluded. Harvesting for export commenced in March with the first shipment departing in June 2003. Export products included logs of pulpwood quality beyond local processor needs and sawlogs from species not desired by local sawmillers. This has enabled the removal of more log residues from clearfell areas and the thinning of young stands to promote sawlog growth. Pentarch Forest Products is also taking deliveries from private plantation owners who have previously had difficulty finding markets.

Wespine sawmill extended

The Commission sold 291,758 cubic metres of radiata pine and Maritime pine to the Wespine sawmill during 2002/03, for distribution within WA and in the eastern states. WA Premier Dr Geoff Gallop, opened a new extension at the Wespine sawmill during the year which will see it increase its production capacity to 340,000 cubic metres. The extension has included the installation of a new optimising curved gang saw, mechanical stress grader and bin stacking and sorting equipment. These investments are anticipated to improve the recovery of high value products from sawlogs.

LVL plant progress

Negotiations regarding the Laminated Veneer Lumber plant at Neerabup have concluded. An Agreement has been entered into by WA Premier Dr Geoff Gallop, and the Chairman of Wesbeam, Mr Dennis Cullity. The plant will produce structural timbers suitable for building and construction, which will reduce the need for large volumes of native timbers. The Commission will supply predominantly Maritime pine logs, which will initially come from the Gngarara watermound and later from Infnitree™ plantations. The venture will help alleviate Perth's water supply problems. It is anticipated construction of the plant will be completed mid 2004.



*(top) Wesbeam LVL - to be used in structural applications.
(middle) Wespine's drymill stacker at Dardanup.
(bottom) Goldfields eucalypts are put to use on a vineyard in Margaret River.*

Various timber species are made available through Commission auctions.



Hansol Australia chipmill

The Commission has continued to plant and manage over 15,000 hectares of Tasmanian bluegums on South-West farmlands in preparation of the construction of the Hansol Australia chipmill. The mill is expected to process up to 500,000 cubic metres of wood for export to paper mills in Korea, when construction is completed next year.

Pinetec sawmill to relocate

The government announced the proposed move of the Pinetec sawmill from its Bassendean site to the South-West. The Commission offered Pinetec a contract of 80,000 cubic metres of small pine sawlogs, on the basis it will relocate to the South-West. The Bassendean operation will remain as a treatment and distribution centre. Pinetec will use the resource for the manufacture of pallets and packaging materials, and timbers for outdoor use.

Pemberton sawmill

In July 2002, the government announced a \$2.5 million assistance package for the Pemberton sawmill. The key components of the package included a karri sawlog commitment of 45,000 cubic metres a year for 2002 and 2003, and a minimum of 40,000 cubic metres per year from 2004 to 2013 (subject to the sustained yield delivered in the Forest Management Plan).

The Commission assisted the government in its discussions with buyer AusWest Timbers with a view to maintaining an ongoing business at the sawmill and future employment. AusWest Timbers, agreed to retain the existing staff of 52 people and employ a further 21, by 2007. The sale of the sawmill was concluded in April 2003.

Specialty timber auctions

During the year, the Commission continued to conduct auctions as a part of its commitment to provide the broader public with access to the State's unique timbers.

Three auctions were held, two of which were at the Timber Technology Centre in Harvey, during August and December 2002. More recently an auction was held in Kalgoorlie in June 2003.

The auctions included a range of Goldfields and South-West timbers in both log and rough sawn form. Approximately 570 tonnes of timber was offered for sale.

As part of the Commission's role to ensure the sustainable management of the State's timbers, it promotes and educates industry and the community about the uniqueness and value adding opportunities available with Western Australia's timbers and end products.



The award-winning Wave dining suite made of WA jarrah, attracted enormous interest at the San Francisco Mart, January 2003.

Furnishing Industry Association

Ongoing assistance was provided to the Furnishing Industry Association of Australia's Western Australian branch (FIAA (WA)) and its furniture manufacturers to enable them to become more progressive in design manufacturing and exporting.

The Commission was the 'Platinum' sponsor of the FIAA Western Australian and Australian Furniture of the Year Awards, in November 2002. Western Australian manufacturers won six of the 11 national award categories.

Design Research Centre

The Design Research Centre (DRC) was established as a centre of excellence in furniture design, in the Faculty of Architecture, Landscape and Visual Arts, at the University of Western Australia (UWA).

A joint furniture design workshop titled the 'Furniture Enterprise Workshop' was established through the collaborative efforts of UWA, FIAA (WA), the Department of Industry and Resources, and the Commission.

