



Forest Products Commission
Statement of Corporate Intent 2023-2024



fpc Forest Products
Commission

About the FPC



Chair's statement

This SCI represents an agreement between the Commission and Minister for Forestry, on the Forest Products Commission's expected level of performance for the 2023-24 financial year and meets the requirements of the Forest Products Act 2000.

Climate change represents the single biggest challenge to our forests through declining streamflow and water tables. The FPC's challenge is to adapt and transform its business to meet these challenges.

Recent changes to the Forest Products Act 2000 alongside the Government's record \$350 million investment in the State's softwood plantation timber industry are already resulting in the investment in land for plantation expansion, carbon sequestration, and potential additional revenue through carbon markets for the West Australian community.

I am looking forward to overseeing the positive impacts these transformations have on the forest industry as well as regional communities in the southwest of our state.

MS DEBRA BLASKETT
CHAIR



General Manager's statement

This SCI outlines the vital role of the Forest Products Commission in supporting the thousands of jobs in WA's timber and construction industry that depend on the renewable supply of Western Australian timber products. This is particularly important as our industry undergoes significant change including the State's \$350 million investment to expand the plantation estate and the Government's decision to end native logging by 2024.

The safety of our employees, contractors and the public remain a priority focus of our strategy as we transform our business. During this change we will continue to engage with the Forest Industry Federation of Western Australia (FIFWA), the Australian Forest Products Association, the Community and Public Sector Union/Civil Service Association on all Occupational Health and Safety matters.

While the Forest Products Commission is responsible for the stewardship of our forests, we have much to learn from the Traditional Owners of this land. As we transform our business the FPC will continue to develop and strengthen our relationships with and through engaging Aboriginal and Torres Strait Islander peoples in forest management activities.

MR STUART WEST
GENERAL MANAGER

About the FPC

The Forest Products Commission (FPC) is a Statutory Corporation and reports to the Minister for Forestry. It is governed by the *Forest Products Act 2000*, the *Forest Products Amendment Act 2022* and the *Forest Products Regulations 2020*. The FPC is committed to working with the State Government and industry to facilitate a vibrant and sustainable forest industry into the future.

The FPC is responsible for sustainable forest management and supporting Western Australia's (WA) forest products industry using forest products on land managed by the state. The FPC operates within the broader Government policy framework and contributes to achieving the State Government's goals.

The forest and timber industries are currently adapting and responding to significant policy changes, including the State's investment of \$350 million to expand the pine plantation estate and the Government's decision to end commercial native forest logging at the end of 2023.

Our vision

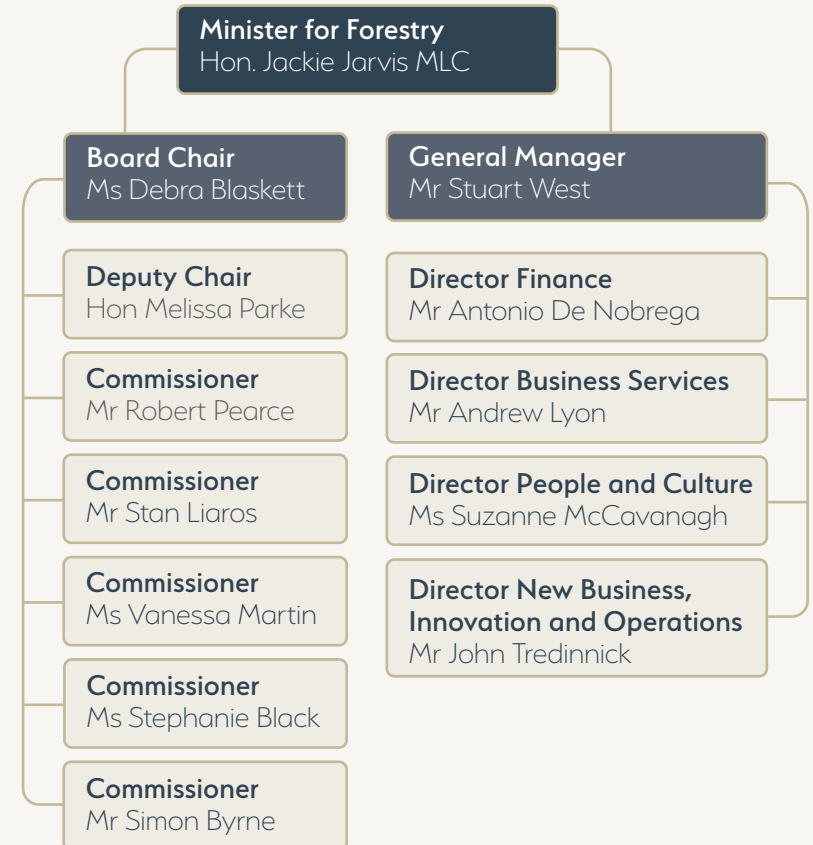
To build and maintain a sustainable and commercially viable forest products industry that provides economic and social benefits to the people of Western Australia, particularly in regional areas through:

