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

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

The Statement of Corporate Intent 2017–18 describes the agreement between the Forest Products Commission and the Minister for Forestry on the intended priorities and performance. This Statement complies with the requirements of the Forest Products Act 2000.

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

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

Hon Dave Kelly MLA  
Minister for Forestry

Ross Holt  
Chairman  
Forest Products Commission
About us

Our Act

The Forest Products Commission was established by the Western Australian Government in November 2000. We are a statutory authority governed by the Forest Products Act 2000 (Act) and sections of the Forest Management Regulations 1993 to separate the commercial and land management functions that coexisted in the Department of Conservation and Land Management. We were created for the sustainable management and development of Western Australia’s timber industry using native forest, plantation and sandalwood products on land owned or leased by the State.

Section 10 of the Act outlines 23 functions that include:

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

Section 12 of the Act specifies the principles on which we are to act whilst performing our functions. We must try to ensure a profit that is consistent with the planned targets is made from forest products while ensuring:

- the long-term viability of the forest products industry; and
- the principles of ecologically sustainable forest management are applied in the management of Indigenous forest products located on public land.

The principles of ecologically sustainable forest management (ESFM) are described in the Conservation and Land Management Act 1984 (CALM Act) and in the Forest Management Plan 2014-2023 (FMP). They include requirements that the decision making process should effectively integrate both long-term and short-term economic, environmental, social and equitable considerations and that the present generation should ensure that the health, diversity and productivity of the environment is maintained or enhanced for the benefit of future generations.

We also have obligations under the CALM Act and work extensively with the Department of Parks and Wildlife (Parks and Wildlife) to deliver on these obligations.

Our owner

We report to the Minister for Forestry. The State Government receives 65 per cent of our surpluses as dividends, with the remainder reinvested in the forest industry.

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

- Wood Processing (Wesbeam) Agreement Act 2002
- Wood Processing (WESFI) Agreement Act 2000
- Dardanup pine log sawmill Act 1992

Other products are sold by way of contract as outlined in s.59 of our Act. All tender and contracts processes are in accordance with Department of Finance and State Supply Commission policies.
About us

Our industry

The forest products industry is a small but important industry in Western Australia. It is worth $1.06 billion each year and employs approximately 5,000 people. Most of this value and jobs is created in regional Western Australia with jobs being dispersed across the South West and Goldfields regions.

The industry extends from the forest to finished timber product and includes growing and management of plantation and native resources, harvest and haulage, and processing and manufacturing.

We work with industry representative groups, particularly the Forest Industries Federation Western Australia (FIFWA), the Australian Forest Products Association and Forest and Wood Products Australia.

Our regulators

The activities of harvesting and regenerating forests are regulated by Parks and Wildlife. The principal mechanism that sets standards for the South West forests of Western Australia is the FMP. This document was produced by the Conservation Commission (now Conservation and Parks Commission), assessed by the Environmental Protection Authority and approved by the Minister for Environment. Sandalwood harvesting is regulated under the Sandalwood Act 1929, soon to be replaced by the Biodiversity and Conservation Act 2016.

Our relationship with Parks and Wildlife is expressed through a Memorandum of Understanding as required at s.10(1) (l) of the Act and tabled in Parliament (2001). Operational working and financial arrangements are agreed through a separate document. We provide funding for Parks and Wildlife to undertake specific activities to contribute to Commercial Forestry Activities as detailed in the State Budget Papers.

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

Operational activities are guided by the Timber Harvesting Code of Practice, produced by the FIFWA.

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

- AS4708:2013 - Australian Forestry Standard (AFS)
- Program for the Endorsement of Forestry Certification (PEFC)
- ISO14001:2004 – Environmental Management System (EMS), the international standard for environmental management systems.
The financial performance of the softwood and hardwood sectors is strongly influenced by the performance of the housing and construction markets, exchange rates and the international market for forest products. Forecasts for the Western Australian housing industry indicate that the 2016 decline in home building activity will continue throughout 2017 and 2018.

The sandalwood sector has evolved as a premium product due to its recognised exotic qualities and international demand, matched with its natural scarcity. It will be influenced by a predicted increased demand arising from growing economies in Asia and India, by the emergence of a plantation sector and further product development in food and cosmetics.

Where the 20th century was focused on steel, industry publications are increasingly talking about the potential for the 21st century to be about innovative use of engineered wood products. These products include veneer block, laminated veneer lumber, finger jointed products, and cross laminated timbers that have a wide application of uses - from structural to decorative - and use in furniture. Australia’s building industry is increasing use of light weight prefabricated timber framing and flooring, particularly for second storey housing. Australian building regulation changes in January 2016 allow for the building of timber structures up to eight storeys in height.

