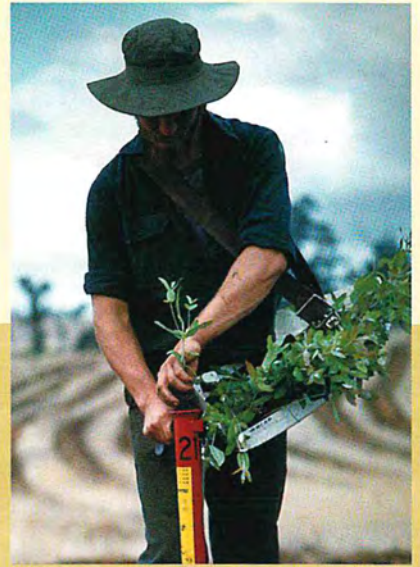




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**TO THE HON KIM CHANCE MLC**

**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 inaugural Annual Report of the Forest Products Commission Western Australia for the year ended 30 June 2001.



Murray Jorgensen  
Chairman, Forest Products Commission Western Australia



**THE FOREST PRODUCTS COMMISSION**

The Forest Products Commission (FPC) was established on 16 November 2000 under the *Forest Products Act 2000* and is responsible for the commercial production, allocation and sale of forest products from Western Australia's native forests and from State-owned and managed plantations.

The outcomes of long-term maintenance of the forest ecosystem and the provision of sustainable wood production for both the native forest and plantations were previously the objectives of the Department of Conservation and Land Management.

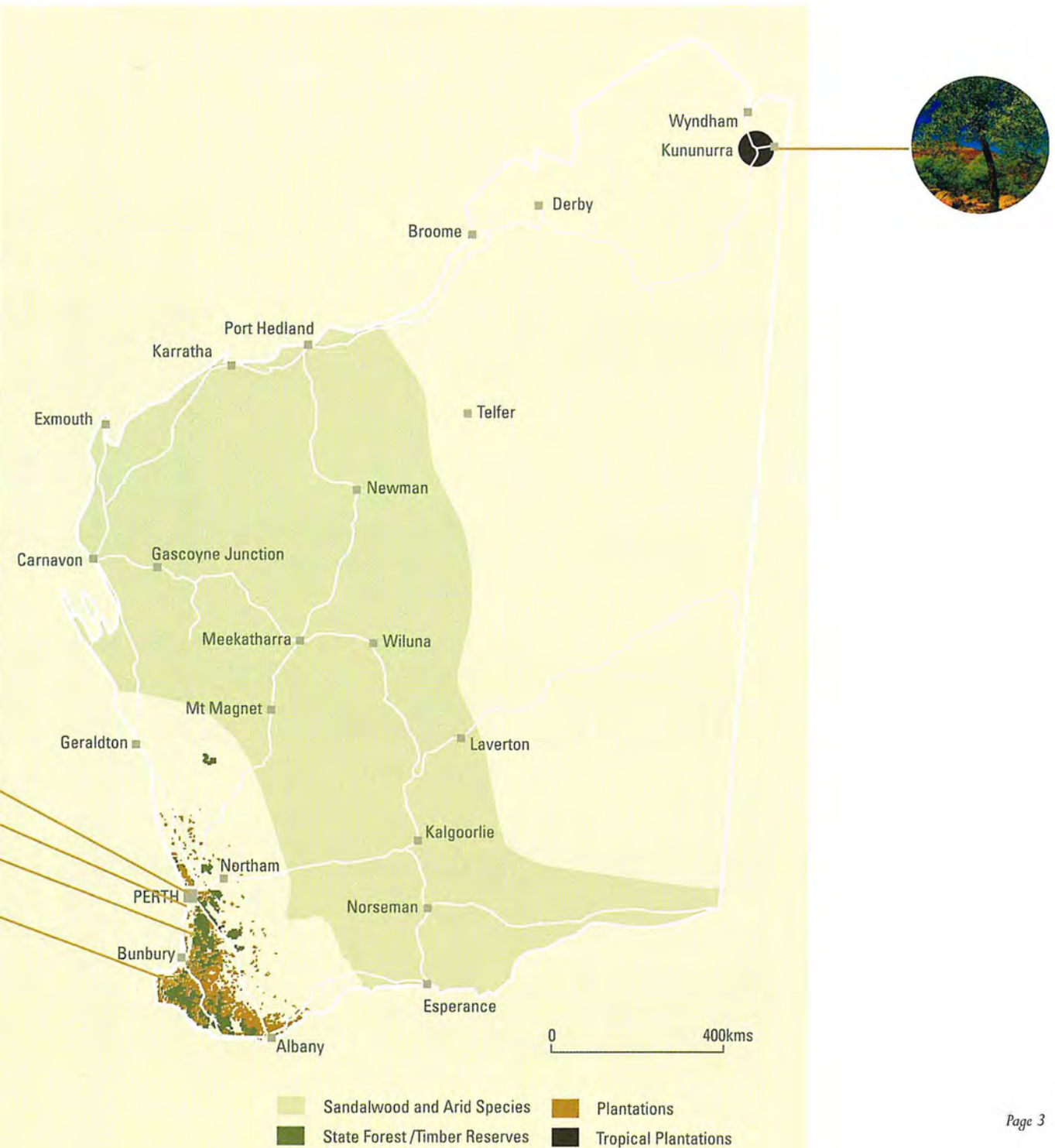
The Forest Products Commission reports to the Minister for Agriculture, Forestry and Fisheries through a seven-member Commission and has similar commercial functions and accountabilities to existing Government Trading Enterprises.



## FOREST RESOURCES

The forest sector extends across the south-west region of Western Australia. Sandalwood and arid timbers grow throughout the semi-arid to dry areas of the State and tropical forestry plantations are being established in the Ord River irrigation area near Kununurra.

Western Australia's native forest species are significantly different from other Australian eucalypt timbers with the dark colour and consistent grain pattern of jarrah and karri being the most distinctive. Softwood resources have been developed on plantations. Softwoods are used primarily in structural applications while native hardwoods are increasingly used in appearance products. Extensive areas of hardwood plantation are currently being established for export pulpwood markets.





## HIGHLIGHTS



The Forest Products Commission has made significant progress on each of its planned achievements during its first seven months of operation.

The election of a new State Government in February 2001 triggered major changes to the year's harvesting plans to reflect the Government's "Protecting Our Old Growth Forests" policy, however they were carried out without delay and with minimal disruption.

### PLANNED ACHIEVEMENT

Expand the Maritime Pine Project for the planting season 2000.

**ACHIEVEMENT** A total of 4,645 hectares of maritime pine was planted on 57 sharefarms.

### PLANNED ACHIEVEMENT

Develop and market a hardwood plantation sawlog program focused on the Wellington, Kent and Warren-Tone Recovery Catchments.

**ACHIEVEMENT** Established trial demonstration sites of approximately 100 hectares in Warren-Tone and 30 hectares in Kent.



### PLANNED ACHIEVEMENT

Continue restructuring of the State's native forest timber industry.

**ACHIEVEMENT** Immediately revised harvesting plans to reflect new Government's policy post-February 2001. Industry restructure since accelerated.

### PLANNED ACHIEVEMENT

Establish a new level of stakeholder consultation.

**ACHIEVEMENT** Increased community consultation with the appointment of a full-time coordinator.

### PLANNED ACHIEVEMENT

Implement an Environmental Management System based on ISO14001.

**ACHIEVEMENT** Processes completed and third party audit underway at 30 June 2001. Certification expected early in 2001-02.





# VISION

An environmentally sustainable and commercially viable forest products industry providing economic and social benefits to the people of Western Australia.

To contribute to Western Australia's economic and regional growth by:

- Developing the sustainable use of the State's native and plantation 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 Product Commission-managed timber resources.

# MISSION

The Forest  
Products  
Commission's  
values are:

- **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.





## FROM THE CHAIRMAN AND GENERAL MANAGER

The creation of the Forest Products Commission on 16 November 2000 heralded a new era in forest management in Western Australia. It meant a single Government body was responsible for the harvesting and sale of timber from public native forests and plantations and for developing and marketing the forest products industry.

The FPC operates as a Government Trading Enterprise - a commercial entity - which is expected to operate profitably and return dividends to its shareholders, the people of Western Australia. It also must operate within the bounds of prevailing Government policy. We are working to build confidence and stability within this sometimes delicate framework which houses competing views on forest management and sustainable industry. The FPC is acutely mindful of its obligations to stakeholders and is committed to playing a strong role in limiting the risk of further policy changes which could jeopardise the restructuring of the forest products industry.

The FPC's foundation year has been challenging, exciting, demanding and rewarding. Challenging because it involved establishing independent operations and new relationships with Government agencies, and having the seven Commissioners come to terms with the complexities of the industry and forging solid working relationships with management.

It generated excitement because of the opportunity to build a new, organisation with new ideas and a fresh approach to managing an industry of immense importance and interest to all Western Australians.

It was demanding and immensely rewarding at the same time to have the Commission respond quickly and effectively to what was probably the most significant and sudden change in forest policy in Western Australia's history when the new Government was elected in February. The work by staff and contractors to redevelop harvest plans, move operations and recast budgets within days was outstanding.

The immediate future has its challenges. The plantations sector, for example, is moving further into lower rainfall zones in line with the State's Salinity Strategy at a time when drought conditions have prevailed across the south-west. Also, the Commission must endeavour to operate profitably and pay for management of the forest used for harvesting in an environment where revenue is decreasing in line with production levels from native forest.





There are also exciting opportunities. The Commission is vigorously pursuing the development of a new forest products industry in Western Australia. Its goal is to realign what has served us long and well in the past into a modern, vibrant and prosperous industry which maximises the value of our unique native timbers through downstream processing and generates fresh employment opportunities.

There are encouraging signs that negotiations with a Perth company to establish a laminated veneer lumber plant at Neerabup, about 50 kilometres north of the city, will be finalised in the next financial year.

The Commission is also striving to establish, in partnership with landowners, a farm forestry program based on timber, carbon and water management that will create new economic development through the agricultural zone.

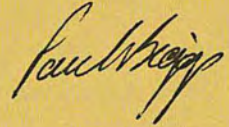
Importantly, these objectives are being pursued by an organisation which is committed to the highest environmental standards and sustainable management of regrowth forests.

The Commission is also intent on ensuring it is relevant, responsible and respected and that it draws on the diverse skills and experience of its individual Commissioners to help guide the organisation through the challenges ahead.

Finally, we take this opportunity to acknowledge the dedication and valuable work of all Commissioners and staff in the first seven months and look forward with confidence to their continuing contribution and commitment in the year ahead.



Murray Jorgensen,  
Chairman  
(below right)



Dr Paul Biggs,  
General Manager



The Commission is vigorously pursuing the development of a new forest products industry in Western Australia which has one clear goal: to recast what has served us long and well in the past into a modern, vibrant and prosperous industry which maximises the value of our unique native timbers through downstream processing and generates fresh employment opportunities.



## THE COMMISSIONERS



The Commissioners are 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 Forest Products 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 Deputy Chair of Commissioners at the City of Cockburn between April 1999 and December 2000.

### **Dr Per Christensen - Deputy Chairman**

Dr Christensen is a consultant ecologist with broad and authoritative experience in forest and fauna ecology in Western Australia. He has extensive experience at senior management level within State Government and is currently on a number of committees, including the Scientific Committee for Sustainable Use of Wildlife, advising the Federal Minister for the Environment, and the Shark Bay World Heritage Property Scientific Advisory Committee. He 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. She has been a Councillor of the Furnishing Industry Association of Australia (WA) since 1990 and Vice President since 1999. She was the Chairperson of the Australian Furniture of the Year Awards from 1995 to 2000, Chairperson of the FIAA Furniture Showcase in 1996 and 1997, and Chairperson of the FIAA Furniture Expo in 1992-93.

### **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 as a board member on a wide range of government, business, educational and community groups. He was a Multicultural and Ethnic Affairs Commissioner from 1988 to 1991 and is currently a board member of the Bunbury Wellington Economic Alliance.

### **Dr Marilyn Clark-Murphy**

Mrs Clark-Murphy has been a lecturer in finance at Edith Cowan University since 1992. She has broad experience in financial management and stockbroking and as a board member of government instrumentalities/agencies/departments. She was the Associate Director Finance and Administration and Company Secretary of Porter Western Limited between October 1987 and January 1992, a Commissioner to the City of Wanneroo from November 1997 to December 1999, overseeing the creation of two separate local government authorities, and has been a Member of the Metropolitan Cemeteries Board since 1994.





**Ray Curo**

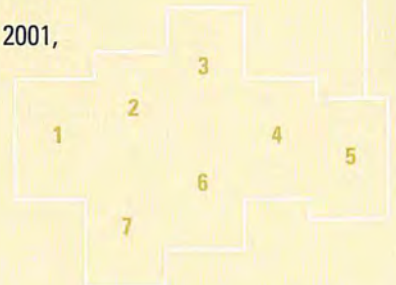
Mr Curo is self-employed as a fine woodcraft cabinetmaker. He has extensive knowledge of the Western Australian hardwood timber industry through 25 years of bush work, roading, contract management, training and management of harvesting operations. He has extensive experience in land use conflict resolution and continues to work as a consultant to industry. Mr Curo was Chairman of the Forest Industries Training Services between 1995 and 1997, has been a Manjimup Shire Councillor since 1997 and a board member of the Warren District Hospital since 1999.

**Nick Oaks**

Mr Oaks is the south-west organiser of the Australian Workers' Union with 10 years' experience in the Western Australian forest products industry. He has extensive experience in industrial relations, processes associated with the Regional Forest Agreement (RFA) and industry-based training and development. Mr Oaks was an executive member of the Fine Wood Industry Project from 1992 to 1999, is a current and inaugural board member of the Forest Heritage Centre, a member of the RFA Reference Group and President of the Bridgetown-Greenbushes Shire.

The Board of Commissioners met 14 times between 16 November 2000 and 30 June 2001, including a field visit to Maritime Pine Project plantations at Moora.

|                         | NUMBER OF MEETINGS ATTENDED | NUMBER OF MEETINGS |
|-------------------------|-----------------------------|--------------------|
| Mr Murray Jorgensen     | 13                          | 14                 |
| Dr Per Christensen      | 14                          | 14                 |
| Ms Sandy Breeze         | 13                          | 14                 |
| Mr John Castrilli       | 12                          | 14                 |
| Dr Marilyn Clark-Murphy | 10                          | 14                 |
| Mr Ray Curo             | 13                          | 14                 |
| Mr Nick Oaks            | 12                          | 14                 |



- Murray Jorgensen - Chairman 1
- Dr Per Christensen - Deputy Chairman 2
- Sandy Breeze 3
- John Castrilli 4
- Dr Marilyn Clark-Murphy 5
- Nick Oaks 6
- Ray Curo 7



## COMMITTEES

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

### Total Log Utilisation Sub-Committee

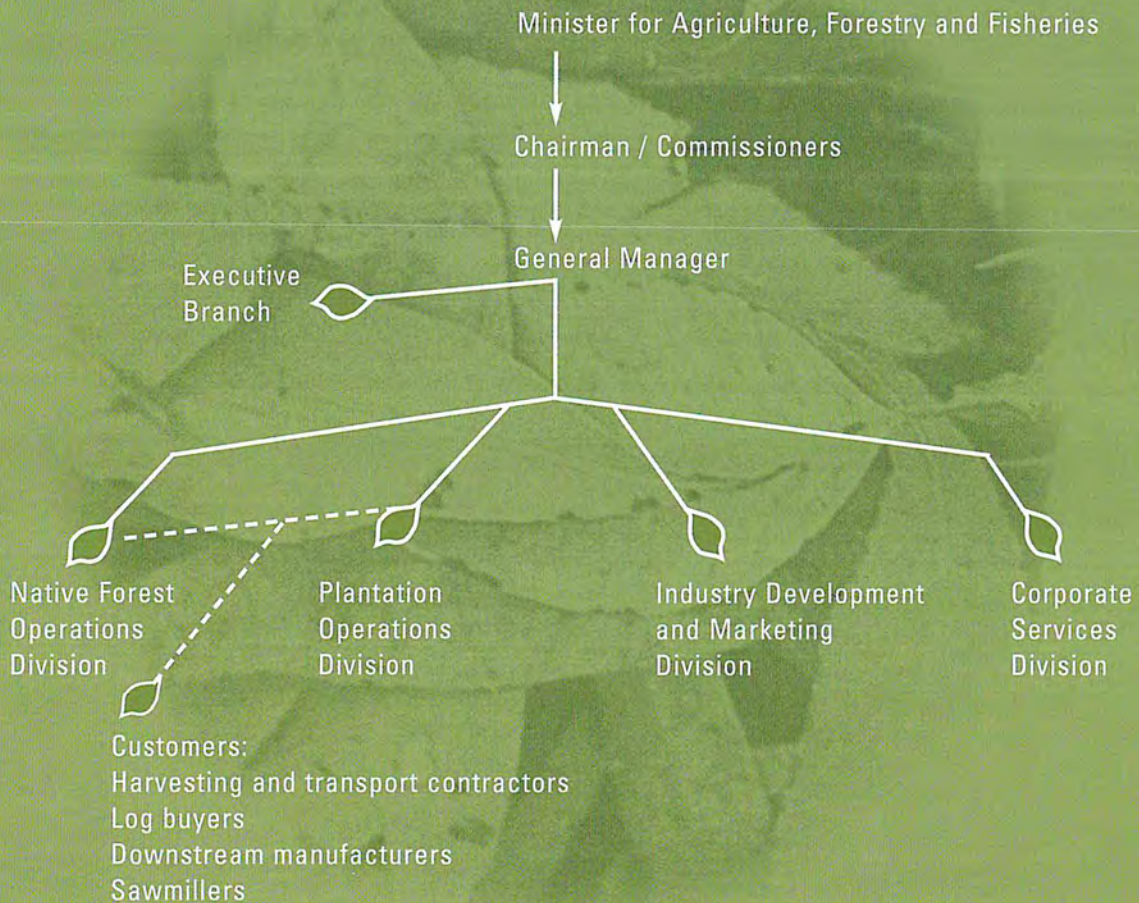
Mr Ray Curo - Chairman  
Mr Nick Oaks  
Dr Per Christensen