- delivering healthy forests for future generations; and
- ensuring efficient, effective and safe delivery of business outcomes.

Our mission

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

- sustainable harvesting and regeneration of the State's forest resources;
- promoting innovation in forest management; and
- local value-adding of timber resources; and generating positive returns to the State.



About the FPC

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), which is prepared by the Conservation and Parks Commission (CPC) and the DBCA.

This FMP will be replaced by the next FMP 2024-2033 from 1 January 2024. The transition period will need to be managed and monitored closely to ensure the FPC complies with the changing operational requirements.

The FPC also operates on private land governed by various State and Federal laws, policies 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 are across plantations, native forest and sandalwood business segments, with unique pressures and influences for each that impact the operating environment. To successfully navigate the major changes in the operating environment linked to policy, industry and regulatory changes, the FPC is positioning itself to pivot the business as required in coming years.

The FPC employs approximately 180 people to run its operations and also supports wider industry development. There are also non-commercial functions such as ministerial support, policy development, forest education and sponsorship.

The focus on plantation establishment creates both employment and carbon offsets, while promoting the use of plantation timber for the construction of more energy efficient buildings aligns with the State's Wood Encouragement Policy and the WA Climate Policy.

Following the announcement of the end to commercial native forestry in WA from December 2023, the FPC are working closely with the CPC, DBCA and key stakeholders to develop a new FMP 2024-2033, which focuses on managing our native forests for forest health outcomes. Work will continue in 2023-24 to develop the operational guidelines and capabilities necessary to implement the FMP once approved.

The FPC collaborates with the Department of Jobs, Tourism, Science and Innovation (JTSI) on the Native Forest Transition group. A program has been established to ensure workers and industry transitioning from native forestry are given the help and support required to either exit the industry or reskill and retool for the future approach to managing native forests for ecological health.

The Western Australia Sandalwood Taskforce has made recommendations to advance Aboriginal economic development using the wild-harvested sandalwood. These recommendations drive our initiatives in increasing engagement and improving opportunities for Aboriginal and Torres Strait Islander peoples in forestry through participation in the sandalwood industry. In anticipation of the review, the FPC is improving its understanding of the wild sandalwood resource through technology and digitalised forest management.