The workshop brought four teams of designers and manufacturers together. The Commission provided technical advice and market assistance to the teams who created proto type products, which were launched in WA in May 2003.

Craftwood licences

The government's 'Protecting Our Old Growth Forests' policy included a commitment to create a craftwood licensing system for local craftspeople and artisans. Licences were only to be granted to Western Australian artisans and craftspeople who produce their work locally.

The Commission has undertaken an industry consultation survey and interviewed 40 prominent craftspeople, gallery owners and suppliers throughout the South-West and metropolitan area. Further consultation is expected before a final strategy is approved for implementation.

Australian School of Fine Wood

The Commission continued its contribution to the Forest Heritage Centre in Dwellingup, now referred to as the Australian School of Fine Wood, during 2002/03.

A provider of quality workshops and courses, the school held a world-class exhibition titled the 'Seduction of Wood', in 2002.

During the financial year, 48 individual courses were run and 381 participants were taught about the construction of exquisite furniture and giftware using predominantly Western Australian timbers.

The Commission contributes to the salary and vehicle running expenses of the school's General Manager.

The Timber Display home at the Advisory Centre in Wembley.



Timber Advisory Centre

More than 3,000 people per week venture into the Timber Advisory Centre in Wembley to view Western Australian timber products. The Commission contributes \$20 000 a year towards the Centre's management and is represented on the council.

The State's focus on the use of pine as the main roof and wall-framing timber has meant new instruction is required for architects, designers, builders and the trades. Seminars are run within the Centre and timber advisors are available to provide information on the use and application of various timber products.

Furniture manufacturing and exports

The Commission's Timber Technology and Industry Development branches provide technical information to the furniture industry on the characteristics and qualities of local timbers and their use in newly designed and manufactured timber furniture.

Knowledge and understanding about timber movement, stability and finishing are readily provided to aid international marketing and promotion.

The Furnishing Industry Association of Australia's WA branch (FIAA (WA)) has continued its marketing efforts in North America, attending the San Francisco Market in July 2002 and January 2003. Jarrah has become more widely known throughout the region for its use in both indoor and outdoor furniture.

Informing the community

The Commission has participated in the following events in an effort to further inform the broader community about its objectives, the State's timbers and the many value adding uses of our timber products:

- Dowerin Field Days
- Manjimup Horticultural and Forestry Expo
- WA Farmers Federation annual conference
- Wagin Woolarama
- Working with Wood Show
- Mount Barker Agricultural Show
- Australian Forest Growers National Conference
- School of Wood exhibition
- numerous field days
- Swanbourne Primary School planting



Swanbourne Primary School children plant seedlings in partnership with the Commission.

Our People

The Commission has 42 employees working in its corporate headquarters at Rivervale, and 142 employees in 14 regional offices across the State.

The Commission has a total of 225 positions within its organisational structure.

As at 30 June 2003, staff numbers and their locations were:



Sean Lawson, winner of the Executive Director's Scholarship.



Bill Towie, winner of the Excellence in Forest Management Award.



	Full-time salaried staff	Part-time salaried staff	Wages employees	Total	Men	Women	Exec/ BD&S	Native Forest	Plantations
Albany	15	0	0	15	13	2	0	0	15
Bunbury	18	0	0	18	9	8	8	0	11
Collie	9	0	3	12	8	4	0	0	12
Esperance	2	0	0	2	1	2	0	0	2
Guildford	12	1	0	13	9	4	0	0	13
Harvey	20	3	1	24	17	7	0	24	0
Kalgoorlie	4	0	0	4	4	0	0	4	0
Katanning	2	0	0	2	2	0	0	0	2
Kensington	6	0	0	6	3	3	0	0	6
Kununurra	1	0	0	1	1	0	0	1	0
Manjimup	14	0	0	14	11	3	0	13	1
West Manjimup Nursery	8	0	13	21	13	8	0	0	21
Moora	0	0	0	0	0	0	0	0	0
Nannup	9	0	1	10	8	2	0	8	2
Rivervale	39	3	0	42	17	25	34	5	2
Totals	159	7	18	184	116	68	42	55	87

Award-winning staff performances

Senior Forester Bill Towie received the 'Excellence in Forest Management' award at the WA Timber Industry Awards for introducing treejacking into the Western Australian native forests harvesting sector.

Sean Lawson works at the Commission's Timber Technology

Centre in Harvey where he assists with the preparation of timbers for sale. Sean was awarded the 'Executive Director's Scholarship', which will assist him to continue studying at the South-West Regional College of TAFE.

