



Forest Products Commission Statement of Corporate Intent 2021-2022



fpc Forest Products
Commission

About us

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

The FPC is a Statutory Corporation and reports to the Minister for Forestry. It is governed by the *Forest Products Act 2000* and employs approximately 170 people.

The FPC operates within the broader Government policy framework and contributes to achieving the State Government's goals.

Overview

The FPC's goals are to:

- facilitate a viable forest industry to deliver social and economic benefits to WA communities, particularly in regional areas;
- deliver healthy forests for future generations; and
- ensure efficient, effective and safe delivery of business outcomes.

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

In addition to cooperation with other State Government agencies, local governments and the Commonwealth Government, the FPC works with various industry representative groups, such as the Forest Industries Federation WA, the Australian Forest Products Association, and Forest and Wood Products Australia.

Regulatory environment

The FPC's activities of harvesting, regeneration and management of plantations and native forests on public land are regulated by the Department of Biodiversity, Conservation and Attractions (DBCA). The principal mechanism that sets management standards for the south-west forests of WA is the Forest Management Plan 2014-2023 (FMP). The FPC also operates on private land which is governed by various State laws and industry codes of practice. Sandalwood harvesting is regulated under the *Biodiversity Conservation Act 2016* and the Biodiversity Conservation Regulations 2018.

Operating environment

The FPC's operations focus on the plantations, native forest and sandalwood sectors. In addition, the FPC supports industry development and provides non-commercial functions such as ministerial support, policy development, forest education and sponsorship.

As the WA economy continues to lead the Australian recovery from the global COVID-19 pandemic, the FPC will continue to work with regional businesses to deliver services in a safe and reliable way.

With the recent announcement of a cessation of large-scale commercial forestry at the end of the current FMP in December 2024, the FPC will work with the State government and the native timber industry as it transitions over the next few years away from a sawlog driven industry. Critical to this

will be to work closely with the Conservation and Parks Commission, DBCA and key stakeholders to develop a new FMP 2024-2033. The FPC will also work closely with the Department of Jobs, Tourism, Science and innovation, the forest industry and other relevant stakeholders to deliver the outcomes of the Just Transition process.

The FPC's softwood plantation estate is a major source of timber utilised by the State's construction industry. The Government's investment of \$350 million to support the expansion of the Commission's softwood plantation estate will enable a sustainable supply of softwood to support the State's timber and construction industries for decades to come, and support regional employment in the State's South West. Opportunities include supporting plantation establishment to create both employment and carbon offsets and promoting the use of timber for the construction of more energy efficient buildings in line with the State's Wood Encouragement Policy and the WA Climate Policy.

The FPC will continue to work with industry and other key stakeholders to implement the Djarlma Plan, which provides a framework for action from 2018 to 2030 to revitalise and grow a sustainable forest industry that delivers economic and employment benefits in regional areas.

In addition, the FPC will continue to expand Aboriginal participation in its operations, in line with its Reconciliation Action Plan.

Certification

The FPC will ensure policies and procedures are in place to maintain certification to national and internationally recognised environmental management and forestry standards: ISO14001 (Environmental Management System) and AS4708 (Australian Standard for Sustainable Forest Management).

Certification to internationally recognised environmental and forest management standards underlines the FPC's commitment to ecologically sustainable forest management and forms an essential part of its social licence to operate. It is also consistent with the Government's objective to encourage the use of sustainably sourced timber in procurement activities.

Workforce

Key strategic issues for the industry as a whole are an ageing workforce and skills not being aligned with new processes and technologies. The FPC will implement actions to grow its people and ensure a future ready workforce. In addition, the FPC will work with State and national forest industry bodies to develop a forest operations capability framework.

Occupational safety and health

Another key issue for the wider forestry industry, including contractors and customers of the FPC is the need to improve occupational safety and health. The FPC will work closely with industry stakeholders to develop an industry led Safety Action Plan, focusing on training and development and the adoption of new technologies and systems.

The following table summarises the FPC's key initiatives for 2021-2022 in the context of the outcomes to be achieved by 2025-2026.

Relationship to Government Goals

Government Goal	FPC Strategic Objectives	FPC Desired Outcomes
1. Sustainable Finances: Responsible financial management and better service delivery	Business outcomes	<ul style="list-style-type: none"> • Ensure efficient, effective and safe delivery of business outcomes.
2. Future Jobs and Skills: Grow and diversify the economy, create jobs and support skills development	Vibrant forest industry Business outcomes	<ul style="list-style-type: none"> • Facilitate a vibrant forest industry to deliver social and economic benefits, particularly in regional Western Australia. • Ensure efficient, effective and safe delivery of business outcomes.
3. Strong Communities: Safe communities and supported families	Vibrant forest industry Business outcomes	<ul style="list-style-type: none"> • Facilitate a vibrant forest industry to deliver social and economic benefits, particularly in regional Western Australia. • Ensure efficient, effective and safe delivery of business outcomes.
4. Better Places: A quality environment with liveable and affordable communities and vibrant regions	Healthy forests Vibrant forest industry Business outcomes	<ul style="list-style-type: none"> • Deliver healthy forests for future generations. • Facilitate a vibrant forest industry to deliver social and economic benefits, particularly in regional Western Australia. • Ensure efficient, effective and safe delivery of business outcomes.

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

Vibrant forest industry: The FPC will contribute to vibrant and economically diverse regions and a sustainable industry at national, state and regional levels.