About the FPC

Workforce, systems and processes

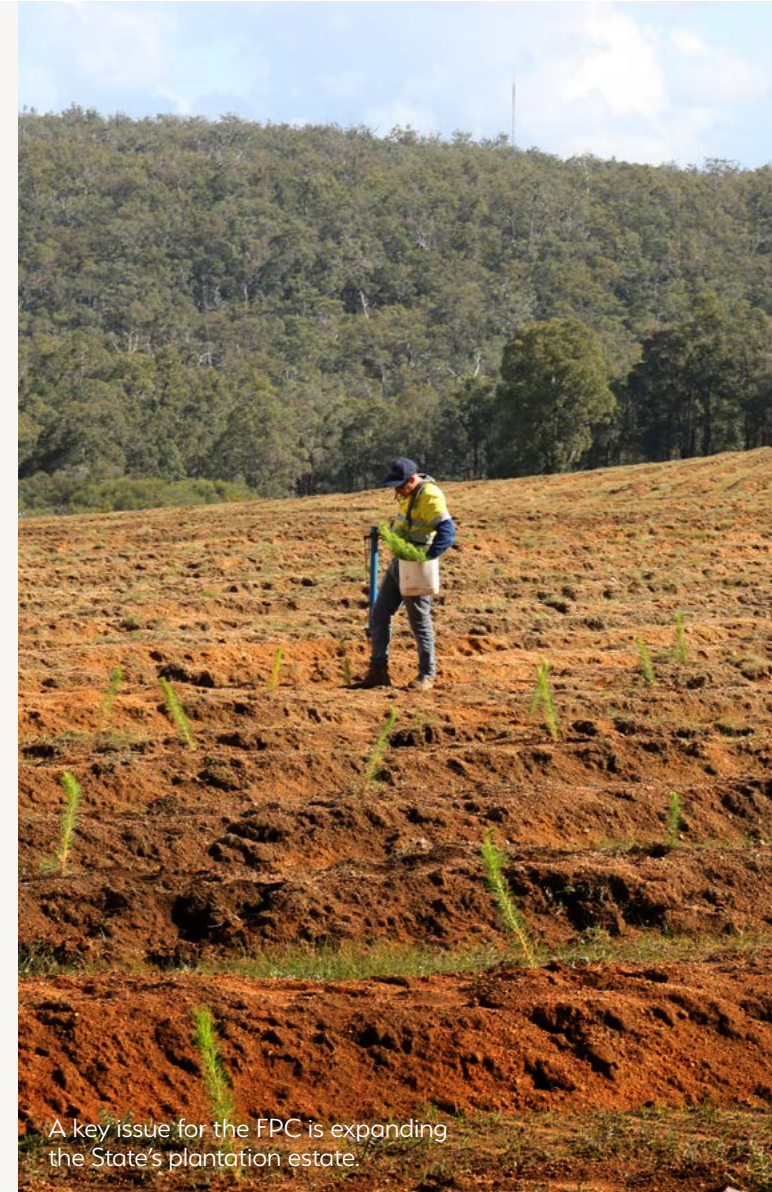
Initiatives are underway across FPC support services to improve our efficiency and ensure the resources necessary to support the future business.

Key strategic issues for the FPC are realigning workforce, technologies and processes with the new strategic directions of the FMP 2024-33, as well as the expansion of the State's plantation estate.

The FPC will implement actions to develop 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 that matches current and future needs.

Occupational safety and health

Another key issue for the wider forestry industry, including contractors and customers of the FPC, is the need to continuously improve occupational safety and health. The FPC will continue to work closely with industry stakeholders to ensure a strong focus on safety as well as training and development to support the adoption of new technologies and systems.



A key issue for the FPC is expanding the State's plantation estate.

Relationship to Government Goals

State Government goals

1: Sustainable finances
Responsible financial management and better service delivery

2: Future jobs and skills
Grow and diversify the economy, create jobs and support skills development

3: Strong communities
Safe communities and supported families

4: Better places
A quality environment with liveable and affordable communities and vibrant regions

Our strategic goals

G1: Facilitate a vibrant and sustainable forestry industry to deliver social and economic benefits, particularly in regional Western Australia

G2: Deliver healthy forests for future generations

G3: Ensure efficient, effective and safe delivery of business outcomes

Key performance indicators

- Timeliness of response to stakeholder concerns or complaints
- Softwood plantations planted in the previous winter meet minimum stocking levels
- First and second rotation softwood planting targets are achieved
- Native forest resource processed locally (excluding any trials or research undertaken)
- Log deliveries meet customer orders
- Sandalwood sales orders

- Quantity of native forest timbers harvested compared with FMP sustainable levels and targets
- Harvest of sandalwood does not exceed licence limits
- Effectiveness of forest regeneration
- The achievement of thinning schedules
- All operations commence with required approvals
- Independent certification maintained
- Management of native forest fuel loads adjacent to priority pine plantations

- Timeliness of initial response to Ministerial requests and Parliamentary Questions
- Green sandalwood roots as a percentage of green sandalwood harvested
- Cost per dollar revenue generated
- Operating profit

Relationship to Government Goals

Facilitate a vibrant and sustainable forestry 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.