National Ambassadors

A number of Commission staff participated in national working groups and standing committees to

develop and promote coordinated action for industry development, consistent policy and management standards across Australia. Commission managers visited South Australia, NSW, Queensland and New Zealand in 2002 to observe harvesting and processing operations.

T h e Y e a r A h e a d

In the year ahead, the Commission expects to maintain very close partnerships with the community, industry and government agencies, consistent with the balanced approach to economic, environmental and social values required for sustainable forest management.

Consulting with stakeholders.



Power from trees

The Commission has been encouraging the establishment of three bio-mass energy plants for plantation residues in Perth, Bunbury and Albany, in an effort to increase the production of renewable energy. Detailed feasibility assessments are being conducted by two firms - Babcock & Brown and WA Green Power. The assessment process is due to be completed by January 2004.

Future regional planning

Research has commenced into the land management potential of a number of regional areas. Extensive consultation with regional communities and agencies will be conducted to ensure targeted planting provides regionally-preferred outcomes such as the protection of conservation areas and water resources. The consultation process will ensure a greater understanding of a range of issues including local infrastructure, industries, power and transport sources and soil types. The Natural Resource Management Council and the four catchment councils will participate to ensure the Commission's plans will be compatible with the plans that qualify for Commonwealth National Action Plan funding.

Laminated Veneer Lumber plant

Construction of the LVL plant at Neerabup is expected to be completed in mid 2004 with log production to commence soon after. Initial production is expected to be restricted while the plant is commissioned.

Log exports from Albany

Pentarch Forest Products exports are expected to commence at a rate of approximately 100,000 cubic metres a year, from the Albany port.

Wesfi Limited agreement

The commercial terms associated with the proposed Laminex project are expected to be finalised. Wesfi Limited, now owned by Laminex, has agreed to invest \$1 million a year in the planting of radiata pine as a part of the terms of the *Wood Processing (Wesfi) Agreement Act 2000*. This will contribute to the future supply of timber to its Dardanup factory. The Commission has continued the harvesting and delivery of the agreed 330,000 cubic metres of radiata and Maritime pine per year to Laminex, until 2025. The timber is used in particleboard and medium density fibreboard.

Harvesting pine from commercial plantations at Gnangara



Pinetec sawmill

Construction of the new Pinetec sawmill in the South-West is expected to commence. The sawmill will have a total production capacity of 100,000 to 120,000 cubic metres per year and will be supplied by Commission and private plantations. Pinetec uses predominantly small softwood sawlogs that do not have sufficient strength or size for structural purposes. The sawlogs are used largely in packaging and pallets.

Hansol Australia chipmill

Construction of the Hansol Australia chipmill is expected to be completed in early 2004. The mill will have the capacity to process 500,000 cubic metres of Tasmanian bluegum logs per year.

Forest Management Plan

The requirements of the new Forest Management Plan 2004-2015, will be implemented. This will involve the continued restructuring of the native forest timber industry based upon the final determination of sustainable timber yield.

Indian sandalwood research

Ongoing research will be conducted on the development of high quality genetic Indian sandalwood material and consideration will be given to the establishment of a tree breeding program.

Marri furniture

Further expansion of potential marri furniture markets will be sought. More permanent arrangements will be pursued to access marri furniture grade timber through negotiation and the establishment of marri residue contracts of sale.

Jarrah and karri sawlog contracts

Contracts will be developed for some or all of the 10 industry proposals for the future use of jarrah sawlogs and other prior commitments for jarrah and karri at the Nannup, Greenbushes and Pemberton mills. This will lead to new processing industries in the South-West, with a view to maximising regional benefits.

Craftwood strategy

The Commission will develop and implement a craftwood strategy for South-West native forests.

Export marketing

Assistance for the furniture industry in its export and marketing efforts will be ongoing as will the progress of the Design Research Centre. The next export events will be the furniture show at High Point, North Carolina in October 2003 and the Milan International Furniture Fair in April 2004.



Hardwood sawlogs.



Wesli Limited staff monitor the MDF production line.



Jarrah and marri forest



Building a Sustainable Future...

Financial performance:

The 2002/03 financial year was the second full year of operations for the Commission.

The Commission's financial results for the year and financial position as at 30th June 2003 are summarised below. The 2002/03 financial results

include net revenue of \$17.9 million relating to the revaluation of standing timber and in-forest infrastructure.

Excluding the effect of natural resource and in-forest infrastructure revaluations, revenue from ordinary activities decreased 11% (\$12.8 million) and expenses from ordinary

activities decreased 8% (\$8.6 million) over the 2001/02 financial year due mainly to the continued implementation of the government's 'Protecting Our Old Growth Forests' policy. As a result, profit from ordinary activities decreased by 33% (\$4.3 million) over the 2001/02 financial year.