### Finance Committee

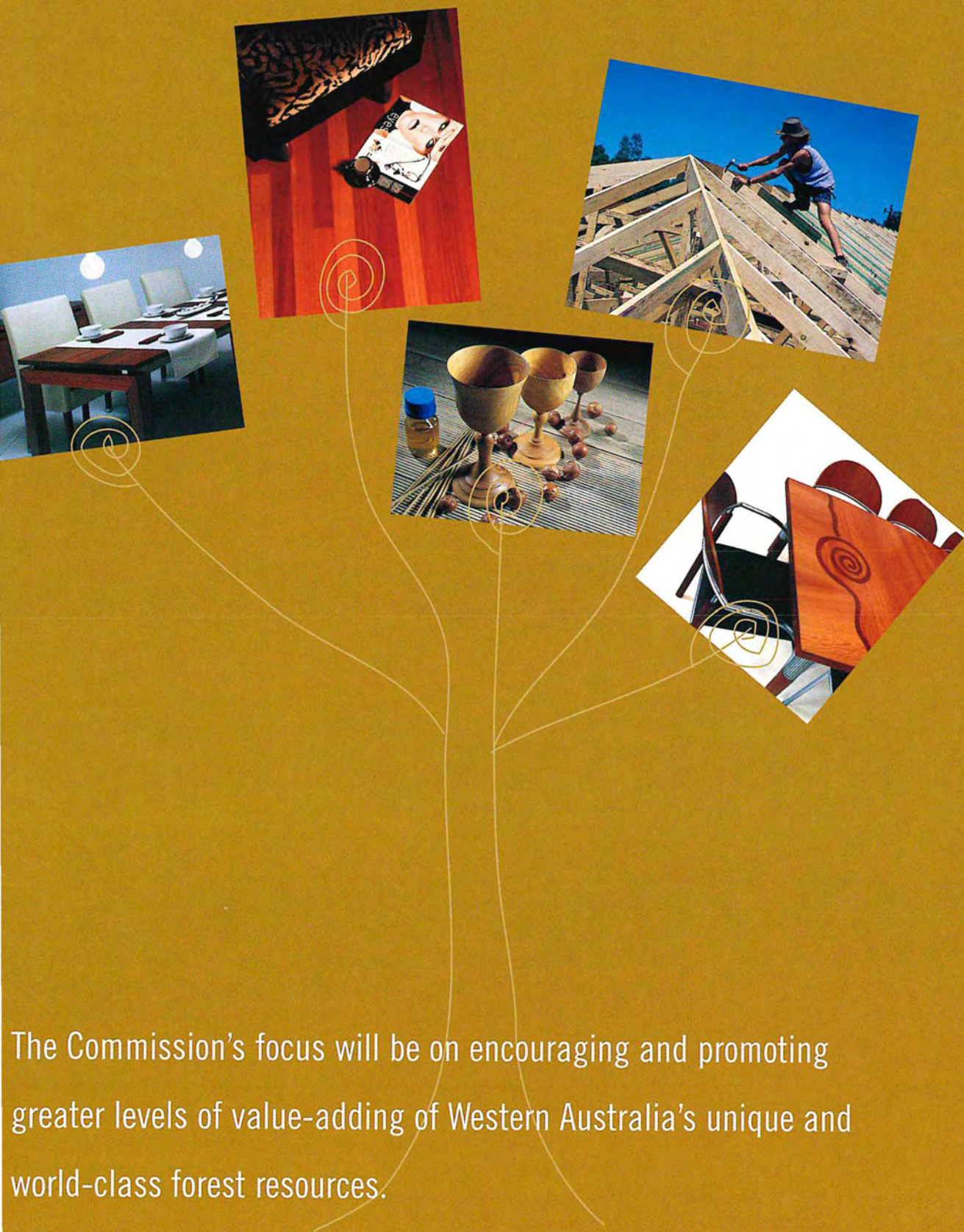
Dr Marilyn Clark-Murphy - Chairperson  
Mr John Castrilli  
Mr Ray Curo

## ORGANISATIONAL STRUCTURE

### FOREST PRODUCTS COMMISSION







The Commission's focus will be on encouraging and promoting greater levels of value-adding of Western Australia's unique and world-class forest resources.



## THE EXECUTIVE

The Forest Products Commission was created with all executive level positions vacant. Owing to a review by the Machinery of Government Taskforce following the February State election, the only appointment made in 2000-01 was that of General Manager.

### **Dr Paul Biggs - General Manager**

Paul Biggs holds a Bachelor of Science (Hons) in Forestry and completed his doctorate at 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.

For the past 16 years he has worked in a range of senior positions with the Department of Conservation and Land Management and has been a Policy Adviser to both the previous Minister for the Environment and the Forest Products Minister.

He was the Acting General Manager of the FPC from November 2000 until 1 June 2001 when he was appointed to the position.

### **Jon Murch - Divisional Manager Native Forest Operations\***

Jon Murch has been involved in the management of forest resources in Western Australia for 28 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 the Department of Conservation and Land Management.

He holds a Bachelor of Science (Hons) in Forestry, specialising in harvest management and the selection of harvesting systems.

### **Gavin Butcher - Divisional Manager Plantation Operations\***

Gavin Butcher has a 20-year career 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.

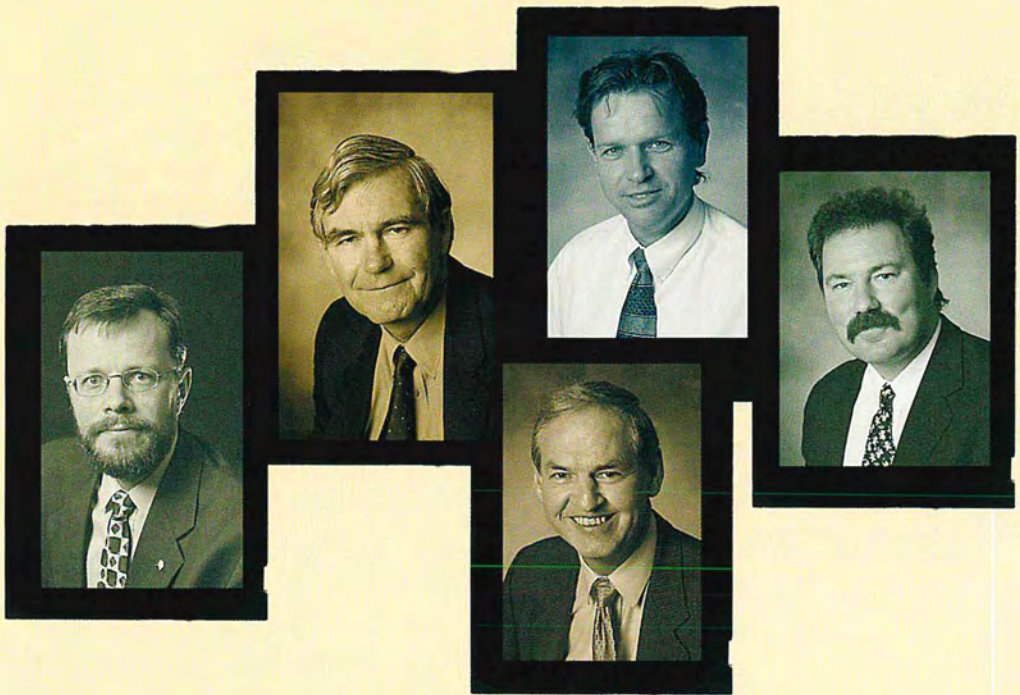
His previous position was Plantations Group Manager with the Department of Conservation and Land Management.

### **Mike Buckton - Divisional Manager Industry Development and Marketing\***

After gaining a Bachelor of Science (Hons) degree in Forestry in North Wales, Mike Buckton began his career in the United Kingdom before moving to South Africa to work in the Government Forestry Department.

He then returned to England to work with private industry before moving to Australia in 1990. He managed part of the Softwood Estate around Bunbury for the Department of Conservation and Land Management and then worked in the State Forest Resources Business Unit, the last 12 months as manager, before being appointed to his current role.





**Gary Bettison - Divisional Manager Corporate Services\***

Gary Bettison holds a Bachelor of Commerce degree and diplomas in Mechanical and Electrical Engineering.

He has lectured at undergraduate and masters levels at the University of Western Australia and Curtin University of Technology. He is also a Fellow of CPA Australia, the Institution of Engineers Australia and the Chartered Institute of Transport.

His management experience spans six Western Australian public sector portfolios and includes policy development, finance and accounting, corporate strategy, information systems, organisational effectiveness and process review. He has also been a Director of Western Quarries Pty Ltd and a deputy member of the Dampier Port Authority.

\* All Divisional Managers were Acting at 30 June 2001.

Mr Gary Downes has since replaced Mr Bettison as Divisional Manager Corporate Services.



- Dr Paul Biggs - General Manager 1
- Jon Murch - Divisional Manager Native Forest Operations 2
- Gavin Butcher - Divisional Manager Plantation Operations 3
- Mike Buckton - Divisional Manager Industry Development and Marketing 4
- Gary Bettison - Divisional Manager Corporate Services 5



## OUR PEOPLE



The Forest Products Commission has just under 200 employees working from the corporate offices in Rivervale and 12 regional offices around the State.

The challenge has been not only to establish the role and purpose of the FPC in the eyes of the industry in which it works, but also to build relationships of trust and merit. In the face of a rapidly changing industry environment, employees of the Forest Products Commission are committed to acting with integrity, professionalism and understanding.

For the FPC, the professional development of its people is a priority. Currently, four officers are participating in a leadership development course and other staff regularly attend targeted skills and development programs.

The FPC provides for a maximum of 225 positions within its organisational structure, comprising:

- 185 full-time salaried positions
- 13 part-time salaried positions
- 27 full-time wages positions



## SCHOLARSHIP

Project Officer Carol Dymond (above) was awarded a June Craig scholarship to study forestry environmental certification standards overseas.

During the four-week tour, Carol studied in Canada, the United States of America, Sweden and the United Kingdom.

A graduate in forestry, Carol is based in Bunbury with the Industry Development and Marketing Division.

*The Commission has developed drought and salt tolerant E. globulus hybrids at its Seed Technologies Section. The Section's Technical Adviser, Dr Liz Barbour, is pictured with seedlings cloned from field trials conducted during the year.*





As at 30 June 2001, actual staff numbers totalled 199.

A breakdown of these staff figures and locations is as follows:

|                       | Full time Salaried | Part time Salaried | Wages     | Total      | Men        | Women     |
|-----------------------|--------------------|--------------------|-----------|------------|------------|-----------|
| Albany                | 18                 | 0                  | 4         | 22         | 18         | 4         |
| Bunbury               | 17                 | 2                  | 0         | 19         | 11         | 8         |
| Collie                | 8                  | 0                  | 4         | 12         | 8          | 4         |
| Esperance             | 2                  | 0                  | 0         | 2          | 1          | 1         |
| Guilford              | 9                  | 2                  | 0         | 11         | 6          | 5         |
| Harvey                | 22                 | 4                  | 4         | 30         | 22         | 8         |
| Kalgoorlie            | 1                  | 0                  | 0         | 1          | 1          | 0         |
| Katanning             | 2                  | 0                  | 0         | 2          | 2          | 0         |
| Kununurra             | 2                  | 0                  | 0         | 2          | 2          | 0         |
| Manjimup              | 27                 | 0                  | 1         | 28         | 21         | 7         |
| West Manjimup Nursery | 9                  | 0                  | 14        | 23         | 7          | 16        |
| Nannup                | 7                  | 2                  | 0         | 9          | 7          | 2         |
| Rivervale             | 35                 | 3                  | 0         | 38         | 19         | 19        |
| <b>Totals</b>         | <b>159</b>         | <b>13</b>          | <b>27</b> | <b>199</b> | <b>125</b> | <b>74</b> |



There is also a group of casual workers, ranging from five in the off-season to about 70 during peak production, employed at the West Manjimup Nursery.



## OBJECTIVES



The Forest Products Commission's primary objectives are based on sustainability, environmental and ecological responsibility, industry development, employment opportunities and profitability. We pursue these objectives in a safe, productive and supportive work environment.

### Our objectives are:

#### **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.

#### **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.

#### **Plantation Development**

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

#### **Promotion and Development of the Forest Products Industry**

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

#### **Business Performance**

Meet the financial targets agreed with the Western Australian Government.

#### **Pricing Arrangements**

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

#### **Recruitment and Human Resources**

Employ suitably qualified and experienced staff who are supported to deliver high levels of performance and the objectives of the Forest Products Commission in line with its vision and mission.

#### **Community Support**

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

#### **Neighbour Relations**

Establish and maintain good relationships with landholders neighbouring our operational areas.

Being formed part-way through the year in review, no Statement of Corporate Intent could be applied. Objectives will be detailed in the 2001-02 Statement of Corporate Intent and will form the basis of future reports.





## FINANCIAL OVERVIEW

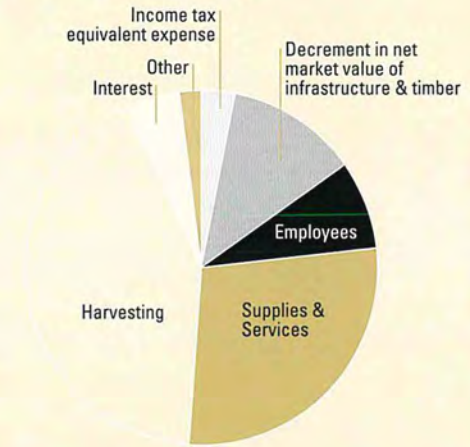
The Commission's financial statements for the 33-week period to 30 June 2001 since commencement in November 2000, are summarised below.

| Financial Performance  |            |                |
|--|------------|----------------|
|  |            | \$ million     |
| Revenue from ordinary activities   |            | 50,629         |
| Expenses from ordinary activities  |            | 50,981         |
| Profit/(loss) from ordinary activities before income tax equivalents (TER) |            | (352)          |
| <b>Net Profit/(loss) after TER</b>   |            | <b>(2,415)</b> |
| <b>Financial Position</b>  |            |                |
|  | \$ million | \$ million     |
| <b>Assets</b>  |            |                |
| Current  | 24,290     |                |
| Non-current  | 302,529    |                |
| <b>Total</b>   |            | <b>326,819</b> |
| <b>Liabilities</b>   |            |                |
| Current  | 23,114     |                |
| Non-current  | 78,958     |                |
| <b>Total</b>   |            | <b>102,072</b> |
| <b>Equity</b>  |            | <b>224,747</b> |

The net loss after TER is attributed mainly to a \$10.3 million net write down expense of infrastructure and timber assets due primarily to the expected future operational and subsequent financial impact of the "Protecting Our Old Growth Forests" policy.

While 84 per cent of gross revenue is derived from commercial forestry, the components of expenditure are illustrated in Figure 1 opposite.

Figure 1 - Expenditure



The make-up of FPC's assets and liabilities is illustrated in Figures 2 and 3 below.

Figure 2 - Assets

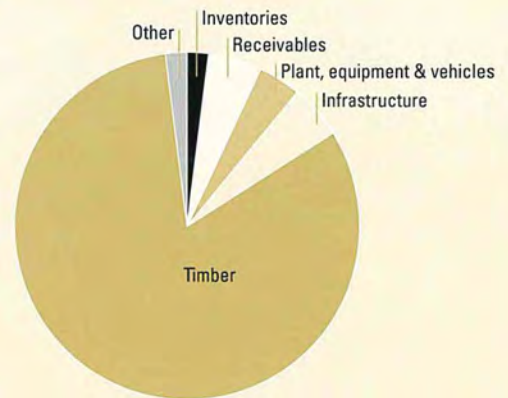
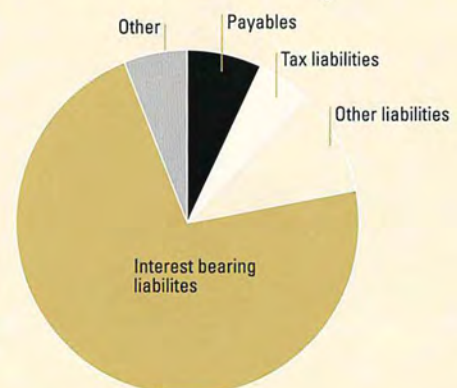


Figure 2 - Liabilities





## NATIVE FOREST OPERATIONS DIVISION



### THE BUSINESS

The Native Forest Operations Division is responsible for the planning, harvesting and sale of forest products from indigenous forests on State-owned land.