Strategic Objectives	Outcomes 2027-2028	Key Actions 2023-2024
<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"> • The Native Forest Transition process providing a framework for worker and industry transition • A sustainable, effective, and efficient forest industry • An expanded softwood plantation estate • FPC's sandalwood plantations 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 JTSI on the Native Forest Transition Group • Work with industry and other stakeholders to incorporate the second stage Djarlma implementation plan within the next FMP • Maximise productivity through the adoption of new technologies and silvicultural improvements • Contribute to development of optimised techniques for ecological forest management and recovery of forest products as a valuable resource • Trial harvesting and haulage options in the native forest sector which focus on ecological thinning for forest health outcomes • Expand the softwood plantation estate by supporting new investment in plantation expansion • Support farm forestry through the provision of information and technical support to landowners • Assist with the implementation of the recommendations in the Sandalwood Taskforce report on opportunities for Aboriginal economic development in sandalwood and contribute to the Sandalwood Advisory Group

Relationship to Government Goals

Deliver healthy forests for future generations

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

Strategic Objectives	Outcomes 2027-2028	Key Actions 2023-2024
<p>Ensure planning, harvest and regeneration activities optimise forest values and deliver 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 for sustainable forest management • Industry best practice fire management across the FPC estate and adjoining public land • A significant contribution to 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 implement the new FMP (2024-2033) • Continue to undertake trials which focus on ecological thinning for forest health outcomes • Continue to monitor forest management outcomes and implement improvements • Work with the DBCA and key stakeholders to implement fire mitigation programs • Implement the FPC's Climate Adaptation Policy and supporting strategies and procedures

Relationship to Government Goals

Ensure efficient effective and safe delivery of business outcomes

Delivering outcomes: The FPC will continue to transition and invest in the long-term economic health of the industry.

Strategic Objectives	Outcomes 2027-2028	Key Actions 2023-2024
<p>Be financially self-sustaining.</p> <p>Forestry is a safe place to work.</p>	<p>The FPC's activities will result in:</p> <ul style="list-style-type: none"> • The FPC plantation and sandalwood sectors to be financially self-sustaining whilst contributing 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 	<p>The FPC will:</p> <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 • Require all plantation harvest and haulage trucks to be fitted with driver monitoring and assistance technology and monitor implementation and compliance • Ensure contractor compliance with chain of responsibility legislation through advanced electronic delivery note monitoring



The FPC will ensure contractor compliance with chain of responsibility legislation through advanced electronic delivery note monitoring.

Measuring our performance

The FPC is committed to continuous improvement and will proactively manage performance through the appropriate approved key performance indicators (KPIs).

The KPIs are designed to measure the FPC's performance against its responsibilities. This includes a contribution to the achievement of State Government goals, adhering to the requirements of the Forest Management Plan 2014-2023 (FMP), and ensuring compliance requirements are met. The FPC is focused on forest management delivering social, environmental and economic benefits to Western Australian communities. All the KPIs have a strong focus on sustainability. An overview of the 2021-2022 KPI results is provided below. Note that some KPIs are reported for the previous calendar year rather than financial year.

Key effectiveness indicators

		Target	Actual
1	Quantity of native forest hardwood log timber harvested compared to FMP sustainable levels and targets*		
	First and second-grade jarrah and karri sawlogs*	Jarrah – cumulative total from 2014 to 2021	1,056 (m ³ '000s)
		Karri – cumulative total from 2014 to 2021	593 (m ³ '000s)
	Other bole volume for jarrah, karri and marri*	Jarrah - cumulative total from 2014 to 2021	472 (m ³ '000s)
		Karri - cumulative total from 2014 to 2021	394 (m ³ '000s)
		Marri - cumulative total from 2014 to 2021	2,336 (m ³ '000s)
			1,412 (m ³ '000s)
			1,312 (m ³ '000s)
			1,032 (m ³ '000s)
			119 (m ³ '000s)
2	Harvest of sandalwood does not exceed licence limits		
	Green and dead wood sandalwood harvest	2,000 tonnes	725 tonnes actual dead
			758 tonnes actual green
			Total 1,483 actual dead and green

	Target	Actual
3	Effectiveness of forest regeneration	
	Karri*	95 per cent of regeneration requiring no remedial action
	Jarrah*	95 per cent
		90 per cent of areas cutover for regeneration completed in 30 months
	Sandalwood	Annual cumulative average of 50,000 seedlings established
		46,000 seedlings
		Cumulative average of 11 years (84,277 in 2021)
4	The achievement of thinning schedules	
	Karri*	1,230 hectares per annum of first thinning
	Softwood plantations	433 hectares thinned
		95 per cent of softwood plantations are thinned within guidelines
	Sandalwood plantations	74 per cent
		Actual percentage
		0 hectares thinned
		0 hectares thinned
5	All operations commence with required approvals	
		100 per cent of operations commence with pre-operation planning approval
		99 per cent
6	Independent certification maintained	
		Certification maintained
		The FPC has maintained appropriate certification