Western Australia is seeing a shift away from traditional double brick housing to timber framing to address issues of building cost and suitability of building materials for the available soil types.

There are continually new uses for wood fibres being investigated. There is potential in nanochrystaline cellulose: it is predicted that this will become a $600 billion industry by 2020.

While most industries and sectors are considering negative implications of a carbon price in whatever form, forest industries continue to watch for genuine opportunities. Forestry and wood products represent a net store of carbon derived from the growth of trees that sequester carbon dioxide as other sectors create emissions.

The opportunity for the global forestry sector to increase its carbon sink capacity is significant. The natural process of bio-sequestration must ultimately be part of any ambitious effort to meet targets that will limit emissions.

Climate change is also posing real and significant threats to forest resources in the South West of Western Australia. Less rainfall is resulting in reduced productive capacity of forests and plantations as well as an increased fire risk that poses a direct threat to the resource. As well as generating renewable energy, forest thinning may also be an alternative solution to prescribed burns in reducing fire risk.

Independent third party certification is increasingly sought after. The driver to achieve certification can be market and community expectations. There is an opportunity in the Western Australian context for third party certification to be used to position our products in the market as sustainable alternatives to cheaper imports from unsustainable sources.

The demand for renewable energy shows a positive trend. This is largely in response to the Australian Government’s implementation of the Renewable Energy Target (RET) by legislation passed in June 2015. Renewable energy provides a market for low grade thinnings and residue. Factors affecting the commercial viability of renewable energy from biomass include the quantity of available feedstock, collection and transport logistics, and the capacity of the energy market to pay for renewable energy.
About us

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

Our mission
Our mission is to contribute to Western Australia’s economic and regional development through:
• sustainable harvesting and regeneration of the State’s forest resources;
• promoting innovation in forest management and local value adding for timber resources; and
• generating positive returns to the state from all FPC forests.

Our values
We operate responsibly, ethically and sustainably. Our products and services provide renewable resources.
We are committed to achieving results and delivering excellent service to our customers, partners, the community and each other.
We commit to providing a safe workplace for our staff and contractors, and put the well-being and professional development of our people at the forefront of our business.

Our role
We are a team of forestry professionals engaged in the industry from the seed to the product. We work with the community, industry and government to create a vibrant forest industry.
We will create an environment of innovation to ensure that our forests are a strategic and sustainable resource for the future.
About us

Our business

The forest products industry is an important industry in regional Western Australia. It is worth $1.06 billion each year and employs approximately 5,000 people in timber-related industries. We drive economic value into Western Australian regions with more than 70 per cent of our staff being regionally based and, the planned purchase of more than $1 billion in goods and services for harvesting and forest management, wages and salaries from Western Australian companies and people over the period of the FMP.

To align with government goals we have three strategic goals:

- Deliver healthy forests for future generations.
  - We ensure that we uphold all principles of ecologically sustainable forest management; conserving biodiversity, ecological integrity and manage forests for the community to enjoy.

- Facilitate a viable forest industry to deliver social and economic benefits, particularly in regional Western Australia.
  - We contribute to vibrant and economically diverse regions, the forest industry has plans for the future of a sustainable industry at national, state and regional levels.

- Ensure efficient, effective and safe delivery of business outcomes.
  - We are self-sustaining and profitable and continue to invest in the long-term economic health of the industry.

The Strategic Objective of each operational area is:

Plantations

Enable an internationally competitive softwood manufacturing sector based on the South West Forestry Region. This will require an ongoing sustainable plantation estate. The Softwood Industry Strategy for Western Australia completed in 2016 identifies six steps to achieve this objective.

Sandalwood

Facilitate a sustainable and ethical sandalwood industry that creates jobs and opportunity in regional Western Australia. Manage brand confidence and recognition to enable a smooth transition to a mixed wild and plantation based industry.

Native Forests

Build on our social licence to operate in the South West forests, and enable innovation in the industry to expand its product range and maximise the value of the resource.

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

The management of strategic risk is overseen by the Audit and Risk Committee. Our strategic risks include:

• Wildfire losses to plantation and native timber resources.
• Unfavourable market conditions resulting in loss of revenue.
• Failure to secure land to support plantation expansion.
• Biosecurity threat emerges.
• Insufficient progress on developing social licence to operate in the native forest sector.
• Climate change.
About us

Our stakeholders

Engagement with stakeholders is an integral part of our operations and is embedded in our core values. Stakeholders are those people and organisations who can influence outcomes, and have an interest in or are affected by our activities. In particular, we acknowledge that engagement with Aboriginal people is essential for protecting their rights and values.