These outcomes are based on profitability and the principles of ecologically sustainable forest management.

### ACHIEVEMENTS

*The Native Forest Operations Division has:*

*Accelerated the restructure of Western Australia's forest products industry, developing a greater emphasis on value adding and further downstream processing particularly with the furniture and flooring industries;*

*Undertaken increased community consultation to better communicate intent on harvest plans;*

*Upon election of the State Government in February 2001, immediately relocated harvesting away from areas to be reserved under the new Government's policy;*

*Played a key role in the transfer in ownership and contract of sale of the Nannup Mill from previous owners SOTICO to its new owners, Nannup Timber Processing; and*

*Awarded a tender to a Perth company for the manufacture of sandalwood powder into insect repellent incense sticks.*

The introduction of the State Government's forest policy in February 2001 has meant a significant re-focusing of the traditional native forest based timber industry in the south-west of Western Australia.

The Native Forest Operations Division is working closely with the forest products industry to create a more diverse and stable industry based on a substantially smaller available resource and with an increased focus on downstream manufacturing.

### OPERATING AREA

The area available for harvesting in line with Government policy totals approximately 870,000 hectares, which represents approximately 46 per cent of the State's native forests in the south-west.

### REPORT ON ACHIEVEMENTS

#### ACCELERATED INDUSTRY RESTRUCTURE

Government forest policies have recently brought about significant reductions in native hardwood sawlog supplies. This has resulted in the need for the Western Australian forest products industry to restructure with increased emphasis being placed on the value added use of the resource.

The accelerated restructuring of the industry is aimed at creating greater levels of employment based on downstream timber based manufacturing such as furniture, flooring and decorative products, and thereby sustaining employment in regional towns of the south-west but using reduced levels of native forest timber.

The FPC has played a key role in association with the forest products industry, other Government agencies and Government Ministers to develop and implement the Western Australian Forest Industry Structural Adjustment Program which has been introduced to help the forest products industry adjust to this change. The Government increased total funding for this process of accelerated restructuring to \$123 million.

In June 2001 the Government announced the indicative sawlog yield levels that may be available from 2004, based on analysis of its new forest policy. Final yields are to be determined in the next Forest Management Plan.





The FPC worked closely with the timber industry to determine how future sawlog yields would be allocated to achieve the best possible outcome for the industry and its workers.

The FPC also worked closely with the Conservation Commission and Department of Conservation and Land Management during the initial process of developing the next Forest Management Plan.

### COMMUNITY CONSULTATION

In its first seven months the Commission undertook an intensive program of community consultation on its harvest plans.

A dedicated Community Consultation Coordinator was appointed in February 2001 to be responsible for the development and maintenance of public consultation processes, particularly harvesting plans. The Coordinator attended and addressed community and stakeholder group meetings and liaised with other Government agencies with a stake in the native forest harvesting program. Information about plantation programs and native forests was provided and feedback sought.

Community consultation was especially important when the Forest Products Commission, in association with the Department of Conservation and Land Management, released indicative plans for the 2001 harvest in March. A media statement was issued, advertisements were placed in State and local media inviting public comment, and the plans were made available on the web site.

More targeted consultation was undertaken with neighbours and other interested parties, creating a greater level of understanding and more harmonious business relationships in the field.

The need for such an intensive level of consultation reduced after logging of old growth forests was stopped.

The Commission was also involved in intensive discussions over three months with Aboriginal representatives, landowners and other members of the public on native forest issues. Discussions included plans for harvesting and regeneration, Aboriginal and European cultural heritage, wildlife habitats and scenic quality. As a result of this consultation, plans were modified to incorporate community recommendations and ideas.

The Commission will ensure that consultation processes are continually improved and community groups are given every opportunity to be well informed and contribute to decision making.

### RELOCATION OF HARVESTING AREAS

Logging in 99 per cent of Western Australia's old growth forests ceased in February in line with the new State Government's policy, and the remaining one per cent of old growth forest was placed under moratorium pending determination of whether existing contracts could be honoured from regrowth timber.

This triggered immediate changes to harvesting operations plans for the remainder of the year. Since the introduction of the "Protecting Our Old Growth Forests" policy, the FPC has:

- Relocated harvesting away from coupes impacted by the new policy;
- In consultation with the Department of Conservation and Land Management, revised the 2001 harvest plan to provide for customer requirements for logs while avoiding areas of State Forest that were either contentious or unavailable; and
- Undergone extensive consultation with contractors, local communities and industry regarding policy and operational changes.

The Forest Products Commission staff are committed to a smooth transition to the new operating environment. They have been particularly aware of and sensitive to the relocation costs and loss of production faced by harvesting contractors and the four to six weeks of work lost by roading contractors during the critical harvesting period.



Community interaction on harvesting and silviculture. Pictured here are FPC Community Consultation Coordinator, Peter Beatty (foreground); Senior Forester Greg Lange and Northern Forests Manager Kevin Haylock with environment carers of Serpentine-Jarrahdale.



## NANNUP MILL

The future of the Nannup Mill was secured through a comprehensive State Government assistance package that was structured to safeguard the jobs of all the employees at the mill. The funding was made available from the Government's assistance package for workers and industry affected by its forest policy.

The agreement was finalised with Nannup Timber Processing Pty Ltd to set up an integrated processing plant at the town's timber mill. The facility shifts the focus of the operations away from simply sawmilling to a more diverse operation, which will also enhance the fine wood and furniture sectors of the industry, providing a great opportunity to develop an exciting downstream processing industry. The existing timber workers will be retained in value adding activities to offset the reduction of nearly 50 per cent of the previous log supply to the mill.

Through a financial assistance package negotiated by the former Department of Commerce and Trade, the mill is guaranteed 20,000 cubic metres of jarrah first and second grade sawlogs until 2013, provided the company retains all present employees and maintains staffing levels for the entire period of the agreement.

The sale by tender was completed in May 2001 following a number of public forums and consultation with the local shire and Timber Communities Australia. The successful sale meant up to 60 jobs were saved.



## SANDALWOOD SUCCESS

Exotic aromatic oils, French perfume, body lotions, soap, incense, joss sticks and craft furniture...just some of the uses for which sandalwood, with its medicinal, cosmetic and fixative properties, has long been prized.

Under an agreement with the Commission, the Albany-based Mt Romance plant will double the amount of sandalwood processed into value added products in 2001-02. A total of 500 tonnes of sandalwood, mainly from the Goldfields, will be processed into powder for the production of a wide range of therapeutic, aromatic and cosmetic oils. The additional 250 tonnes will come from existing harvesting levels.

Traditionally, sandalwood has been sold overseas as a raw product, however the current strategy in the sandalwood sector, and right across the timber industry, is to maximise the value of the product locally.

The oil Mt Romance produces is extracted from the native sandalwood species, *Santalum spicatum*, which has a lower level of santalol (the active ingredient) than the more internationally-accepted Indian species, *Santalum album*.





Despite this lower yield - about 30 per cent compared to about 90 per cent - there is an increasing acceptance of Western Australian sandalwood. This has been helped in part by the dwindling amounts of Indian sandalwood available due to poor management practices, disease and theft.

During the past year, the Forest Products Commission expanded its trial plots of the Indian variety in irrigated land near Kununurra under conditions that are expected to significantly accelerate growth rates.

FPC research into both natural and plantation derived sandalwood has produced significant breakthroughs, including the first large-scale establishment of native sandalwood under the FPC's sharefarm scheme. This has resulted in more than 150 hectares of sandalwood plantations being established on farms in the Wheatbelt. These farms will provide an additional source of sandalwood for the future and an alternative source of income to rural communities.

A joint research project between the FPC, the Great Southern Regional College of TAFE in Albany and Mount Romance Australia was completed, resulting in the development of a successful technique to graft the local sandalwood.

This will allow the development of sandalwood seed orchards over a much shorter period than previously anticipated and will assist in making superior genetic material available for plantation development.

On the basis of positive results from research into silvicultural management of sandalwood in natural stands, the Sandalwood Enhancement Project was established to focus on developing silvicultural practices that improve recruitment levels in harvested areas.

Additional research will also be conducted in association with the Department of Conservation and Land Management, which will involve additional long-term monitoring trials of harvested areas.



## THE YEAR AHEAD

In the year ahead, the Native Forest Operations Division will:

- Continue to encourage and support increased value adding in the face of reduced available resource;
- Release the 2002 harvest plan for public comment, in consultation with the Department of Conservation and Land Management;
- Work with the Conservation Commission and the Department of Conservation and Land Management to develop the new Forest Management Plan;
- Revise the structure of the Native Forest Operations Division to reflect the necessary reduction in business to post-2003 levels; and
- Work with industry to increase domestic sales of sandalwood powder.





## PLANTATION OPERATIONS DIVISION



### THE BUSINESS

The Plantation Operations Division has three main operating arms - the Plantation Branch, which covers State-owned plantations; the Sharefarms Branch, which has responsibility for sharefarming agreements with landowners; and the Plant Propagation Branch, which produces seedlings for all internal needs as well as external customers.

### ACHIEVEMENTS

*The Plantation Operations Division has:*

Undertaken the highest recorded level of State-managed pine plantings;

Increased output of plantation timber;

Continued successful involvement in bluegum plantations;

Completed its most successful aerial spraying to protect against damaging insects at Albany;

Launched a new Seed Technology web page to assist local nurseries and landowners to select seed; and

Commenced evaluation of the potential for a plantation hardwood sawlog industry.

The importance of the State's plantation timber has been heightened with the reduced native forest resource available for harvesting and the cessation of harvesting in old growth forests.

### OPERATING AREA

The total area of State-owned and managed plantations is approximately 126,000 hectares, comprising 81,000 hectares of pine and 45,000 hectares of bluegum (see appendices).

### REPORT ON ACHIEVEMENTS

#### RECORD PLANTINGS

A record 4,876 hectares of pine, comprising 4,659 hectares of maritime pine (*Pinus pinaster*) and 217 hectares of radiata pine (*Pinus radiata*), was planted in the 2000 season. In addition, the Commission replanted 1,241 hectares of second rotation pine.

This took the total area established under the Maritime Pine Project to approximately 11,600 hectares.

The new plantings in the 2000 season were in the 400-600mm rainfall zone around Moora, Dandaragan, Katanning and Esperance and involved 57 properties.

The new plantings on farmland are based on the sharefarming concept where the farmers provide the land, the FPC manages the plantations and the benefits are shared between the two parties.

Many areas experienced greater than anticipated mortality due to the long summer drought and the locust plague. As a result, there will be higher than normal infilling required in winter 2001.

#### INCREASED OUTPUT

The strategy for the 2000-01 financial year was to fulfil commitments of log products to customers, taking into account resource availability and market demand. The demand for resources fell after the boom that preceded the introduction of the Goods and Services Tax and did not recover for the remainder of the year. Even so, the total quantity of plantation timber produced approached 800,000 cubic metres due to buoyant demand for bluegum chips. Additional resources have been identified for further supply to industry.





*FPC aerial spraying near Albany to manage insect pests such as eucalyptus weevils and chrysomelid beetles.*

*The FPC monitors actual growth in plantations and has developed plantation growth models. Pictured is a Forest Officer monitoring the growth rates of bluegums in the south-west.*

## **BLUEGUM PLANTATIONS**

The total area under bluegums at the end of the financial year was just under 45,000 hectares - the majority of which was managed on behalf of three investors: Bunbury Tree Farms (a joint venture between Mitsui Plantation Development (Australia) Pty Ltd, Nippon Paper Company and MCA Afforestation Pty Ltd); Albany Plantation Forest Company of Australia Pty Ltd (a joint venture between Oji Paper Company, Itochu Corporation, Senshuaki Company and Tokoku Electric Power Co Inc); and Hansol Australia Pty Ltd (a subsidiary of Hansol Forem Co Ltd and Pulpwood International Pty Ltd).

New harvesting methods developed by the FPC, such as whole tree chipping, were perfected during the year, resulting in increased yields by as much as 30 per cent from some stands. Staff have also been instrumental in pioneering second rotation crops from methods such as coppicing and replanting.

The FPC does not have a long-term interest in owning bluegum plantations in its own right, and as plantations are due for harvest the investors will determine the appropriate arrangements.

Instead, the FPC has initiated hardwood sawlog plantations and will maintain a stable *P. radiata* resource through successive rotations and medium rainfall sharefarming, including *P. pinaster* that can also contribute to salinity and landcare.

## **AERIAL SPRAYING**

During autumn, an area of approximately 3,200 hectares on 15 farms near Albany was targeted for aerial spraying of insecticide to manage insects such as the eucalyptus weevils and chrysomelid beetles which had been causing significant damage for around six years.

It was the most successful spraying operation performed by the FPC.

A detailed consultation process involving the 15 owners and 83 neighbouring properties was undertaken. One target property and their neighbours registered very strong concerns and as a result, spraying did not proceed on one farm, despite extra measures offered to protect water supplies and aquaculture.

The spraying across other plantations took place between 1 March and 22 March 2001. No complaints were received and discussions with landowners concerned were productive and favourable.

Insect mortality in the plantations was moderate to high.

The then Minister for Agriculture initiated a Community Consultative Group during the year to examine the general issue of aerial spraying on timber plantations. Forest Products Commission staff participated and were able to assist in achieving a successful outcome.



*The FPC Seed Technology Centre supplies West Australian native seed and tree seed for rehabilitation and plantation establishment. Pictured is Technical Officer Andrea Beatty inspecting tissue cultures.*



*Pictured at a Maritime Pine plantation sharefarm venture are Environmental Superintendent Rod Lukatelich from BP Kwinana and Neil Worrell, FPC Senior Forester.*

*The devastating results of the bushfire at Mt Barker.*



## SHAREFARMS

The Commission's Sharefarm Branch encourages farmers to participate in sharefarming ventures which allow the FPC to establish plantations of maritime pine and other species on farmers' land. Benefits to farmers include an initial signing payment from the FPC, a fencing allowance, plantation management by the FPC and up to 30 per cent of the revenue from wood harvested. There are more than 1,000 sharefarm agreements in place.

The FPC is conducting extensive research into developing the growth and carbon modelling for reforestation species. It is also seeking to identify the causes and solutions for stem form problems being experienced by fast growing *P. pinaster* on farmland.

BP, through its Kwinana refinery, increased its investment in the project during the year, for the first time lifting its annual establishment rate from 300 hectares to 350 hectares. BP became involved in the project in 1999 to help correct land degradation problems and offset carbon emissions. It now has more than 1,000 hectares under plantation. As part of the Maritime Pine Project, BP also funds the establishment of native vegetation and other work on farms to enhance biodiversity.

## SOUTH COAST FIRES

Houses, vehicles, pastures and areas of native bush were damaged when several major fires broke out on 28 December 2000. The fires threatened the town of Mt Barker.

Twenty-five hectares of FPC-managed bluegums were also destroyed and another 10 hectares damaged.

The bluegums were on three sharefarm properties managed by the FPC, two of which are managed on behalf of the Albany Plantation Forest Company of Australia Pty Ltd. The destroyed trees were cleared and the area replanted in winter 2001.

Damage could have been far more extensive, but because fuel levels were low, in most cases fires did not carry through the plantations.

FPC personnel from Albany and other FPC offices helped firefighters from other organisations and local brigades bring the fires under control.



## SEED TECHNOLOGY CENTRE

The Seed Technology Centre was established by bringing together the product development, propagation systems and seed production functions formerly carried out by the Genetic Deployment Unit and the Seed Centre. Based in Manjimup, the Centre's mission is to provide the best seed for forestry projects in the south-west. It aims to broaden the range of improved products other than the main plantation species, *P. radiata*, *P. pinaster* and *Eucalyptus globulus*, and improve seed cleaning and treatment techniques.

In April, a new web page was launched to assist local nurseries and landowners in selecting suitable species. The site's database offers the flexibility to choose a species based on rainfall zone, soil or use. The information was previously available in a seed catalogue posted out to potential customers. To support the State's Salinity Action Plan, the choice of species has been broadened into low rainfall areas, saline landscapes and alternative common products. A new section on the web site also highlights recent developments in tree-crops, with an emphasis on sawlogs. The web address is [www.fpc.wa.gov.au/seed](http://www.fpc.wa.gov.au/seed)

The Centre has identified the Scott River area in the south-west as an exceptional western bluegum seed production site. The orchard, on a leased 20 hectare site, includes the new sawlog and drought-tolerant variety of the western bluegum.