Measuring our performance

	Target	Actual
7 Management of native forest fuel loads adjacent to priority pine plantations	60 per cent	54 per cent
	Annual increase in the percentage of native forest fuel loads (adjacent to FPC's priority pine plantations) under six years of age	
8 Softwood plantations planted in the previous winter meet minimum stocking levels *	95 per cent of the total softwood plantations planted in the previous winter are compliant with minimum stocking levels	69 per cent
9 First and second rotation softwood planting targets are achieved*	2,292 hectares (first and second rotation combined)	1,474 hectares
10 Native forest resource processed locally (excluding any trials or research undertaken)	100 per cent of native resource processed locally	100 per cent
11 Log deliveries meet customer orders		
Plantations	Variance of no greater than 10 per cent	13 per cent softwood (variance - orders versus deliveries)
Native Forest	Variance of no greater than 10 per cent	20 per cent native forest (variance - orders versus deliveries)

	Target	Actual
12 Sandalwood sales orders	100 per cent of sandalwood sales orders are met	98 per cent
13 Green sandalwood roots as a percentage of green sandalwood harvested	Total green volume includes 15 to 25 per cent roots	21 per cent

* Reported for the previous calendar year

Key efficiency indicators

	Target	Actual
1 Timeliness of response to stakeholder concerns or complaints	95 per cent of responses provided on time	100 per cent on time None overdue
2 Timeliness of initial response to Ministerial requests and Parliamentary Questions	95 per cent of responses provided on time	97 per cent on time 3 per cent overdue
3 Operating profit / (loss)	(\$4,517,000)	(\$7,806,000)
4 Cost per dollar of revenue generated		
Native forest		\$125
Plantations		\$0.93
Sandalwood		\$0.84

Financial tables

Table 1

Economic assumptions	Forecast 2023-24
Timber supply	
Native forest ('000 tonnes)	132
Plantation ('000 tonnes)	1,199
Sandalwood ('000 tonnes)	1.8
Forest activity	
Native forest harvested areas (ha)	1,925
Plantation establishment (ha)	2,391
Sandalwood seedlings (tonnes of seed)	22
Other	
\$A/ \$US exchange rate (cents)	65.30
Financial outcomes (\$ million)	
Operating revenues	120.3
Operating expenses	137.9
Operating profit ¹	(17.6)
Net profit/ (loss) after tax	(14.6)
Closing cash balance	2.5
Dividend paid	-
Tax	-
Plantation establishment	6.9
Asset Investment Program ²	28.4
Performance indicators (%)	
Return on assets (Operating profit/ total assets ³)	-5.0%
Return on equity	-5.7%
Operating profit to timber revenues	-14.8%

Table 2

Asset investment program (\$ millions)	Forecast 2023-24
Computers, plant and equipment	0.2
Land	28.2

Table 3

Plantation establishment	Forecast 2023-24
Hectares	2,391
Estimated expenditure (\$ million)	
Afforestation	4.8
Reforestation	2.1
Total plantation establishment (\$ million)	6.9

1. Profit before change in biological asset valuation and tax
2. Includes purchase of land for Softwood Expansion Program
3. Total assets includes biological assets which is subject to fair value valuation measurement movements

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 section 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:

- Quantity of native forest hardwood log timber harvested compared to FMP sustainable levels and targets
- Harvest of sandalwood does not exceed licence limits
- Effectiveness of forest regeneration
- The achievement of thinning schedules
- All operations commence with required approvals
- Independent certification maintained
- Management of native forest fuel loads adjacent to priority pine plantations
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- First and second rotation softwood planting targets are achieved
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- Green sandalwood roots as a percentage of green sandalwood harvested
- Timeliness of response to stakeholder concerns or complaints
- Timeliness of initial response to Ministerial requests and Parliamentary Questions
- Operating profit
- Cost per dollar of revenue generated

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



The FPC will ensure planning, harvest and regeneration activities optimise forest values and deliver ecologically sustainable forest management.

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 the Annual Report outline the FPC's significant accounting policies.

Pricing arrangements

Pricing arrangements are determined by a number of factors including requirements under section 59 of the Act, which prescribe 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.