	2003 (\$'000)	2002 (\$'000)	2001 (33 weeks) (\$'000)
Summary of Financial Performance:			
Revenue from ordinary activities (excluding revaluations and fundamental errors)	101,659	114,439	84,461
Calculated as follows:			
Revenue from ordinary activities as reported:	126,988	146,983	90,148
Less the following items included in revenue from ordinary activities:			
Revenue from natural resource assets and in-forest infrastructure revaluations	25,329	22,339	5,687
Correction of prior year fundamental errors	-	10,205	-
Expenses from ordinary activities (excluding natural resource asset & infrastructure devaluations)	99,390	107,951	74,518
Calculated as follows:			
Expenses from ordinary activities as reported:	106,866	131,515	90,500
Less:			
Expenses from natural resource asset and in-forest infrastructure devaluations	7,476	23,564	15,982
Profit from ordinary activities (profit before, tax, natural resource asset revaluations and fundamental errors)	8,600	12,893	14,741
Financial performance including natural resource revaluations and fundamental errors:			
Profit before interest and tax	26,453	21,873	4,446
Profit/(loss) before tax	20,122	15,468	(352)
Profit/(loss) after tax	14,500	13,310	(2,415)
Summary of financial position:			
Assets:			
Current assets	28,095	31,462	25,531
Non-current assets	332,274	308,460	302,529
Total assets	360,369	339,922	328,060
Liabilities			
Current liabilities	22,935	17,941	24,355
Non-current liabilities	83,287	82,196	78,958
Total liabilities	106,222	100,137	103,313
Net asset/total equity	254,147	239,785	224,747

Natural resource asset valuations:

The Commission values its natural resource assets using discounted cash flow models to calculate the net present value of future benefits associated with their harvest and sale. These models are sensitive to movements in market conditions, revenue, cost and product mix changes. Accounting standards dictate that these movements be recorded as part of the Commission's operating revenue and expenses. Due to the inclusion of these figures operating profit is subject to material fluctuations.

Debt to equity:

The Commission continues to make good progress on the reduction of its long-term debt. The ratio of debt to equity has decreased to 29.7% from 36.7% on the Commission's formation. The debt to equity ratio continues to be adversely affected by interest-bearing liabilities transferred to the Commission from the Department of Conservation and Land Management on the Commission's inception in 2000, for which the Commission received no compensating land assets. Showing an increase in assets to compensate for these liabilities would improve the Commission's debt to equity ratio. Negotiations are continuing with the Department of Conservation and Land Management for the transfer of these assets.

B u s i n e s s D e v e l o p m e n t a n d S e r v i c e s

The creation of the Business Development and Services division in 2002/03 reflects the strategic focus of the Commission in the areas of investment attraction, marketing and organisational transformation.

Forestry has been identified as a growth industry within Australia and as the Commission moves forward in an expanding market, it will be liaising with national and international investors.

Corporate marketing strategies are under development. Specific product managers throughout the organization will work within this framework to maximise impact throughout Australia and overseas.

Revitalisation of work in the areas of business development, investment and industry development have occurred without increasing the Executive.

Corporate services and compliance

Corporate services are provided to the Commission on a bureau basis under a service contract with the Department of Conservation and Land Management (DCLM). This service arrangement is consistent with the current thinking initiated under the functional review initiative of government.

The Commission has just completed the first year of operation under these detailed service level agreement arrangements and is well positioned with this experience to provide a specific example of the success of appropriately managed and documented outsourcing of corporate services.

Freedom of Information Act

The Commission complies with the requirements of the Freedom of Information Act and has its own Information Statement available on request from the public, via its Rivervale office. Documents and publications are available on request through the Public Affairs area.

Contracts

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.

Occupational health and safety

The Commission is committed to providing and maintaining a healthy and safe work environment. A comprehensive review of the current systems of occupational health and safety management was performed using the Australian standard as a comparative basis. Current systems are acceptable and provide clear direction for the Commission in its pursuit of best practice.

The Commission has continued to undertake a benchmarking exercise with similar government agencies in other States, with a view to establishing clear comparisons between agencies within the forestry arena. It is hoped that data and trend analyses arising from this exercise will enable further improvements to be made in the management of occupational health and safety.

There were 13 claims (three lost time incidents) for workers' compensation during the year 2002/03. All 13 claims have been finalised. This represents a marked improvement on the previous year during which 21 claims were lodged (seven lost time incidents).