The Centre has also begun a significant amount of work to meet local demand for reliable seed sources that produce good sawlogs. Three eucalypt varieties will be cloned in the new financial year and experimental grafting done on another two eucalypt varieties. Open-pollinated seedling seed orchards established for four species are expected to produce a crop within five years, and a breeding trial is being culled into a seed production area for collection next year.

A joint venture with Carter Holt Harvey to clone pines has developed from initial work supported by the Natural Heritage Trust. The hope of cloning with *P. pinaster* and *P. radiata* requires an advanced propagation technology. Similarly, the aim to clone with eucalypt hybrids is seeing a number of clones now being taken to their second screening stage before being commercially released. It is expected that eucalyptus hybrids will make low productivity *E. globulus* sites commercially viable.

## THE YEAR AHEAD

In the year ahead, the Plantation Operations Division is seeking to:

- Finalise negotiations for a laminated veneer lumber plant to be established at Neerabup, about 50km north of Perth;
- Initiate new planting programs for hardwood sawlogs;
- Develop new markets for improved seed and seeding products;
- Attract Government and external investment in maritime pine plantations, the *P. radiata* estate and hardwood sawlog plantations;
- Maximise production from existing plantations consistent with developing industry capacity; and
- Evaluate stem form problems being experienced in farmland plantings.





## INDUSTRY DEVELOPMENT AND MARKETING DIVISION

## THE BUSINESS

A key function of the Forest Products Commission is to encourage, facilitate and promote greater levels of value adding from Western Australia's unique timbers.

## ACHIEVEMENTS

*The Industry Development and Marketing Division has:*

*Commenced a trial project aimed at establishing a new eucalypt sawlog industry;*

*Joined with the furniture industry and the University of Western Australia to establish a Centre of Design Research at the University;*

*Continued research and development work through the Timber Technology Centre;*

*Developed and marketed a mid-rainfall plantation package to potential investors and actively explored opportunities for Commonwealth funding;*

*Actively supported industry achievement awards; and*

*Continued to play a significant role in finding and funding solutions to address the "greenhouse effect".*

Exports of locally made furniture have risen impressively in recent years and the level of interest overseas continues to grow. In the 2000 calendar year, the furniture industry generated more than \$25 million in overseas sales.

The Industry Development and Marketing Division is committed to working with industry to develop its international competitiveness and produce substantially higher returns from less resource.

The Commission undertakes research and development at its Timber Technology Centre in Harvey to help industry add greater value to WA timbers.

The Commission also supports businesses undertaking market development in overseas markets in line with the State's value adding strategy.

## REPORT ON ACHIEVEMENTS

## EUCALYPT SAWLOG TRIAL

The FPC, in partnership with the Water and Rivers Commission, the Department of Conservation and Land Management and Agriculture WA, commenced a trial project aimed at establishing a new eucalypt sawlog industry in the south-west farming region.

Site preparations were completed during the year for planting areas in the south-west. This was part of a strategic initiative and included the calling of a tender for the 'Preparation of an Industry Plan for a New Eucalypt Sawlog Industry'. Tenders closed on 5 June 2001. The successful tenderer will be required to make recommendations on the viability of a future industry by the end of March 2002.

Wide-spaced sawlog plantations are proposed to be grown in a medium rainfall zone during the next two years. These plantings will complement current farming land uses and involve farmers in the establishment and ongoing management of the program. The goal is to help develop industries that can provide multiple benefits for landowners, landcare, water resources and regional economic development.

Plans for the future include expansion throughout the Wheatbelt on a scale large enough to produce 1.5 million cubic metres of sawlogs annually.





Pic courtesy of The West Australian



Above: President of the Furnishing Industry Association of Australia (WA) Ian Hearn; Dr Patrick Beale, Head of the School of Architecture and Fine Arts at the University of Western Australia, and FPC General Manager Dr Paul Biggs, showcasing an award-winning setting at the Timber Advisory Centre at Homebase, Subiaco.



Top right and right: Other examples of fine furniture.

## FURNITURE DESIGN CENTRE

Western Australian timbers are already processed into a wide range of products such as indoor and outdoor furniture, flooring, mouldings and other high value added products. In recent years, growth in the furniture industry has been impressive, with sales outside of the State totalling \$55 million in 2000 - \$25 million in overseas exports and \$30 million in interstate sales.

While the industry has been growing strongly, it is widely acknowledged that more can be done and that design is a major factor to seeing Western Australia's unique native hardwood products move to a higher level of international acceptance.

As part of this strategy, the Forest Products Commission took part in a study tour visiting the Milan Furniture Fair and selected manufacturing plants in Italy in April 2001. Italy is the most successful manufacturer and exporter of quality furniture in the world and has an unrivalled reputation for value adding.

The tour group included industry leaders, the head of the School of Architecture and Design from the University of Western Australia, and marketing representatives from the Forest Products

Commission and the Department of Industry and Technology.

The study tour gave birth to the concept of a Centre of Design Research - planned to be established at the University of Western Australia in the next 12 months.

Key recommendations from the tour included commitments to:

- Seek Government assistance to support the development of "Tuscany models" under which regions support their industries;
- Improve and undertake more frequent research of overseas markets;
- Increase awareness and promotion to local industry of the latest technical advancements;
- Examine opportunities for the timber industries to link with the wine and tourism sectors, domestically and internationally; and
- Demonstrate the industry's commitment to being a serious, long-term player by displaying at selected overseas furniture exhibitions.





Dr Graeme Siemon, FPC Timber Scientist, studying the cell structure of radiata pine.



FPC Technical Officer Peter Piper is pictured edge gluing timber panels at the Timber Technology Centre.

Loading timber into a solar kiln at the Timber Technology Centre.



## TIMBER TECHNOLOGY CENTRE

Further development work was undertaken on the solar-assisted timber drying kilns developed at the Centre, and a drying schedule for gimlet (*Eucalyptus salubris*) and Goldfields blackbutt (*Eucalyptus lesouefii*) was evaluated.

With reduced levels of native forest available for harvesting, there is an increasing need to use plantation grown timber to supplement production from the regrowth forest. It is essential to better understand wood properties and the processing behaviour of both regrowth and plantation timbers. Evaluation of two trials commenced - a sawmilling trial of Sydney bluegum grown in the Wheatbelt, which confirmed its potential as a value added timber, and a trial conducted jointly with a Perth sawmiller which assessed the dried dressed graded recovery and market potential of Tasmanian bluegum sawlogs.

The Centre contributed to the research undertaken by the Cooperative Research Centre for Greenhouse Accounting based in Canberra.

Trials continue with the aim of increasing utilisation of lower grade timber and assessing harvesting efficiencies and sawmilling developments. The trials will ultimately give

sawmillers greater options in deciding optimum log lengths for milling.

Staff at the Centre also provided technical information to industry, handling more than 600 enquiries from Government departments and the general public as well as carrying out commercial activities for private sawmills.

## MID-RAINFALL PLANTATION PACKAGE

The Maritime Pine Project forms part of the State Government's Salinity Action Plan, which focuses on revegetation as a key tool in addressing the State's most pressing environmental problem - salinity. The project is being implemented in medium rainfall areas of the agricultural region and selected catchments on the coastal plain near Perth where maritime pine thrives on the sandy soil.

At this stage, maritime pine has been the focus of this project but it is planned to broaden the scope of this project with eucalypt species suitable for sawlogs and sandalwood.

Maritime pine (*P. pinaster*) is native to the western Mediterranean region and was brought to Western Australia in 1896 in an effort to find softwood suitable for local conditions. Maritime pine is stronger and denser than other softwoods and is



used for a number of products such as medium density fibreboard, panelboard products, and sawn timber and is highly suitable for structural veneer board, laminated veneer lumber and paper pulp.

Maritime pine also has other environmental benefits, including carbon sequestration, decreasing erosion, minimising run-off and reducing leached nutrients that pollute waterways.

There is ample scope for additional investment in the project for environmental management and carbon sequestration, especially in view of recent progress with negotiations on the Kyoto Protocol.

### FURNITURE OF THE YEAR AWARDS

For the second year in a row, the Forest Products Commission will be the lead sponsor of the 2001 Australian Furniture of the Year Awards.

Hundreds of people and industry representatives from across Australia are expected to attend the Awards to be held in Perth in November. The Awards play a significant role in assisting the FPC to support and promote the development of the furniture industry which, in 2000, generated sales outside of the State worth an impressive \$55 million and directly employed approximately 4,000 people.

Last year, Edmund and Maha Damouni, owners of Antry Ptd Ltd in Cannington, were presented with the prestigious Best of the Best Award for their exceptionally crafted dining room furniture. The judges said the setting was an outstanding example of contemporary design and had been produced in an innovative knock-down form for efficient export to its main target market, the United States.



*Best of the Best Awards for Furniture. Edmund and Maha Damouni with Forest Products Commission General Manager, Dr Paul Biggs.*

### ADDRESSING GREENHOUSE SOLUTIONS

The Forest Products Commission has a prominent role to play in addressing what is commonly called the "greenhouse effect".

As well as managing plantations which act as a significant reservoir for carbon, the FPC is contributing to increasing carbon sinks by promoting tree plantations, thereby reducing the net effect of emissions from industry and energy production.

The success of tree plantations and sharefarming schemes in Western Australia is unprecedented in Australia. Over the last 12 years more than 120,000 hectares of tree crops have been established. The challenge now is to extend the benefits of sharefarming to medium and low rainfall zones by promoting suitable crops such as maritime pine and mallee eucalypt.

As well as partnerships with farmers, the FPC is establishing strong relationships with industry to develop tree plantations. It is also working with farmer organisations to develop an oil mallee industry and add destocked and regrowth grazing land to conservation estates.

### THE YEAR AHEAD

In the year ahead, the Industry Development and Marketing Division will:

- Provide leadership in the restructure of the native forest products industry;
- Increase the level of value added production and downstream manufacturing in Western Australia through Government assistance, setting conditions on contracts of sale, and providing security for investment;
- Contribute to the marketing of Western Australia's forest products;
- Contribute to the research and development of new products and techniques for harvesting and processing Western Australian timbers;
- Promote the environmentally sustainable use and sale of lower grade, residue material and bole sawlogs;
- Communicate and work with Western Australia's forest products industry to maximise benefits to the State; and
- Attract Government and external investment in maritime pine plantations, expansion of *P. radiata* estate and hardwood sawlog plantations.



## CORPORATE SERVICES DIVISION

## THE BUSINESS

The Corporate Services Division supports the three operational divisions of the Forest Products Commission by providing financial, human resource, information technology, contract management, supply, legal and other selected services. The Division also facilitates the management of the Commission's corporate finances.

## ACHIEVEMENTS

*The Corporate Services Division has:*

*Implemented new financial arrangements and systems;*

*Managed staffing arrangements for the new Commission;*

*Assisted staff from across the Commission to locate new accommodation and manage the move;*

*Implemented a new information technology system;*

*Successfully implemented the Goods and Services Tax;*

*Effectively managed the majority of the Commission's contracts;*

*Established an independent corporate records system; and*

*Developed a Supply Procedures Manual.*

## REPORT ON ACHIEVEMENTS

## NEW FINANCIAL ARRANGEMENTS AND SYSTEMS

An independent Oracle Financial system, operated by the Department of Conservation and Land Management on behalf of the FPC, was commissioned shortly before the FPC's launch on 16 November 2000. This system, which parallels the Department of Conservation and Land Management's financial system, is appropriately security-protected to reflect the FPC's Government Trading Enterprise role.

To establish financial foundations for the two organisations which reflect their statutory roles in an equitable fashion, financial arrangements between the Commission and the Department of Conservation and Land Management were agreed regarding:

- Transitional funding arrangement with Treasury;
- The Commission's 2000-01 statutory dividend;
- Payment to the Department of Conservation and Land Management for the provision of services during 2000-01, including fire management;
- Management of customer accounts common to the Commission and the Department of Conservation and Land Management;
- Transfer of forestry related assets (\$312 million) and liabilities (\$83 million); and
- Strategies for potential reduction of the forestry related debt liability.

In addition to the above, the following new initiatives were progressed:

- Development of a one-year and 10-year financial forecasting capacity;
- Establishment of independent banking facilities and liquidity monitoring;
- Debtor and creditor management processes developed and implemented;
- Financial Administration Manual, which exceeds the Accounting Manual requirements of the *Financial and Administration and Audit Act*, was developed to an exposure draft stage; and
- Period reporting processes were reviewed with the aim of increasing accuracy and reducing production time.



### STAFFING THE NEW ORGANISATION

In preparation for the advent of the Commission, a Forest Products Division (FPD) was operating within the Department of Conservation and Land Management between June and November 2000. Upon formation of the FPC, the transitional provisions in the *Conservation and Land Management Amendment Act* required that relevant positions and the occupant be transferred to FPC, with the employee being given an option to revert to the Department of Conservation and Land Management. Of the 198 staff offered an opportunity to transfer, five elected to remain with the Department of Conservation and Land Management.

### NEW PREMISES

The FPD established its head office at 117 Great Eastern Highway in Rivervale in mid-2000, giving sufficient time to be organised before the November start-up date of the FPC. Separate offices were also established in Harvey, Bunbury, Manjimup and Nannup following reorganisation of the old Department of Conservation and Land Management offices.

### INFORMATION TECHNOLOGY

A number of information technology changes were required in response to the creation of the FPC, including the creation of a new Oracle Financials database, new stationery and report changes for all logging reports and invoices. The FPC has also changed its mail system from Banyan Vines to Microsoft Exchange, as part of a joint initiative with the Department of Conservation and Land Management to replace an outdated system and separate local area network services between the two agencies.

### GOODS AND SERVICES TAX

The introduction of the new tax system on 1 July 2000 required adjustment to rates and prices in virtually all contracts administered by the FPC. Generally, prices of all forest product types incurred the full 10 per cent Goods and Services Tax, although some savings were identified by harvesting contractors. These savings were passed on to the FPC's customers.

### SUPPLY

All sale and harvesting contracts, and other major supply contracts, are administered centrally through



*Extensive information technology changes were made during the year, including the implementation of a new financial database. Systems Overseer Brad Wilkins and Administrative Assistant Shannon White are pictured testing one of the programs.*

Corporate Services, while sharefarm plantation establishment contracts are administered locally. Specialist advisory services are provided by the Department of Conservation and Land Management.

Corporate Services has arranged the production by the Department of Conservation and Land Management of a FPC Supply Procedures Manual which incorporates a FPC developed set of guidelines and procedures for the harvesting and sale of forest products.

As at the end of the 2000-2001 financial year, the FPC was managing and administering more than 200 contracts for the sale of forest products, approximately 65 contracts for the harvesting of forest products, and approximately 50 contracts for the provision of services relating to road construction and maintenance, and establishment and tending of plantations and forests. These contracts represented almost 100 per cent of the actual works managed by the FPC.

Under the *Forest Products Act 2000*, the FPC is able to administer its own processes for requesting tenders, proposals and expressions of interest, and for conducting auctions, with respect to its primary activities. However, staff of the FPC make a particular effort to follow State Supply Commission guidelines in such processes. For the supply of goods and services outside its primary charter, the FPC operates through the Department of Industry and Technology for all supply processes of value greater than \$50,000.



## RECORDS MANAGEMENT

A records management program designed to meet industry standards and the requirements of the new *State Records Act 2000* was established. A bureau service from the Department of Conservation and Land Management supplements the FPC's record keeping resources. Records relevant to FPC's business were transferred from the Department of Conservation and Land Management for reference purposes. The records management program includes the creation of a new record keeping system at Rivervale.

The record keeping system encompasses local client services and file maintenance, creation of a records database including management of Ministerial correspondence, creation of Keyword Thesaurus and development of a comprehensive procedure manual. The system will be implemented at regional level next year.

## SERVICE CONTRACTS

Each Division is developing, negotiating and finalising a detailed Service Contract with the Department of Conservation and Land Management. These contracts will contain schedules which specify the services required by the FPC and the quantity, frequency and quality of delivery. Once negotiated, they will also contain the basis of charging and the total estimated cost for each service for the financial year.

In addition to the Department of Conservation and Land Management providing specific services, it will also receive an agreed payment from the FPC for fire protection and fire suppression in parts of the native forest accessed by FPC. As well, all costs associated with FPC staff involvement in fire protection and suppression in non-commercial forestry areas will be recovered from the Department of Conservation and Land Management. These arrangements are currently being negotiated.

## COMMUNITY SERVICE OBLIGATIONS

Community Services Obligations (CSOs) are services required by the Government that are not commercially viable and result from the Government's desire to satisfy the broader economic, environmental and social needs of the community.

The Commission has identified a number of opportunities that fit this description, notably:

- Farm forestry in lower rainfall zones for the benefit of salinity management;
- Research in sawmilling and processing to aid industry development; and
- Repayment of debt linked to assets no longer accessible by the FPC under Government policy.