Effective stakeholder engagement assists us to achieve an environmentally sustainable, renewable and commercially viable forest products industry. It is also essential to ensure stakeholders’ needs and interests are consistently, transparently and meaningfully considered to ensure the success of ongoing operations.

Stakeholders include:
- Contractors
- Customers
- Community groups
- Aboriginal organisations
- Industry organisations
- Government
- Research institutions
- Media
- Suppliers
- Members of the community
Our commissioners

Left to right: (back row) Jacqueline Jarvis, Geoffrey Totterdell, Grant Woodhams, Robert Pearce, Amelia Yam, (front row) Ewald Valom (Deputy Chairman), Ross Holt (Chairman).

Our executive

Left to right: John Tredinnick (Director Forest Operations), Stuart West (General Manager), Gavin Butcher (Director Policy and Strategy) and Ron Lucas (Director Finance and Information and Communication Technology).
Our strategy

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

Forestry is a long-term industry. We will create an environment of innovation to ensure that our forests are a strategic and sustainable resource for the future.

Deliver healthy forests for future generations.

Our Act binds us to the principles of Ecological Sustainable Forest Management (ESFM). ESFM is a set of guiding principles that seeks to conserve biodiversity and ecological integrity, while continuing to provide ongoing social and economic benefits to the community. In the Western Australian context, this is achieved through implementation of the FMP.

The FMP establishes the management framework for the national parks, conservation parks, nature reserves, State forests and timber reserves within the South West. It strikes a balance between conservation and other activities. It is based on scientific knowledge, in which potential impacts of climate change are accounted for in relevant management activities. The FMP provides the basis for harvest planning, silvicultural activities and operational guidance to protect forest values in the native forest sector.
Objectives

Work with Parks and Wildlife in planning, harvest and regeneration activities to optimise forest values. Ensure mechanisms are in place to manage risk and respond to wildfire and other environmental risks.

Outcomes 2021-2022

- Best practice environmental certification is maintained and enhanced.
- Actions under the Forest Management Plan are achieved and improved reporting ensures the community is well informed of the environmental outcomes.
- Work collaboratively with other government agencies and the community to ensure we have a comprehensive fire mitigation and management strategy operationalised.

Priority initiatives 2017-18

- Plan for implementation of Ferguson inquiry recommendations.
- Biodiversity Management Programme for sandalwood.
- Ensure implementation and reporting of FMP.
- Northcliffe fire regeneration.

Key performance indicators

- Quantity of native forest hardwood log timber compared to sustainable levels and targets.
- Harvest of green sandalwood maintained at allowable cut.
- Green sandalwood roots as a percentage of green sandalwood harvested.
- Extent of native karri forest regenerated relative to area harvested.
- Timeliness of karri regeneration.
- Effectiveness of regeneration of native karri forest.
- The achievement of thinning schedules in karri forest.
Our strategy

Facilitate a vibrant forest industry to deliver social and economic benefits to the people of Western Australia, particularly in the regions.

Our Act requires us to promote and encourage the development of the forest production requirements of the State, to promote employment in, and development of the forest products industry. The forest industry is an important component of regional economies, providing jobs in a sustainable industry. Forestry also supports downstream processing and manufacturing jobs in Western Australia. A vibrant forest industry has the potential to add significant value to economic, environmental and social outcomes in Western Australia, particularly in the regions where most of the investment is made.

Objectives

Community and industry are engaged in planning forest activities and in developing opportunities.
Forestry adds value in local communities.

Outcomes 2021-2022

- Have a plan for the long term future of the industry.
- The community recognises the value of forestry.
- Implement the Softwood Industry Strategy for Western Australia.
- Implement the Native Sandalwood Industry Strategy for Western Australia.
- Have a sustainable native forest sector where markets match the available resource.

Priority Initiatives 2017-18

- Branding and marketing in place for high value native timbers.
- Better understanding of economic and social values for communities.
- Meet softwood plantation expansion targets.
- Sandalwood Industry reforms.
- Native forest timber supply chain study.
- 'Other bole volume' markets identified.

Key performance indicators

- Area of plantation established against target.
- Plantation log production consistent with demand from industry.
Ensure efficient effective and safe delivery of business outcomes.

We maintain continual focus on improving systems and technologies to ensure responsible management of the State’s financial and forest resources.

Significant progress has been made since the Ernst and Young Review of 2015 made key recommendations for the FPC to improve operational financial and management reporting performance.

**Objectives**

Be financially self-sustaining.

Forestry is a safe place to work.

**Outcomes 2021-2022**

- Have a highly productive workforce made up of multi-skilled, innovative and engaged people.
- Our science and innovation strategy will lead growth in our business and industry.
- Technology will generate efficiencies in operations.
- Business reporting provides timely and accurate information to managers.