Risk Management and Audit Committee

The Risk Management and Audit Committee met on a quarterly basis during the year and has overseen the continued development of a five-year strategic plan for internal audit. The annual program, which is derived from this plan, contains some 30 risk-based audits covering financial, operational and environmental activities with no significant issues of non-compliance being identified in 2002/03.

The Commission continues to maintain certification in accordance with standard ISO 14001 for environmental management.

A Risk Management Review has been initiated and is being conducted in conjunction with RiskCover. The review has been initiated by the Executive, and the results will be the basis for the development of risk management strategies across the organisation. The program is also a key component of the agenda for the Commission's Risk Management and Audit Committee.

Debtor's policy and procedures review

A new debtors management policy was implemented during the financial year and delivered good results.

Codes of ethics and conduct

The Commission complies with the Public Sector Code of Ethics and has its own Code of Conduct for employees, which was approved and completed in July 2001.

The Code of Conduct addresses issues including conflicts of interest, corruption, discipline, confidentiality, freedom of information, security of records, equal employment opportunities and diversity, disability services and grievance resolution.

Feedback opportunities are available through internal and external mechanisms and staff are regularly surveyed. Planning commenced on an Office of the Public Sector Standards Commissioner (OPSSC) survey of human resources, standards, ethics and equal employment opportunities, during the year. No complaints were lodged under either Code during 2002/03.

Equal employment opportunities

The Commission's yearly Equal Employment Opportunity Management Plan (EEOMP) reflected the following outcomes for the period ending 30 June 2003:

- Representation of women in the workforce increased from 40.7% to 41.2%.
- The distribution of women throughout the Commission also improved with the equity index increasing from 26 to 35.
- The number of employees from culturally diverse backgrounds increased from 0.4% to 7.5%.
- The number of Indigenous Australians employed at the Commission remained unchanged at 0.4% of the workforce.
- The number of Commission employees possessing a disability declined from 1.6% to 0.9%.

The EEOMP will be reviewed during the 2003/04 financial year.

Disability Service Plan

In accordance with its existing (interim) Disability Services Plan, the Commission actioned issues arising from a review of premises access. This action included the re-surveying of the existing premises and the leasing of a significant amount of disabled-friendly office accommodation.

Waste paper recycling

The Commission recycled 2 520 kilograms (2.5 tonnes) of waste paper under the State government's waste paper recycling program.

Energy smart activities

In support of the Energy Smart Government policy objective, the Commission achieved the following during 2002/03:

Govt program	Baseline	2002/03	Variation %
Energy consumption (MJ)	6,467,031 MJ	6,025,416 MJ	-7%
Energy cost (\$)	\$173,032	\$171,084	
Greenhouse Gas Emissions (tonnes of CO ₂)	1,236	1,540	
Performance indicators MJ/sqm MJ/FTE (The actual PI varies depending on Agency functions)	2,155 (3000m ²) 37,382 (173)	2,008 (3000m ²) 32,747 (184)	

Community service obligations

The Commission's Forest Enhancement Program is a work and employment strategy under the Regional Forest Agreement that addresses a range of social, silvicultural and fire protection objectives.

In 2002/03 the Commission spent \$0.317 million against a budget of \$0.740 million employing displaced timber workers on a short-term basis on forest silvicultural works programs, to thin overstocked jarrah regrowth stands and as seasonal fire fighters for DCLM. The surplus funds will be carried over to fund future expenditure.

Publications

- Action Plan for Tree Farming in Western Australia *
- Adding Value to Forest Products in WA *
- Code of Practice for Timber Harvesting in Western Australia
- Commercial Tree Farming Packages for Farmers
- Farming Maritime Pine *
- Farming Western Australian Sandalwood *
- Forest Products Commission: Our Objectives
- Growing WA Sandalwood from Seed
- Infinitree™ - Growing a Sustainable Future
- Introducing the Forest Products Commission *
- Manual of Management Guidelines for Timber Harvesting in Western Australia
- New Eucalypt Sawlog Industry (NESI) *
- Plant Propagation Centre Manjimup Nursery
- Sandalwood Information Sheets
- Specialty Timber in the Goldfields
- The Tree Grower's Information Kit
- Timber Technology Newsletter
- Trees to Fight Salinity on Farms
- WA Forest Products
- WA Forest Today
- WA Plantations
- WA Timber Designed by Nature

The above publications are available from the Forest Products Commission at 117 Great Eastern Highway, Rivervale or through the Commission's regional offices.

*Available at www.fpc.wa.gov.au