CSO funding for these types of activities will be sought for future years.

## DIVIDENDS

Dividend payments for 2000-01 are guided by principles established before enactment of the *Forest Products Act 2000*, as part of the separation of the Commission's budget from that of the Department of Conservation and Land Management. The dividend policy for future years is subject to ongoing negotiation with Treasury.

## LABOUR RELATIONS

In order to ensure continuity of employment conditions, the FPC has established itself as a party to the Government Officers Salaries Allowances and Conditions Award 1989, the Australian Workers Union (Western Australian Public Sector) Award 1992, and Enterprise Bargaining Agreements with both the CPSUCSA and the AWU.

The FPC has entered into individual workplace agreements with approximately 160 individual employees and has been involved in the ongoing award simplification process of reviewing the AWU award in accordance with the *Workplace Relations Act 1996*.

During the past year, the FPC has also been represented as a respondent in the Australian Industrial Relations Commission in an unfair dismissal case.



### **PEOPLE WITH DISABILITIES**

The FPC is required to develop a Disability Services Plan by mid-November 2001. The FPC has reviewed all of its office and depot locations to identify what measures are required to provide proper access for people with disabilities.

### **EQUAL EMPLOYMENT OPPORTUNITY**

The FPC is proceeding with the development of its Equal Employment Management Plan, in consultation with the office of the Equal Opportunity Commissioner and other relevant agencies.

### **CODE OF CONDUCT**

The FPC has developed, to an exposure draft stage, a Code of Conduct for employees that addresses such issues as conflict of interest, corruption, discipline, confidentiality, freedom of information and security of records. It also addresses a range of human resource management issues including EEO and diversity, disability services, grievance resolution and the Public Sector Standards.

### **OCCUPATIONAL HEALTH AND SAFETY**

The Commission is committed to providing and maintaining a safe and healthy work environment. To facilitate this, action has been initiated to determine and communicate occupational health and safety policy objectives, procedures and guidelines throughout the Commission. In conjunction with implementation of the policy, managers are required to monitor performance and direct compliance with relevant legislation, codes of practice and industry standards. Specific actions taken include safety audits, lighting and audio testing at the FPC's Rivervale office.

### **WORKERS COMPENSATION**

There have been six claims for workers compensation since 16 November 2000. As at 30 June 2001, one had been finalised, three were accepted by the Commission's insurers (but not settled) and decisions are outstanding on the remaining two.

### **RISK MANAGEMENT AND AUDIT**

The Forest Products Commission has demonstrated a commitment to sound risk management based on identification, analysis and action to provide proper protection for the Commission.

In its first seven months of operation the Commission has established a Risk Management and Audit Committee comprising three Commissioners. The work of the Committee aims to improve the credibility and objectivity of accounting processes to assist the Commission to discharge its responsibilities. Areas covered include financial information, policies, monitoring business risk and compliance with relevant legislation.

### **THE YEAR AHEAD**

In 2001-02, the Corporate Services Division plans to:

- Issue Financial Administration and Supply Manuals;
- Develop dynamic debt and liquidity management processes;
- Complete the transfer from the Department of Conservation and Land Management to FPC of forestry-related assets;
- Develop a strategic information management plan; and
- Prepare the introduction of a comprehensive performance management process.



**PUBLIC AFFAIRS**

A primary requirement of the Commission is a communication strategy covering external and internal needs. To this end, a Public Affairs Manager was appointed in January to develop and implement a strategy aimed primarily at increasing the level of understanding and appreciation of the value to the State of an environmentally sustainable forest products industry.

Extensive research covering 1,000 respondents in the metropolitan and regional areas has been gathered and analysed to establish the community's current beliefs and attitudes towards a range of industry issues, especially in light of the cessation of logging in old growth forest.

The communication strategy is being developed to take into account the main findings of the survey and is expected to be completed early in the coming financial year.

Public awareness of the FPC and its role has been lifted through coverage of various issues in metropolitan and regional newspapers, radio and television as well as national trade publications.

**LIST OF PUBLICATIONS**

- Sandalwood*
- A Seasoned Performance*
- Specialty Timber in the Goldfields*
- WA Forest Today*
- WA Plantations*
- Growing WA Sandalwood from Seed*
- Timber Technology*
- Valwood*
- The Tree Grower's Information Kit*
- WA Timber Designed by Nature*
- Adding Value to Forest Products in WA*
- WA Forest Products*
- FPC: Our Objectives*
- Introducing the FPC*
- Code of Practice for Timber Harvesting in Western Australia*
- Manual of Management Guidelines for Timber Harvesting in Western Australia*

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





**ADVERTISING EXPENDITURE**

**RESOURCE CODE 1731**

|  |             |
|--|-------------|
| Media Decisions - TV Advertising<br>(Advertising Sharefarms) | \$11,961.00 |
|--|-------------|

|   |            |
|---|------------|
| Executive Media P/L<br>(Advertising for Manjimup Nursery and Seed Centre) | \$1,018.18 |
|---|------------|

|  |             |
|--|-------------|
| Marketforce Productions - Tenders/Auctions/Vacancies | \$24,967.30 |
|--|-------------|

|              |                    |
|--------------|--------------------|
| <b>TOTAL</b> | <b>\$38,036.48</b> |
|--------------|--------------------|

**RESOURCE CODE 1621**

Communication Consultants (including research)

|                          |             |
|--------------------------|-------------|
| One 2 One Communications | \$82,668.00 |
|--------------------------|-------------|

|              |                    |
|--------------|--------------------|
| <b>TOTAL</b> | <b>\$82,668.00</b> |
|--------------|--------------------|

Note: Resource Code 1731 shows expenditure of approximately \$1,700 in excess of this figure which is the result of some misallocation of expenditure which has been ignored for the purposes of this report.

The specified amount in relation to Section 3 of paragraph 175ZE of the Electoral Act is \$1,500.00.



LEGISLATION & COMPLIANCE

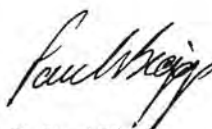
**STATEMENT OF COMPLIANCE WITH WRITTEN LAW 2000-2001**

To the best of our knowledge, we have complied with the requirements of relevant written law, as originally enacted and as variously amended. Steps have been taken to rectify minor errors and omissions detected during 2000-2001. The relevant Acts and amendments to regulators are noted in this section of the annual report.



Murray Jorgenson  
Chairman

31 August



Dr Paul Biggs  
General Manager

**ACTS ADMINISTERED**

*Forest Products Act 2000*

The Forest Products Commission was established on 16 November 2000 under the *Forest Products Act 2000* and is responsible for the commercial production, allocation and sale of forest products from Western Australia's native forests and from

State-owned and State-managed plantations.

**GOVERNMENT AGREEMENTS ACTS RELEVANT TO FPC**

- Dardanup Pine Log Sawmill Act 1992*
- Wood Processing (WESFI) Agreement Act 2000*
- Silicon (Kemerton) Agreement Act 1987*
- Albany Hardwood Plantation Agreement Act 1993*
- Bunbury Treefarm Project Agreement Act 1995*
- Collie Hardwood Plantation Agreement Act 1995*

**OTHER RELEVANT STATE ACTS**

- Aboriginal Heritage Act 1972*
- Aerial Spraying Control Act 1966*
- Agriculture and Related Resources Protection Act 1976*
- Agriculture and Veterinary Chemicals (Western Australia) Act 1995*
- Agriculture Protection Board Act 1950*
- Biological Control Act 1986*
- Bush Fires Act 1954*
- Conservation and Land Management Act 1984*
- Control of Vehicles (Off-Road Areas) Act 1978*
- Country Areas Water Supply Act 1947*
- Dangerous Goods (Transport) Act 1998*
- Disability Services Act 1993*
- Environmental Protection Act 1986*
- Equal Opportunity Act 1984*
- Explosive and Dangerous Goods Act 1961*
- Financial Administration and Audit Act 1985*
- Fish Resources Management Act 1994*
- Freedom of Information Act 1992*
- Government Employees Housing Authority Act 1964*
- Health Act 1911*
- Heritage of Western Australia Act 1990*
- Industrial Relations Act 1979*
- Land Administration Act 1997*
- Local Government Act 1995*
- Long Service Leave Act 1958*
- Metropolitan Water Supply, Sewerage and Drainage Act 1909*



*Minimum Conditions of Employment Act 1993*  
*Misuse of Drugs Act 1981*  
*Mutual Recognition (Western Australia) Act 1995*  
*Occupational Health, Safety and Welfare Act 1984*  
*Occupiers Liability Act 1985*  
*Public Sector Management Act 1994*  
*Public Works Act 1902*  
*Rights in Water and Irrigation Act 1914*  
*Sandalwood Act 1929*  
*Soil and Land Conservation Act 1945*  
*State Supply Commission Act 1991*  
*State Records Act 2000*  
*Timber Industry Regulations Act 1926*  
*Town Planning and Development Act 1928*  
*Water Agencies (Powers) Act 1984*  
*Water and Rivers Commission Act 1995*  
*Water Corporation Act 1995*  
*Water Services Coordination Act 1995*  
*Waterways Conservation Act 1976*  
*Wildlife Conservation Act 1950*  
*Workers' Compensation and Rehabilitation Act 1981*  
*Workplace Agreements Act 1993*

#### **REGULATIONS ADMINISTERED**

*Forest Management Regulations 1993*

#### **REGULATIONS AND BY-LAWS REQUIRING COMPLIANCE**

*Aerial Spraying Control Regulations 1971*  
*Agriculture and Related Resources Protection (Spraying Restrictions) Regulations 1979*  
*Agricultural Produce (Chemical Residue) Regulations 1985*  
*Civil Aviation Regulations 1988*  
*Country Areas Water Supply By-Laws 1957*  
*Country Areas Water Supply (Clearing Licence) Regulations 1981*  
*Health (Pesticides) Regulations 1956*  
*Metropolitan Water Supply Sewerage and Drainage By-Laws 1981*  
*Occupational Safety and Health Regulations 1996*  
*Sandalwood Regulations 1993*  
*Soil and Land Conservation Regulations 1992*  
*Waterways Conservation Regulations 1981*

#### **RELEVANT COMMONWEALTH ACTS**

*Aboriginal and Torres Strait Islander Heritage Protection Act 1984*  
*Agricultural and Veterinary Chemicals Code Act 1994*  
*Australian Heritage Commission Act 1975*  
*Environment Protection and Biodiversity Conservation Act 1999*  
*Environment Protection (Impact of Proposals) Act 1974*  
*Export Control Act 1982*  
*Forestry and Timber Bureau Act 1930*  
*Native Title Act 1993*  
*Quarantine Act 1908*  
*Trade Practices Act 1974*



## STATEMENT OF COMPLIANCE WITH PUBLIC SECTOR STANDARDS

In the administration of the Forest Products Commission, I have complied with Public Sector Standards in Human Resources Management, the WA Public Sector Code of Ethics and the FPC Draft Code of Conduct.

I have put in place procedures designed to ensure such compliance and conducted appropriate internal assessments to satisfy myself that the statement made above is correct.

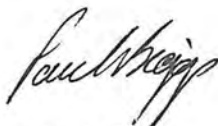
Reviews undertaken in accordance with the *Public Sector Management (Review Procedures) regulations 1995* show there have been no material breaches of the Public Sector Standards in Human Resource Management.

The FPC required an independent review to be undertaken with respect to one alleged breach of the Recruitment, Selection and Appointment Standard. No breach was found to have occurred.

As the Forest Products Commission was established in November 2000, a compliance audit has not yet been undertaken by the Office of the Public Sector Standards Commissioner.

The applications made for breach of standards review and the corresponding outcomes for the reporting period are:

|                                |   |
|--------------------------------|---|
| Number lodged.....             | 1 |
| Number breaches.....           | 0 |
| Number still under review..... | 0 |



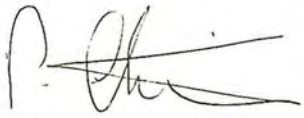
Dr Paul Biggs  
General Manager

31 August 2001



## CERTIFICATION OF PERFORMANCE INDICATORS

We hereby certify that the performance indicators of the Forest Products Commission are based on proper records and fairly represent the performance of the Commission for the financial year ended 30 June 2001.



Dr Per Christensen  
Deputy Chairman

23 November 2001



Sandy Breeze  
Commissioner



## KEY PERFORMANCE INDICATORS (including 12 month supplement)

### NATIVE FOREST OPERATIONS

The Forest Products Commission (FPC) was established on 16 November 2000 in accordance with the *Forest Products Act 2000*. Under this legislation the Commission is required to sell and harvest forest products by means of production contracts.

State forest is vested in the Conservation Commission with the Department of Conservation and Land Management (CALM) responsible for its management on behalf of the Conservation Commission.

The audited performance indicators for the period of the Forest Products Commission have been supplemented with 12 monthly figures in the interest of public understanding and consistency.

The performance indicators associated with the "Outcome" and "Output Description" for Native Forest Management under CALM prior to the change in legislation were defined as follows:

#### **OUTCOME**

Long-term maintenance of the forest ecosystem and provision of sustainable wood production.



#### **OUTPUT DESCRIPTION**

The sustainable regeneration, protection, management and harvesting of native forests while maintaining or enhancing nature conservation, water, recreation, landscape and other values in the long-term, management of the sandalwood industry on Crown land and developing public awareness, understanding and community support.

The FPC is no longer responsible for components of the prior "Outcome" and "Output Description" concerning forest management. The FPC is responsible for harvesting and sales of forest products and is able to report meaningfully on those indicators associated in this area for the seven month period 16 November 2000 to 30 June 2001. However, trend comparison with previous years harvesting levels is not meaningful, in terms of the FPC establishment on 16 November 2000 (ie partial financial year comparison with full year information).

The following indicators can be reported:



**KEY EFFECTIVENESS INDICATORS**

**1. THE HARVEST OF NATIVE FOREST HARDWOOD WILL BE MAINTAINED AT A SUSTAINABLE LEVEL.**

**a) Quantity of native forest hardwood log timber harvested.**

**Notes**

Harvest means the commercial extraction and sale of log timber for processing and value adding.

The sustainable level is the average quantity of timber available for harvest each year which can be continued in the long-term.

Forest areas available for timber harvesting are measured using specially designed inventory plots to determine the quantity of timber available and the rate at which it is growing.

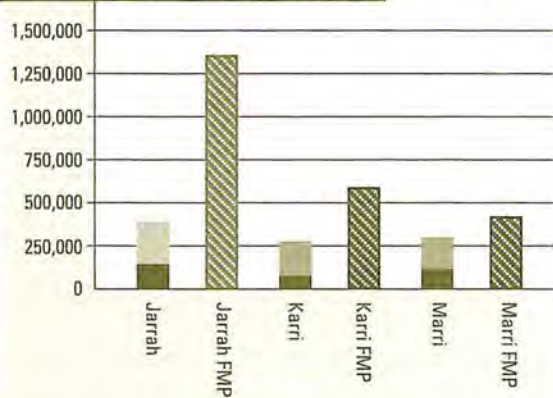
Based on independent analysis of this information, an estimated sustainable level of harvest is determined for the term of the current Forest Management Plan 1994 - 2003 (FMP).

In 1999 the Regional Forest Agreement (RFA) set new sawlog sustained yield levels for the period 1999 - 2003 inclusive of an average 324,000 cubic metres per annum of jarrah first and second grade sawlogs, 186,000 cubic metres of karri first and second grade sawlogs - subsequently adjusted to 149,000 cubic metres by Government policy - and 78,000 cubic metres per annum of marri sawlogs.

Due to environmental considerations harvesting in the south west occurs predominantly during summer months with high harvest levels occurring during the 16 November 2000 to 30 June 2001 period compared to a pro-rata comparison of the annual target yield levels. Therefore full 12 month harvest levels have been provided.

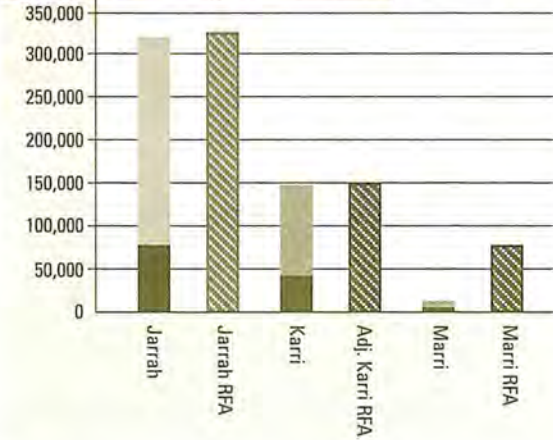
**KEY EFFECTIVENESS INDICATOR 1a (i)**  
Total Bole-Volume Log Timber Harvest based on current FMP

FMP  
FPC 00-01  
CALM 00-01



**TOTAL FIRST AND SECOND GRADE SAWLOG AND MARRI SAWLOG TIMBER HARVEST**  
based on RFA

RFA  
FPC 00-01  
CALM 00-01



**Measure**

- (i) Actual quantity of the total bole volumes harvest of native hardwood log timber for the period 16 November 2000 to 30 June 2001 were:
  - jarrah 291,539 cubic metres from a 12 month total of 413,960 cubic metres;
  - for karri 170,565 cubic metres from a 12 month total of 250,505 cubic metres; and
  - marri 160,595 cubic metres from a 12 month total of 268,592 cubic metres.
- (ii) Actual sawlog volume for the period 16 November 2000 to 30 June 2001 were:
  - first and second grade jarrah 240,226 cubic metres from a 12 month total of 319,994 cubic metres;
  - karri sawlog 100,403 cubic metres from a 12 month total of 144,999 cubic metres; and
  - marri sawlog 7,477 cubic metres from a 12 month total of 10,349 cubic metres.