**Priority initiatives 2017-18**

- Working arrangements with Parks and Wildlife finalised.
- New contracts for sandalwood effectively implemented.
- New IT system delivered.
- New KPIs in place.
- Implement recommendations from Treasury assessment of plantations for sale.
- Exit of uneconomic sharefarms.

**Key performance indicators**

- Total payments to government (provide a return on investment to government).
- Net profit before interest and tax.
- Ratio of earnings before interest and tax to total assets (return on total assets).
- Stumpage revenue.
## Financial tables

### Economic assumptions

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<td>Timber supply</td>
<td></td>
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<tr>
<td>Native forest (‘000 tonnes)</td>
<td>864</td>
</tr>
<tr>
<td>Plantation (‘000 m³)</td>
<td>840</td>
</tr>
<tr>
<td>Sandalwood (‘000 tonnes)</td>
<td>2.1</td>
</tr>
<tr>
<td>Forest activity</td>
<td></td>
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<td>Native forest harvested areas (ha)</td>
<td>8,200</td>
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<td>Plantation establishment (ha)</td>
<td>3,419</td>
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<tr>
<td>Sandalwood seedlings (tonnes of seed)</td>
<td>22</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total assets include Biological Asset valuations</td>
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### Financial outcomes

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<td>Operating revenues</td>
<td>134.3</td>
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<td>Operating expenses</td>
<td>131.4</td>
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<td>Operating profit¹</td>
<td>2.9</td>
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<td>Net profit/ (loss) after tax</td>
<td>(3.5)</td>
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<td>Closing cash balance</td>
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<td>Dividend paid</td>
<td>1.9</td>
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<tr>
<td>Plantation establishment</td>
<td>(7.7)</td>
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<td>Asset Investment Program</td>
<td>(0.89)</td>
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¹ Profit before change in biological asset valuation, onerous contract, grants and subsidies from State Government and tax

### Performance indicators

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<th>Performance indicators</th>
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<tr>
<td>Return on assets (Operating profit/ total assets)²</td>
<td>0.7%</td>
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<tr>
<td>Return on equity</td>
<td>0.8%</td>
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<tr>
<td>Operating profit to timber revenues</td>
<td>2.2%</td>
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</table>

² Total assets include Biological Asset valuations
Notes for financial accounts

Reporting to the Minister

We monitor our performance based on the business activities listed in the Statement of Corporate Intent and the Strategic Development Plan. We provide a report to the Minister based on performance and financial outcomes in the Half Year and Annual Reports. We advise the Minister of any significant variation should it arise as required by S17 of the Act. We have reporting obligations to the Department of Treasury. We submit quarterly reports on our budgets.

We report against specific measures in the Annual Report, these are:

Key effectiveness indicators:
1. Quantity of native forest hardwood log timber compared to sustainable levels and targets.
2. Harvest of green sandalwood maintained at allowable cut.
3. Extent of native karri forest regenerated relative to area harvested.
4. Timeliness of karri forest regeneration.
5. Effectiveness of regeneration of native karri forest.
6. The achievement of thinning schedules in karri forest.
7. Area of plantation established against target.
8. Total payments to government (provide a return on investment to government).
9. Net profit before interest and tax.

Key efficiency indicators:
1. Green sandalwood roots as a percentage of green sandalwood harvested.
2. Plantation log production consistent with demand from industry.
3. Ratio of earnings before interest and tax to total assets (return on total assets).
4. Stumpage revenue.

Copies of our major documents are available from www.fpc.wa.gov.au

Accounting policy

Our 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 our significant accounting policies.
Pricing arrangements

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

In accordance with s.56 of the Forest Products Act 2000, the Commission may make appropriate sales arrangements through private treaty, expressions of interest, tenders and sale by auction.

We establish prices in a manner that:

- has due regard for State Procurement Policies as they apply to the sale of forest products;
- delivers long-term industry viability and provides appropriate economic return for the forest products;
- whenever possible, uses market information that is informed from open and competitive market processes;
- considers local community and industry benefits from the production and sale of forest products; and
- considers future savings and opportunity for efficiencies in future operations.

We acknowledge that, in some circumstances, long-term silvicultural targets and fire salvage objectives may only be achieved through operations that do not recover the full cost of operations. In these circumstances we will continue to ensure that the value of products is optimised.

To provide security to the industry, we have a number of long-term contracts and State Agreement Acts in place. Where we enter into long-term agreements, consideration will be given to mechanisms for the regular adjustment of prices to reflect variation in our costs and the value of the product in the market.

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 will include the impact of our investment in plantation establishment. Dividends are approved by the FPC and paid in the following financial year (normally in the December quarter).

Non-commercial activities

We undertake 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 we create from our commercial businesses.