Objectives	Outcomes 2025-2026	Key Actions 2021-2022
<p>Community and industry are effectively engaged and trust the FPC to deliver ecologically sustainable forest management.</p> <p>Forestry adds value in local communities.</p> <p>The FPC contributes to the strength of the forest industry by playing a proactive role in policy development and industry leadership.</p>	<p>The FPC's activities will result in:</p> <ul style="list-style-type: none"> • A sustainable, effective, and efficient forest industry • An expanded softwood plantation estate • FPC's sandalwood plantations are being harvested • Collaborative relationships with Aboriginal Peoples and ongoing commitment to the FPC's Reconciliation Action Plan 	<p>The FPC will:</p> <ul style="list-style-type: none"> • Continue to be transparent and accountable to stakeholders, including through monitoring and reporting • Work with industry and other stakeholders to develop the second stage Djarlma implementation plan • Expand the softwood plantation estate by working with industry and landowners to leverage the 10 year, \$350 million state investment • Participate with the Department of Jobs, Tourism, Science and Innovation on the native forest Just Transition process • Maximise productivity through the adoption of new technologies and silvicultural improvements • Support the establishment of advanced manufacturing technologies in the South West • Evaluate alternative options to support farm forestry • Assist with the implementation of the recommendations in the Sandalwood Taskforce report on opportunities for Aboriginal economic development in sandalwood

Deliver healthy forests for future generations

Healthy forests: The FPC will ensure that it upholds the principles of ecologically sustainable forest management.

Objectives	Outcomes 2025-2026	Key Actions 2021-2022
<p>Ensure planning, harvest and regeneration activities optimise forest values and deliver ecologically sustainable forest management.</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 mitigation and adaptation.</p>	<p>The FPC's activities will result in:</p> <ul style="list-style-type: none">• Maintaining forest values including productive capacity, biological diversity, and forest and ecosystem health• Maintaining internationally recognised certification• Fire management across the FPC estate is industry best practice• Contribute to meeting the objectives of the State's Climate Policy	<p>The FPC will:</p> <ul style="list-style-type: none">• Work with industry and the DBCA to provide input into the development of a new FMP (2024-2033)• Expand the softwood estate• Implement a sandalwood inventory program to support the development of a new sandalwood Order in Council• Continue to monitor forest management outcomes and implement improvements• Work with the DBCA and key stakeholders to implement fire mitigation programs

Ensure efficient effective and safe delivery of business outcomes

Business Outcomes: The FPC will remain self-sustaining and continue to invest in the long-term economic health of the industry.

Objectives	Outcomes 2025-2026	Key Actions 2021-2022
Be financially self-sustaining. Forestry is a safe place to work.	The FPC's activities will result in: <ul style="list-style-type: none">• The FPC continuing to contribute to the maintenance of forest health, ecological processes, fire risk reduction and delivering benefits to the community• Adoption of new and emerging technologies and improved logistics for more efficient operations• Contribution to a strong safety culture embedded at all levels of the industry• Corporate IT and financial management systems that enable efficient operations	The FPC will: <ul style="list-style-type: none">• Investigate new and emerging technologies in remote sensing to ensure improved harvest planning. Undertake a coupe level trial for remote sensing technology• Encourage all harvest and haulage trucks to be fitted with driver monitoring and assistance technology• Continue to migrate IT infrastructure to cloud-based services to enable access from any secure location

Financial tables

Economic Assumptions	Forecast 2021-22
Timber supply	
Native forest ('000 tonnes)	700
Plantation ('000 m3)	1,143
Sandalwood ('000 tonnes)	1.6
Forest activity	
Native forest harvested areas (ha)	10,904
Plantation establishment (ha)	1,997
Sandalwood seedlings (tonnes of seed)	21
Other	
\$A/ \$US exchange rate (cents)	74.28
Financial outcomes (\$ million)	
Operating revenues	136.6
Operating expenses	136.4
Operating profit ¹	0.2
Net profit/ (loss) after tax	(4.5)
Closing cash balance	2.8
Dividend paid	-
Tax	-
Plantation establishment	7.8
Asset Investment Program	8.6
Performance indicators (%)	
Return on assets (Operating profit ¹ / total assets ²)	0.1%
Return on equity	0.1%
Operating profit to timber revenues	0.1%

¹ Profit before change in biological asset valuation and tax

² Total assets includes biological assets which is subject to fair value valuation measurement movements (Total assets value \$340 million)

Table 2: Asset investment program

Asset investment program (\$ millions)	Forecast 2021-22
Building works	0.1
Computers, plant and equipment	0.2
Softwood Plantation Expansion Program	8.3

Table 3: Plantation establishment

Plantation establishment	Forecast 2021-22
Hectares	1,997
Estimated expenditure (\$ million)	
Afforestation	5.1
Reforestation	2.6
Total plantation establishment (\$ million)	7.8

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 2019, Treasury approved 17 key performance indicators. They are:

1. Quantity of native forest hardwood log timber harvested compared to FMP sustainable levels and targets
2. Harvest of sandalwood does not exceed licence limits
3. Effectiveness of forest regeneration
4. The achievement of thinning schedules
5. All operations commence with required approvals
6. Independent certification maintained
7. Management of native forest fuel loads adjacent to priority pine plantations
8. Softwood plantations planted in the previous winter meet minimum stocking levels
9. First and second rotation softwood planting targets are achieved
10. Native forest resource processed locally (excluding any trials or research undertaken)
11. Log deliveries meet customer orders
12. Sandalwood sales orders
13. Green sandalwood roots as a percentage of green sandalwood harvested
14. Timeliness of response to stakeholder concerns or complaints
15. Timeliness of initial response to Ministerial requests and Parliamentary Questions
16. Operating profit
17. Cost per dollar of revenue generated

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

Notes for financial accounts

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.