**b) Area of native forest hardwood regenerated.**

The operations required to implement the various silvicultural prescriptions associated with the regeneration of forest which has been harvested are spread over a 12 month period and therefore it is meaningless for this measure to be reported on a portion of the year.



**2. THE HARVEST OF "GREENWOOD" SANDALWOOD WILL BE MAINTAINED AT A SUSTAINABLE LEVEL.**

**Quantity of "greenwood" sandalwood harvested.**

**Note**

An estimated sustainable level of harvest for sandalwood greenwood is determined for the term of the Sandalwood Management Plan (SMP). (In addition to the sustainable greenwood harvest levels, deadwood is also harvested.)

**Measure**

Sandalwood greenwood quantities harvested were 587 tonnes for 16 November 2000 to 30 June 2001 period, from a 12 month total of 1020 tonnes, within the determined sustainable yield of 1,155 tonnes for the seven month period and 12 months of 1930 tonnes.

**3. THE QUANTITIES HARVESTED EACH YEAR WILL BE REGULATED BY CONTRACTUAL AGREEMENTS.**

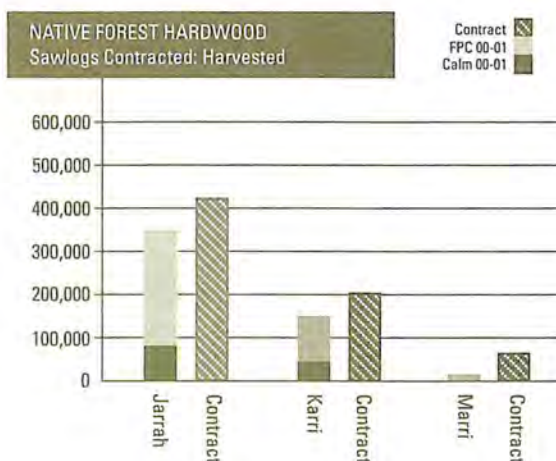
**Notes**

(a) In the case of native forest hardwoods, regulate means to control the average quantity of log timber sold such that the available sustainable resource is not exceeded over a period of time. The quantity of timber harvested is controlled by sale contracts. In order to maintain the sustainable resources, sales contracts must be equal to or less than the estimated sustainable levels of harvest for the term of the current FMP.

(b) In the case of sandalwood, the level of harvest is regulated by expected market demand subject to the requirement that the total market sales do not cause greenwood harvest levels in any year to exceed the sustainable yield determined under the SMP.

**Measure**

a) Quantities of hardwood sawlogs harvested compared with quantities specified in sale contracts. Quantities for the period 16 November 2000 to 30 June 2001 were jarrah 260,051 cubic metres, from a 12 month total of 344,551 cubic metres; karri 109,598 cubic metres from a 12 month total of 158,624 cubic metres and marri 7,477 cubic metres from a 12 month total of 10,349 cubic metres.



b) For the period 16 November 2000 to 30 June 2001 sandalwood harvest of 587 tonnes of greenwood, 386 tonnes of deadwood. The greenwood harvest was within the sustainable yield of 1,155 tonnes for the period. For the 12 month period, sandalwood harvest of 1020 tonnes of greenwood, 763 tonnes of deadwood. The greenwood harvest was within the sustainable yield of 1930 tonnes for the 12 months.

**KEY EFFICIENCY INDICATORS**

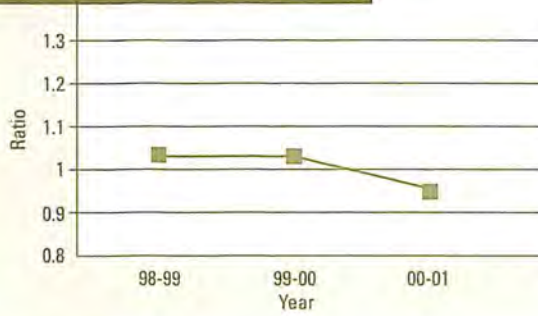
**1. RATIO OF HARVESTING COSTS TO REVENUE - NATIVE FOREST HARDWOOD.**

**Note**

Harvesting costs incurred in managing the harvesting, delivery and sales of native hardwood log timber compared with the related revenue generated.



**HARVESTING COSTS:  
Revenue - Native Forest Hardwood**



**Measure**

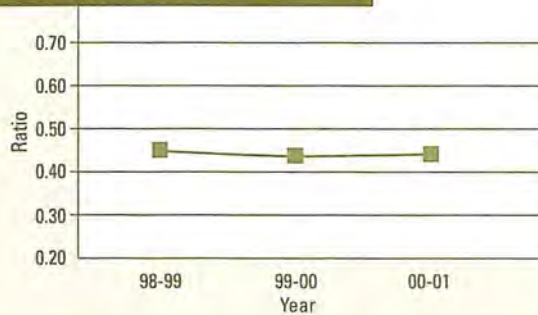
With expenditure of \$26,533,000 for harvesting and sales (in-forest costs, roading, administration, harvesting and delivery) and revenue of \$27,906,000 for the period 16 November 2000 to 30 June 2001, the ratio was 0.95:1, an improvement of -0.08 on the 1999-00 ratio of 1.03:1. For the 12 month period expenditure was \$41,161,000 for harvesting and sales revenue of \$41,108,000 giving a ratio of 1:1.

**2. RATIO OF MANAGEMENT AND HARVESTING COST TO REVENUE - SANDALWOOD.**

**Note**

The total combined cost of managing and harvesting sandalwood expressed as a ratio of the related revenue generated.

**MANAGEMENT/HARVESTING COSTS:  
Revenue - Sandalwood**



**Measure**

With combined managing and harvesting costs totalling \$2,823,000 for the period 16 November 2000 to 30 June 2001 and related revenue generated of \$6,395,000, the ratio is 0.44:1 compared with 0.43:1 in 1999-2000. For 12 month period managing and harvesting costs totalled \$5,645,000 and related revenue generated of \$11,989,000, the ratio is 0.47:1.

**3. COST OF HARVESTING**

**(a) Native forest hardwood.**

**Note**

The accrual basis gross cost per tonne of harvesting all species of native forest hardwood logs. The major elements of this cost relate to payments to contractors for harvesting and delivery, road construction and maintenance.

The Budget Statement prepared for the 2000-01 year before the establishment of the Forest Products Commission did not include "target" costs for harvesting.

**Measure**

The cost per tonne harvested for the period was \$31.69, an increase of \$4.45 per tonne on the "target" cost of \$27.24 in the 1999-00 Budget Statements. For a 12 month period the cost per tonne harvested was 32.85.

**(b) Sandalwood**

**Note**

The accrual basis gross cost per tonne of harvesting sandalwood greenwood and deadwood. The major elements of this cost relate to payments to contractors for harvesting and delivery.

The Budget Statement prepared for the 2000-01 year before the establishment of the Forest Products Commission did not include "target" costs for harvesting.

**Measure**

The cost per tonne harvested was \$2,786.77 an increase of \$234.01 per tonne on the "target" cost of \$2,552.76 in the 1999-00 Budget Statements. For a 12 month period the cost per tonne harvested was \$3,096.54.



## PLANTATION MANAGEMENT

The Forest Products Commission (FPC) was established on 16 November 2000 in accordance with the Forest Products Act 2000. Under this legislation the Commission is required to sell and harvest forest products by means of production contracts.

The performance indicators associated with the "Outcome" and "Output Description" for Plantation Operations Management under CALM before the change in legislation were defined as follows:

### OUTCOME

Long term maintenance of the forest ecosystem and provision of sustainable wood production.

### OUTPUT DESCRIPTION

The establishment, regeneration, protection, management and harvesting of plantations while maintaining or enhancing nature conservation, water, recreation landscape and other values in the long-term and developing public awareness, understanding and community support for plantations.

The FPC is no longer responsible for all components of the prior "Outcome" and "Output Description" concerning plantation management. While it is still responsible for managing plantations and the harvesting and sales of forest products from plantations, it is not directly responsible for achieving other land management goals.

The following indicators can be reported on:

### KEY EFFECTIVENESS INDICATOR

#### 1. THE AREA OF PLANTATIONS ESTABLISHED WILL MEET THE DEFINED OUTCOME.

Note

Plantation establishment straddles the financial year, therefore areas established are reported in the following year.

It is not possible to report this year, as the FPC has not established any plantations between

16 November 2000 and 30 June 2001.





**KEY EFFICIENCY INDICATORS**

**1. RATIO OF HARVESTING AND SALES COST TO REVENUE.**

**Note**

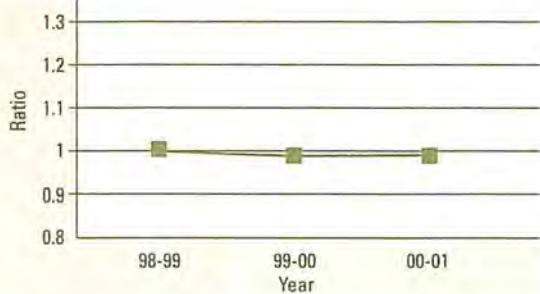
These are costs incurred in managing the harvesting, delivery and sales of plantation timber and should be fully recouped from the revenue generated, equating to a ratio of not less than one.

**Measure**

Ratio of expenditure for harvesting and sales (plantation costs, roading, administration, harvesting and delivery) to revenue.

Expenditure for the period was \$12,971,000 compared with revenue of \$13,315,000 - a ratio of 0.97:1. For a 12 month period expenditure was \$21,917,000 compared with revenue of \$21,820,000 a ratio of 1.

**HARVESTING AND SALES COSTS:**  
Revenue



**2. RATIO OF MANAGEMENT COSTS TO REVENUE FROM STUMPAGES.**

**Note**

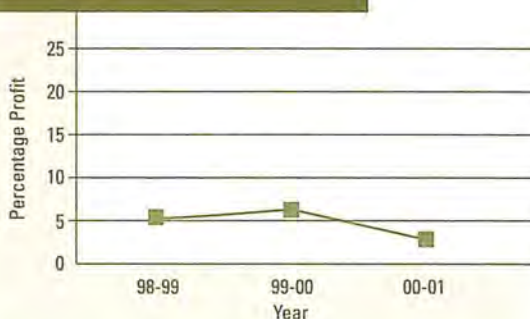
The FPC has expended monies on managing plantations and raised revenues from the sale of logs, however this is not a meaningful measure as it does not include revenue from other sources such as management agencies. While it is possible to report on this measure it does not provide a meaningful figure.

**3. PROFIT ON TOTAL REVENUE.**

**Measure**

Operating profit for the year was \$1.178 million or 3.1 per cent on revenue of \$37.799 million. For a 12 month period the operating profit before abnormal items was 1.904 million or 3 per cent of revenue on \$63,843 million.

**PROFIT ON TOTAL REVENUE**



**4. COSTS OF HARVESTING.**

**Note**

Accrual basis gross cost per tonne harvested for all species of plantation timber.

The FPC has incurred costs in harvesting and selling products and is able to report on this indicator.

The major elements of the costs comprise payments to contractors for harvesting and delivery and roading.

**Measure**

The average cost per tonne harvested (all products) from 16 November 2000 to 30 June 2001 was \$27.77. For a 12 month period the average cost per tonne harvested (all products) was \$27.29.

**5. COST PER HECTARE MANAGED.**

**Note**

This is not a meaningful figure as it varies markedly with the most expensive cost establishment. For a part year it is even more meaningless as the unit cost will fall significantly due to part year reporting.



## OPINION OF THE OFFICE OF THE AUDITOR GENERAL PERFORMANCE INDICATORS

### AUDITOR GENERAL

To the Parliament of Western Australia

### FOREST PRODUCTS COMMISSION

### PERFORMANCE INDICATORS FOR THE PERIOD NOVEMBER 16,2000 TO JUNE 30,2001

#### Scope

I have audited the key effectiveness and efficiency performance indicators of the Forest Products Commission for the period November 16, 2000 to June 30, 2001 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for developing and maintaining proper records and systems for preparing and presenting performance indicators. I have conducted an audit of the key performance indicators in order to express an opinion on them to the Parliament as required by the Act. No opinion is expressed on the output measures of quantity, quality, timeliness and cost.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the performance indicators, and assessing the relevance and appropriateness of the performance indicators in assisting users to assess the Commission's performance. These procedures have been undertaken to form an opinion as to whether, in all material respects, the performance indicators are relevant and appropriate having regard to their purpose and fairly represent the indicated performance.

The audit opinion expressed below has been formed on the above basis.

#### Audit Opinion

In my opinion, the key effectiveness and efficiency performance indicators of the Forest Products Commission are relevant and appropriate for assisting users to assess the Commission's performance and fairly represent the indicated performance for the period November 16, 2000 to June 30, 2001.



K O O'Neil  
Acting Auditor General  
November 28, 2001



## CERTIFICATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Forest Products Commission have been prepared in compliance with the provisions of the *Financial Administration and Audit Act 1985*, from proper accounts and records to present fairly the financial transactions for the financial year ending 30 June 2001 and the financial position as at 30 June 2001.

At the date of signing we are not aware of any circumstances which would render any particulars included in the financial statements misleading or inaccurate.

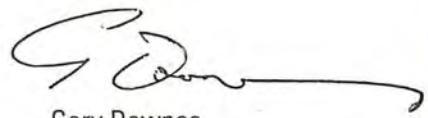
Australian Accounting Standard AAS35 *Accounting for Self Generating and Regenerating Assets* has not been applied by the Treasurer's Instructions for the financial year to 30 June 2001, however the Accountable Authority has elected to apply that Australian Accounting Standard to the accompanying financial statements.



Dr Per Christensen  
Deputy Chairman



Sandy Breeze  
Commissioner



Gary Downes  
Principal Accounting Officer

23 November 2001



**STATEMENT OF FINANCIAL PERFORMANCE****FOR THE 33 WEEK PERIOD ENDED 30 JUNE 2001**

|   | <b>Note</b> | <b>2001<br/>(\$'000)</b> |
|---|-------------|--------------------------|
| <b>REVENUE</b>  |             |                          |
| <b>Revenue from ordinary activities</b>                                     |             |                          |
| Trading profit  | 3           | 47,152                   |
| Commonwealth grants and contributions                                       | 4           | 7                        |
| Net profit on disposal of non-current assets                                | 5           | 6                        |
| Other revenue   | 6           | 3,463                    |
| <b>Total revenue from ordinary activities</b>                               |             | <b>50,629</b>            |
| <b>EXPENSES</b>   |             |                          |
| <b>Expenses from ordinary activities</b>                                    |             |                          |
| Decrement in net market value of infrastructure and timber                  | 7           | 10,295                   |
| Employee expenses   | 8           | 7,408                    |
| Supplies and services   | 9           | 26,466                   |
| Depreciation expense  | 10          | 628                      |
| Borrowing expenses  | 11          | 4,798                    |
| Doubtful debts expense  | 16          | 57                       |
| Administration expenses   | 12          | 873                      |
| Accommodation expenses  | 13          | 416                      |
| Audit fees  | 14          | 40                       |
| <b>Total expenses from ordinary activities</b>                              |             | <b>50,981</b>            |
| <b>Profit/(loss) from ordinary activities before income tax equivalents</b> |             | <b>(352)</b>             |
| Income tax equivalent expense   | 33          | (2,063)                  |
| <b>Profit/(loss) from ordinary activities after income tax equivalents</b>  |             | <b>(2,415)</b>           |
| <b>Retained profits/(losses) at the end of the financial period</b>         | 26          | <b>(2,415)</b>           |

The Statement of Financial Performance should be read in conjunction with the accompanying notes.



**STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2001**

|                                       | Note | 2001<br>(\$'000) |
|---------------------------------------|------|------------------|
| <b>Current assets</b>                 |      |                  |
| Cash assets                           | 27.1 | (1,238)          |
| Inventories                           | 15   | 7,590            |
| Receivables                           | 16   | 16,151           |
| Other assets                          | 17   | 30               |
| Accrued income                        | 18   | 1,757            |
| <b>Total current assets</b>           |      | <b>24,290</b>    |
| <b>Non-current assets</b>             |      |                  |
| Land and buildings                    | 19.1 | 3,109            |
| Plant, equipment and vehicles         | 19.2 | 12,156           |
| Infrastructure                        | 20   | 17,508           |
| Timber                                | 21   | 269,081          |
| Deferred tax assets                   | 33   | 675              |
| <b>Total non-current assets</b>       |      | <b>302,529</b>   |
| <b>Total assets</b>                   |      | <b>326,819</b>   |
| <b>Current liabilities</b>            |      |                  |
| Payables                              | 22   | 6,842            |
| Interest bearing liabilities          | 23   | 436              |
| Tax liabilities                       | 33   | 2,728            |
| Provisions                            | 24   | 1,761            |
| Other liabilities                     | 25   | 11,347           |
| <b>Total current liabilities</b>      |      | <b>23,114</b>    |
| <b>Non-current liabilities</b>        |      |                  |
| Interest bearing liabilities          | 23   | 75,312           |
| Provisions                            | 24   | 773              |
| Other liabilities                     | 25   | 2,873            |
| <b>Total non-current liabilities</b>  |      | <b>78,958</b>    |
| <b>Total liabilities</b>              |      | <b>102,072</b>   |
| <b>NET ASSETS</b>                     |      | <b>224,747</b>   |
| <b>Equity</b>                         |      |                  |
| Contribution by owners                | 26   | 228,830          |
| Reserves                              |      | -                |
| Retained profits/(accumulated losses) |      | (4,083)          |
| <b>TOTAL EQUITY</b>                   |      | <b>224,747</b>   |

The Statement of Financial Position should be read in conjunction with the accompanying notes.



**STATEMENT OF CASH FLOWS  
FOR THE 33 WEEK PERIOD ENDED 30 JUNE 2001**

|   | Note | 2001<br>(\$'000) |
|---|------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |      |                  |
| <b>Receipts</b>   |      |                  |
| Sale of goods and services  |      | 72,017           |
| Recoupable works  |      | 786              |
| Commonwealth grants and contributions                               |      | 7                |
| Interest received   |      | 27               |
| GST receipts on sales   |      | 5,819            |
| Other receipts  |      | 1,004            |
| <b>Payments</b>   |      |                  |
| Employee expenses   |      | (6,073)          |
| Supplies and services   |      | (26,231)         |
| Borrowing expenses  |      | (3,024)          |
| Harvesting expenses   |      | (35,266)         |
| GST payments on purchases   |      | (5,385)          |
| GST payments to taxation authority                                  |      | (2,024)          |
| <b>Net cash provided by/(used in) operating activities</b>          | 27.3 | <u>1,656</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |      |                  |
| Proceeds from sale of non-current physical assets                   |      | 8                |
| Purchase of non-current physical assets                             |      |                  |
| ~ Plant and equipment   |      | (507)            |
| ~ Maritime pine investment costs                                    |      | (3,421)          |
| <b>Net cash provided by/(used in) investing activities</b>          |      | <u>(3,920)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |      |                  |
| Repayment of borrowings   |      | (594)            |
| <b>Net cash provided by/(used in) financing activities</b>          |      | <u>(594)</u>     |
| <b>CASH FLOWS FROM/(TO) GOVERNMENT AND OTHER INSTITUTIONS</b>       |      |                  |
| Repayment of Treasurer's liability net of Peel B land sale proceeds |      | (96)             |
| Taxation equivalents  |      | -                |
| Dividends paid  |      | -                |
| <b>Net cash provided by/(to) Government and other institutions</b>  |      | <u>96</u>        |
| <b>Net increase/(decrease) in cash held</b>                         |      | (2,954)          |
| Cash assets at the beginning of the financial period                | 27.1 | 1,716            |
| <b>Cash assets at the end of the financial period</b>               | 27.1 | <u>(1,238)</u>   |

The Statement of Cash Flows should be read in conjunction with the accompanying notes.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE 33 WEEK PERIOD ENDED 30 JUNE 2001

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE 33-WEEK PERIOD ENDED 30 JUNE 2001

### 1. COMMISSION'S MISSION AND FUNDING

The Forest Products Commission (the Commission) is the Western Australian trading enterprise responsible for the allocation and sale of forest products from the State's native forests, from State-owned and State-managed plantations and is principally a self funded entity.

The Commission's mission is to contribute to Western Australian economic and regional growth by developing the sustainable use of the State's native and plantation timber resources, promoting local value adding for these resources and achieving appropriate returns to the State for the use of publicly owned and Commission managed timber resources.

The Commission came into existence on 16 November, 2000 as a consequence of the *Forest Products Act 2000* being passed and as such the financial statements only reflect a trading period of thirty three weeks to 30 June 2001.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been adopted in the preparation of the financial statements.

#### 2.1 General statement

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AAS) and Urgent Issues Group (UIG) Consensus Views as applied by the Western Australian Treasurer's Instructions. Several of these are modified by the Treasurer's Instructions to vary application, disclosure, format and wording. The Financial Administration and Audit Act and the Treasurer's Instructions govern the preparation of financial statements and take precedence over Australian Accounting Standards and UIG Consensus Views. The modifications are intended to fulfill the requirements of general application to the public sector together with the need for greater disclosure and also to satisfy accountability requirements. If any such modification has a material or significant financial effect upon the reported results, details of that modification and where practicable, the resulting financial effect, are disclosed in individual notes to these financial statements.

The statements have been prepared on the accrual basis of accounting using the historical cost convention, with the exception of certain non-current assets which subsequent to initial recognition, have been measured on the fair value basis in accordance with the option under AAS38(5.1) (see Notes 2(d), 20 and 21). Additions to non-current physical assets since valuation are stated at cost.

Forestry assets have been valued in accordance with AAS35 *Self-Generating and Regenerating Assets* (SGARAs), issued in August 1998.

#### 2.2 Grants and other contributions revenue

Grants, donations, gifts and other non-reciprocal contributions are recognised as revenue when the Commission obtains control over the assets comprising the contributions. Control is normally obtained upon their receipt.

Contributions are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

#### 2.3 Depreciation of non-current assets

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their future economic benefits.

Depreciation is provided for on the straight line basis using rates which are reviewed annually.

Useful lives for each class of depreciable asset are:

|                            |                |
|----------------------------|----------------|
| Buildings .....            | 20 to 40 years |
| Computer equipment .....   | 4 years        |
| Heavy fleet vehicles ..... | 5 years        |
| Infrastructure .....       | 20 years       |
| Motor vehicles .....       | 3 to 7 years   |
| Office equipment .....     | 6 to 7 years   |
| Office furniture .....     | 6 to 7 years   |
| Plant and machinery .....  | 4 to 10 years  |



## 2.4 Valuation of non-current assets

The Commission has adopted by resolution, the valuations ascribed to all non-current assets.

### *Timber and forestry infrastructure*

In accordance with Australian Accounting Standard 35 (AAS35), a Net Present Value (NPV) method has been used by the Commission to estimate the net market value of the majority of the cash flows expected to be generated by commercial forestry operations.

In the absence of a practicable net market value of forestry infrastructure, the written down replacement cost of forestry infrastructure is deducted from the NPV of the native forests, or plantations, as a whole to allow separate disclosure of SGARA and non-SGARA asset values as required by AAS35. Forestry infrastructure was transferred from CALM at carrying values upon the Commission's commencement. Where necessary this value has been adjusted to reflect changes in the extent of the infrastructure and in the NPV of the timber operations which it supports.

In the case of the native forests, the "Protecting Our Old Growth Forests" policy has reduced significantly the extent of forest infrastructure which is of commercial value to the Commission. The physical inventory of roads and bridges, which has been valued has therefore been reduced accordingly.

The NPV of the right to harvest the native forest has been derived from native forest management costs in State Forest, taking into account Government policies on forest accessibility, log volume reductions and silvicultural requirements in native forests. Where this NPV is less than the carrying value of the infrastructure, the infrastructure value is adjusted to the NPV amount. In this case, as required by AAS35, native forest standing timber is carried at \$Nil value.

Decrements / (increments) in forest values between inauguration and 30 June 2001 have been taken to account as expenses (revenue) in the Operating Statement, as required by AAS35.

The Commission's rights in *Pinus Pinaster* sharefarming contracts entered into as part of the Government's Salinity Action Plan have been valued on an historic cost basis.

The non-commercial values inherent in forests are not accounted for in the valuations generated by AAS35. (Refer to Notes 20 and 21).

### *Land, buildings and infrastructure*

The Commission values land, buildings and infrastructure at fair value as per AAS38. A revaluation of the Commission's land, undertaken by the Valuer General's Office for the Government Property Register, is recognised in the financial statements. Transitional provisions in AAS 38 (10.9)(b) require infrastructure assets to be revalued within a five year period; however as a consequence of AAS35 these assets are valued annually with all existing SGARA's (see Note 20).

## 2.5 Inventories

Inventories have been valued at the lower of cost and net realisable value as per AAS2, apart from:

- ~ sandalwood on bush landings which is valued at net market values as per AAS35;
- ~ processed sandalwood stock which is valued at cost including overheads directly attributable to the sandalwood management activity.

## 2.6 Receivables

Accounts receivable are recognised when customers are invoiced for goods and services, which are due for settlement 30 days after invoicing.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

## 2.7 Research and development costs

Research and development costs are charged against revenue in the Statement of Financial Performance as incurred.

## 2.8 Recognition of revenue

Revenue is recognised when an invoice is issued. Native forest and softwood timber sales are recorded in the General Ledger when timber is delivered to sawmills.

A revenue accrual is made for services supplied to certain sharefarming investors who are invoiced on a three monthly basis, and for seedlings delivered but not invoiced at the end of the financial year.



Other revenues, such as proceeds from the sale of motor vehicles and miscellaneous revenues, are recognised at the time of receipt.

## **2.9 Employee entitlements**

### *Annual leave*

This entitlement is recognised at current remuneration rates and is measured at the amount unpaid at the reporting date in respect to employees' service up to that date.

### *Long service leave*

A liability for long service leave is recognised and accrued from the commencement of employment. It is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Considerations given, when assessing expected future payments, to expected future wage and salary levels including relevant on costs, experience of employee departures and periods of service. Expected future payments are discounted to identify the estimated present value of future cash outflows.

This method of measurement of the liability is consistent with the requirements of Australian Accounting Standard AAS30 *Accounting for Employee Entitlements*.

### *Superannuation*

Staff may contribute to the *Superannuation and Family Benefits Act* Scheme, a defined benefits pension scheme now closed to new members, or to the Gold State Superannuation Scheme, a defined benefit lump sum scheme now also closed to new members. All staff who do not contribute to either of these schemes become non-contributory members of the West State Superannuation Scheme, an accumulation fund complying with the Commonwealth Government's *Superannuation Guarantee (Administration) Act 1992*.

The liability for superannuation charges incurred under the *Superannuation and Family Benefits Act* Pension Scheme, together with the pre-transfer service liability for employees who transferred to the Gold State Superannuation Scheme, are provided for at reporting date.

The liabilities for superannuation charges under the Gold State Superannuation Scheme and West State Superannuation Scheme are extinguished by fortnightly payment of employer contributions to the Government Employees Superannuation Board.

Accrued superannuation represents the Commission's liability at the end of year for employer superannuation contributions to the Government Employees Superannuation Board. The Commission receives fortnightly invoices in arrears.

The note disclosure required by paragraph 51(e) of AAS30 (being the employer's share of the difference between employees' accrued superannuation benefits and the attributable net market value of plan assets) has not been provided. This is because state scheme deficiencies are recognised by the State in its whole of Government reporting. Given the above, the Commission has adopted paragraph 54 of AAS30 which allows non-disclosure if the relevant amounts are not provided.

## **2.10 Accrued logging costs**

Accrued Logging Costs represents the amount owing to harvesting and delivery contractors for timber delivered to sawmills but not yet recorded in the Commission's Accounts Payable system.

## **2.11 Accrued salaries and wages**

Accrued salaries represent the amount due to staff but unpaid at the end of the financial year, as the end of the last pay period for that financial year may not necessarily coincide with the end of the financial year.

## **2.12 Payables**

Payables, including accruals not yet billed, are recognised in the accounts payable system when the Commission becomes obliged to make future payments as a result of a purchase of assets or services. Payables are generally settled within 30 days.

## **2.13 Amount due to the Treasurer**

The amount due to the Treasurer is in respect of a liability incurred in constructing the Manjimup Plant Propagation Centre and which is being repaid over a four year period in equal installments, the first payment having commenced in June 2001. No interest is being charged on this advance.



**2.14 Interest-bearing liabilities**

Western Australian Treasury Corporation loans are recorded at an amount equal to the outstanding balances owing at the end of each reporting period. Borrowing costs associated with these loans have been recognised on an accruals basis.

**2.15 Leases**

The Commission has no finance leases.

The Commission has entered into a number of operating lease arrangements for buildings, motor vehicles, plant and office equipment where the lessors effectively retain all of the risks and benefits incident to ownership of the items held under the operating leases. Equal installments of the lease payments are charged to the Statement of Financial Performance over the lease term as this is representative of the pattern of benefits to be derived from the leased property.

**2.16 Roads and bridges expenditure**

All forestry road and bridge expenditure is expensed in the year it is incurred. These costs form part of the ongoing operations of the Commission and are incurred regularly.

**2.17 Western Australian Tax Equivalent Regime**

Section 43 of the *Forest Products Act 2000* makes the Commission liable for all duties, rates and taxes prescribed by law. Although the Commission is exempt from income tax under section 23(d) of the *Income Tax Assessment Act*, as a result of section 5 of the *State Enterprises (Commonwealth Tax Equivalents) Act 1996*, the Commission is subject to the *West Australian Tax Equivalent Regime (Income Tax)*. This in effect requires the Commission to account for income tax as if it were not exempt.

**2.18 Income Tax**

The Commission adopts the liability method of tax-effect accounting, as a result of the effect of the *West Australian Tax Equivalent Regime*. Therefore, the income tax attributable to operating profit shown in the Statement of Financial Performance is based on operating profit before tax, adjusted for items that are permanent differences. The provision for deferred income tax liability and the future income tax benefit represent the effect of timing differences in the treatment of items for income taxation and accounting purposes.

Permanent differences are those differences between taxable income and operating profit before income tax which will arise and not reverse. Timing differences are those differences between taxable income and operating profit which arise as a result of the different periods in which items are deductible or assessable for tax purposes. A future income tax benefit is an amount of income tax recoverable by the Commission in future reporting periods, whereas a deferred income tax liability is an amount of income tax to be settled in a future period.

**2.19 Recognition of transferred assets and liabilities at inception**

The assets and liabilities transferred to the Commission from the Department of Conservation and Land Management (CALM) have been brought to account by the Commission at the values they were carried at in the books of CALM as at the date of transfer to the Commission during the period ended 30 June 2001. These balances are regarded as representing fair values at the time of transfer (see Note 2.21).

**2.20 Comparative figures**

This is the first period of operation for the Forest Products Commission and so no figures are available for comparison with earlier periods.

**2.21 Fair value**

As per AAS38, *fair value* is defined in these notes as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction.

**2.22 Goods and Services Tax**

The Commission accounts for the Goods and Services Tax (GST) as required by UIG 31. This states that all revenues, expenses and assets must be recognised net of the amount of GST except where receivables and payables are stated with the amounts of GST included. The Commission accounts for GST on an accrual basis and accounts for the net amount of GST recoverable from or payable to, the taxation authority as a part of receivables or payables in the Statement of Financial Position.



|  | 2001<br>(\$'000)    |                    |                    |
|--|---------------------|--------------------|--------------------|
| <b>3. Trading profit</b>   |                     |                    |                    |
| Timber sales   |                     |                    |                    |
| ~ Hardwood   | 20,052              |                    |                    |
| ~ Softwood   | 7,776               |                    |                    |
| ~ Sandalwood   | 6,395               |                    |                    |
| ~ Recovery of hardwood harvesting costs  | 27,772              |                    |                    |
| ~ Recovery of softwood harvesting costs  | 15,421              |                    |                    |
| <b>~ Agency sharefarming revenue</b>   | <b>9,229</b>        |                    |                    |
|  | <hr/> 86,645        |                    |                    |
| <i>Less</i>  |                     |                    |                    |
| ~ Harvesting costs   | (39,493)            |                    |                    |
| <b>Total trading profit</b>  | <hr/> <b>47,152</b> |                    |                    |
| <b>4. Commonwealth grants and contributions</b>  |                     |                    |                    |
| Commonwealth grant - RIRDC Research  | 7                   |                    |                    |
|  | <hr/> 7             |                    |                    |
| <b>5. Net profit/(losses) on sale of non-current assets</b>  |                     |                    |                    |
| <b>Profit on sale of non-current assets</b>  |                     |                    |                    |
| Plant and equipment  | 6                   |                    |                    |
| Gross proceeds on disposal of assets   | 8                   |                    |                    |
|  | <hr/> 8             |                    |                    |
| <b>6. Other revenue from ordinary activities</b>   |                     |                    |                    |
| Nursery sales  | 941                 |                    |                    |
| Treasury Department reappropriation from the Consolidated Fund of Peel 'B' Baldivis land sale proceeds | 1,270               |                    |                    |
| Treasurer's contribution to unfunded superannuation liability  | 27                  |                    |                    |
| Interest received on late payments   | 27                  |                    |                    |
| Services and recoupable works  | 1,154               |                    |                    |
| Other revenue  | 45                  |                    |                    |
|  | <hr/> 3,463         |                    |                    |
| <b>7. Decrement in net market value of infrastructure and timber</b>                                   |                     |                    |                    |
|  | <b>Valuation @</b>  | <b>Valuation @</b> | <b>Decrement /</b> |
| <b>Infrastructure</b>  | <b>16/11/00</b>     | <b>30/6/01</b>     | <b>(Increment)</b> |
| Native forest  | 26,517              | 12,493             | 14,024             |
| Timber   |                     |                    |                    |
| Standing sandalwood  | 67,296              | 72,983             | (5,687)            |
| Plantation standing timber   | 178,861             | 176,895            | 1,966              |
| Dryandra Mallet  | 91                  | 99                 | (8)                |
|  |                     |                    | <hr/> 10,295       |
| <b>8. Employee expenses</b>  |                     |                    |                    |
| Wages and salaries   |                     |                    | 6,775              |
| Superannuation (see Note 2.9)  |                     |                    | 468                |
| Long service leave   |                     |                    | 9                  |
| Annual leave   |                     |                    | 156                |
|  |                     |                    | <hr/> 7,408        |



|   | <b>2001</b><br><b>(\$'000)</b> |
|---|--------------------------------|
| <b>9. Supplies and services</b>   |                                |
| Consultants and contractors   |                                |
| ~ Management and other consultants  | 248                            |
| ~ Other contractors   | 23,013                         |
| Materials   | 879                            |
| Operating lease rentals   | 2,326                          |
|   | <b>26,466</b>                  |
| <b>10. Depreciation expense</b>   |                                |
| Plant, equipment and vehicles   | 441                            |
| Buildings   | 59                             |
| Infrastructure  | 128                            |
|   | <b>628</b>                     |
| <b>11. Borrowing expense</b>  |                                |
| WA Treasury Corporation   | 4,798                          |
|   | <b>4,798</b>                   |
| <b>12. Administration expenses</b>  |                                |
| Telephone, postage, communication   | 163                            |
| Payroll tax   | 360                            |
| Travel expenses   | 207                            |
| Workers compensation  | 61                             |
| Other admin costs   | 82                             |
|   | <b>873</b>                     |
| <b>13. Accommodation expenses</b>   |                                |
| Lease rentals and travel accommodation  | 229                            |
| Repairs and maintenance   | 97                             |
| Other property  | 90                             |
|   | <b>416</b>                     |
| <b>14. Audit fees</b>   |                                |
| Office of Auditor General   | 40                             |
|   | <b>40</b>                      |
| <b>15. Inventories (see Note 2.5)</b>   |                                |
| <i>Current</i>  |                                |
| Inventories held for resale:  |                                |
| ~ Nursery stock   | 4,290                          |
| ~ Sandalwood  | 1,759                          |
| ~ Timber on forest landings   | 1,370                          |
| ~ Timber technology stocks  | 171                            |
|   | <b>7,590</b>                   |
| At cost   | 5,831                          |
| At net realisable value   | 1,759                          |
|   | <b>7,590</b>                   |
| The aggregate carrying amount of inventories recognised and included in the financial statements is as follows: |                                |
| ~ Current   | 7,590                          |
| ~ Non-Current   | Nil                            |
|   | <b>7,590</b>                   |



|  | <b>2001</b><br><b>(\$'000)</b> |
|--|--------------------------------|
| <b>16. Receivables</b>                             |                                |
| Trade debtors                                      | 15,230                         |
| Provision for doubtful debts                       | (57)                           |
|  | <u>15,173</u>                  |
| GST credits refundable                             | 978                            |
|  | <u><b>16,151</b></u>           |
| <b>17. Other assets</b>                            |                                |
| <i>Current</i>                                     |                                |
| Prepayments  | 30                             |
|  | <u><b>30</b></u>               |
| <b>18. Accrued revenue</b>                         |                                |
| Accrued revenue                                    | 1,757                          |
|  | <u><b>1,757</b></u>            |
| <b>19. Property, plant, equipment and vehicles</b> |                                |
| <b>19.1 Land and buildings</b>                     |                                |
| Freehold land at cost                              | Nil                            |
| At fair value (i)                                  | 710                            |
|  | <u><b>710</b></u>              |
| Buildings transferred at cost                      | 153                            |
| Additions  | 206                            |
| Accumulated depreciation                           | (7)                            |
| Buildings transferred at fair value (i)            | 2,100                          |
| Accumulated depreciation                           | (53)                           |
|  | <u>2,399</u>                   |
| Total land and buildings                           | <u><b>3,109</b></u>            |
| <b>19.2 Plant, equipment and vehicles</b>          |                                |
| Nursery infrastructure transferred at cost         | 9,484                          |
| Accumulated depreciation                           | (235)                          |
|  | <u>9,249</u>                   |
| Plant, equipment and vehicles transferred at cost  | 2,150                          |
| Additions  | 233                            |
| Accumulated depreciation                           | (139)                          |
|  | <u>2,244</u>                   |
| Office equipment transferred at cost               | 602                            |
| Additions  | 127                            |
| Accumulated depreciation                           | (67)                           |
|  | <u>662</u>                     |
| Total plant, equipment and vehicles                | <u><b>12,156</b></u>           |

(i) Freehold land, land improvements and buildings were revalued in June 2001 in accordance with an independent valuation by the Valuer General's Office, undertaken in June 2000, which reflected market values.

Market value has been regarded as *fair value*.



### 19.3 Reconciliations

Reconciliations of the carrying amounts of property, plant, equipment and vehicles at the beginning and end of the current financial period are set out below:

|                                    | Freehold<br>land<br>\$'000 | Buildings<br>\$'000 | Nursery<br>infra-<br>structure<br>\$'000 | Plant<br>equip-<br>ment &<br>vehicles<br>\$'000 | Office<br>equip-<br>ment<br>\$'000 | Timber &<br>infra-<br>structure<br>\$'000 | Total<br>\$'000 |
|------------------------------------|----------------------------|---------------------|--|---|------------------------------------|---|-----------------|
| Carrying amount at start of period | Nil                        | Nil                 | Nil                                      | Nil   | Nil                                | Nil                                       | Nil             |
| Transfers from CALM                | 710                        | 2,253               | 9484                                     | 2,150   | 602                                | 293,520                                   | 308,719         |
| Additions                          | Nil                        | 206                 | Nil                                      | 234   | 129                                | 3,492                                     | 4,061           |
| Disposals                          | Nil                        | Nil                 | Nil                                      | (1)   | (2)                                | Nil                                       | (3)             |
| Revaluation decrements             | Nil                        | Nil                 | Nil                                      | Nil   | Nil                                | (10,295)                                  | (10,295)        |
| Depreciation                       | Nil                        | (60)                | (235)                                    | (139)   | (67)                               | (128)                                     | (629)           |
| Carrying amount at end of period   | 710                        | 2,399               | 9,249                                    | 2,244   | 662                                | 286,589                                   | 301,853         |

**2001**  
**(\$'000)**

### 20. Infrastructure

|   |               |
|---|---------------|
| Native forests - at net market value (i)              | 12,493        |
| Plantations - at net market value 2001 (i)            | 5,143         |
| Accumulated depreciation of plantation infrastructure | (128)         |
|   | <b>17,508</b> |

(i) Net market value has been determined using the net present value method on the future cash flows generated by the commercial forestry operations in accordance with AAS35, pursuant to Note 2.4.

In the absence of a practicable net market value of forestry infrastructure, the written down replacement cost of forestry infrastructure is deducted from the Net Present Value of the native forests, or plantations, as a whole to allow separate disclosure of SGARA and non-SGARA values as required by AAS35.

### 21. Timber

*Timber at valuation, 30 June 2001 (see Note 2.4)*

|                               |                |
|-------------------------------|----------------|
| Native forest standing timber | Nil            |
| Standing Sandalwood           | 72,983         |
| Plantations standing timber   | 176,895        |
| Dryandra Mallet               | 99             |
|                               | <b>249,977</b> |

*Timber at cost (see Note 2.4)*

|               |                |
|---------------|----------------|
| Maritime Pine | 19,104         |
|               | <b>19,104</b>  |
| Total timber  | <b>269,081</b> |

Details of the complex timber volumes data upon which these valuations are based are contained in the Commission's working papers.

### 22. Payables

*Current*

|                |              |
|----------------|--------------|
| Trade payables | 6,842        |
|                | <b>6,842</b> |

*Non-Current*

|                |            |
|----------------|------------|
| Trade payables | <b>Nil</b> |
|----------------|------------|



|  | <b>2001</b><br><b>(\$'000)</b> |
|--|--------------------------------|
| <b>23. Interest bearing liabilities</b>  |                                |
| Amount due to WA Treasury Corporation  |                                |
| Current  | 436                            |
| Non-current  | 75,312                         |
| Total  | <u>75,748</u>                  |
| <b>24. Provisions</b>  |                                |
| <i>Current</i>   |                                |
| Annual leave   | 878                            |
| Long service leave   | 712                            |
| Superannuation (see Note 2.9)  | 171                            |
|  | <u>1,761</u>                   |
| <i>Non-current</i>   |                                |
| Long service leave   | 773                            |
|  | <u>773</u>                     |
| <i>Employee Entitlements (see Note 2.9)</i>  |                                |
| The aggregate employee entitlement liability recognised and included in the financial statement is as follows:         |                                |
| Provision for employee entitlements:   |                                |
| Current  | 1,761                          |
| Non-current  | 773                            |
|  | <u>2,534</u>                   |
| The superannuation liability has been established from data supplied by the Government Employees Superannuation Board. |                                |
| The Commission considers the carrying amount of employee entitlements approximates the fair value. (see Note 2.21)     |                                |
| <b>25. Other liabilities</b>   |                                |
| <i>Current</i>   |                                |
| Provision for payroll tax  | 360                            |
| Accrued expenses   |                                |
| ~ Accrued logging costs  | 2,445                          |
| ~ Compensation for logging contractors   | 47                             |
| ~ Other commitments  | 2,121                          |
| Accrued interest   | 1,774                          |
| Accrued salaries and wages   | 710                            |
| Unearned revenue   |                                |
| ~ Manjimup nursery   | 480                            |
| ~ Bunbury tree farm project  | 296                            |
| Request for statutory dividend   | 1,668                          |
| Provision for deferred tax liability (see Note 33)   | 10                             |
| Liability due to Treasurer (i)   | 1,436                          |
|  | <u>11,347</u>                  |
| <i>Non-current</i>   |                                |
| Liability due to Treasurer (i)   | 2,873                          |
|  | <u>2,873</u>                   |
| (i) Comprises:   |                                |
| Liability due to Treasurer for funding the construction of the Manjimup Plant Propagation Centre                       | 5,745                          |
| Less: repayment during the period  | 1,436                          |
|  | <u>4,309</u>                   |



2001  
(\$'000)**26. Contributed equity:**

Contribution by Owners represents the net of assets and liabilities transferred from the Department of Conservation and Land Management (CALM) as well as other contributions.

The following assets and liabilities were contributed to equity:

*Assets transferred from CALM*

|   |                |
|---|----------------|
| Forest infrastructure (native forest and plantations)   | 31,660         |
| Standing timber (sandalwood and plantations)  | 261,859        |
| Plant and equipment   | 12,237         |
| Buildings   | 2,083          |
| Land  | 710            |
| Inventories   | 3,006          |
| Cash to compensate for the current portion of annual and long service leave provision transferred | 1,712          |
| Petty cash  | 4              |
| <b>Total assets transferred in</b>  | <b>313,271</b> |

*Liabilities transferred from CALM*

|  |          |
|--|----------|
| Western Australian Treasury Corporation debt               | (75,748) |
| Current portion of annual and long service leave provision | (1,712)  |
| Non-current leave  | (813)    |

**Total net contributed equity transferred from CALM****234,998***Other Contributions*

|   |         |
|---|---------|
| Buildings   | 171     |
| Liability due to Treasurer re Manjimup Plant Propagation Centre | (5,745) |
| Debt adjustment   | (594)   |

**Total contributed equity****228,830**

The amounts recorded above represent the fair value of those assets and liabilities transferred during the 33-week period ended 30 June 2001. The fair values of these assets and liabilities may have changed during the period to yield that accounted for at 30 June 2001.

*Retained profits/(accumulated losses)*

|   |                |
|---|----------------|
| Opening balance   | Nil            |
| Net profit/(loss) for the period  | (2,415)        |
| Requested statutory dividend relating to 2000-01 operations (see Note 34) | (1,668)        |
| <b>Closing balance</b>  | <b>(4,083)</b> |

**27. Notes to the Statement of Cash Flows****27.1 Reconciliation of cash**

For the purpose of the Statement of Cash Flows, cash includes cash at bank, net of outstanding bank overdrafts, petty cash and cash in suspense. Cash at the beginning of the year constitutes the receipt of a payment from the Department of Conservation and Land Management for the current portion of the Annual and Long Service Leave Liability which was transferred to the Commission at 16 November, 2000. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

|                |                |
|----------------|----------------|
| Cash assets    | 54             |
| Bank overdraft | (1,292)        |
|                | <b>(1,238)</b> |



|   | <b>2001</b><br><b>(\$'000)</b> |
|---|--------------------------------|
| <b>27.2 Non-cash financing and investing activities</b>   |                                |
| During the financial period assets and liabilities were either transferred or assumed but are not reflected in the Statement of Cash Flows. |                                |
| Assets acquired   | 313,442                        |
| Liabilities acquired  | (84,612)                       |
| Equity contributed by Government  | <u>228,830</u>                 |
| <b>27.3 Net cash provided/(used in)</b>   |                                |
| Profit/(Loss) from ordinary activities after income tax equivalents   | (2,415)                        |
| <i>Non-cash items:</i>  |                                |
| Depreciation expense  | 628                            |
| Doubtful debt expense   | 57                             |
| Amounts credited for proceeds on sale of Peel B land  | (1,270)                        |
| Amounts credited for remuneration of logging contractors  | (70)                           |
| Amounts debited for payments of liability due to Treasurer  | 1,436                          |
| (Profit)/loss on sale of property, plant and equipment  | (6)                            |
| Amounts credited to provision for income tax equivalents  | 2,063                          |
| Revaluation of timber assets and infrastructure (see Note 7)  | 10,295                         |
| <i>(Increase)/decrease in assets:</i>   |                                |
| Current accounts receivable (ii)  | (14,025)                       |
| Current inventories   | (4,584)                        |
| Other current assets  | (30)                           |
| Accrued revenues  | (1,757)                        |
| <i>Increase/(decrease) in liabilities:</i>  |                                |
| Current accounts payable (ii)   | 6,116                          |
| Current provisions  | 336                            |
| Other current liabilities   | 5,858                          |
| Non-current provisions  |                                |
| Other non-current liabilities   |                                |
| Net GST (receipts)/payments (i)   | <u>(977)</u>                   |
| Net cash provided by/(used in) operating activities   | <u>1,656</u>                   |

(i) This is the net GST paid/received in cash.

(ii) Note that Australian Taxation Office receivable/payable in respect of GST and receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they are not cash transactions and do not form part of the Statement of Cash Flows.

**27.4 At the reporting date, the Commission had fully drawn on all financing facilities, details of which are disclosed in the financial statements except for the \$5.52M approval for the Capital Works Program which was not drawn down at 30 June and which expired at that date.**

## 28. Commitments for expenditure

### 28.1 Capital expenditure commitments

Capital expenditure commitments, being capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

|  |               |
|--|---------------|
| Within 1 year                                | 1,430         |
| Later than 1 year and not later than 5 years | 7,183         |
| Later than 5 years                           | 15,352        |
|  | <u>23,965</u> |

The capital commitments are exclusively those amounts in support of the Wood Processing (WESFI) Agreement Act 2000 - Maritime Pine plantation.



|  | <b>2001<br/>(\$'000)</b> |
|--|--------------------------|
| <b>28.2 Lease commitments</b>  |                          |
| Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable: |                          |
| Within 1 year  | 89                       |
| Later than 1 year and not later than 5 years   | 484                      |
| Later than 5 years   | 230                      |
|  | <b>803</b>               |
| Representing:  |                          |
| Cancelable operating leases  | <b>Nil</b>               |
| Within 1 year  | Nil                      |
| Later than 1 year and not later than 5 years   | Nil                      |
| Later than 5 years   | Nil                      |
|  | <b>Nil</b>               |
| Non-cancelable operating leases  | <b>803</b>               |
| Within 1 year  | 89                       |
| Later than 1 year and not later than 5 years   | 484                      |
| Later than 5 years   | 230                      |
|  | <b>803</b>               |

### 28.3 Guarantees and undertakings

The Commission has no guarantees and undertakings that have not been provided in the Statement of Financial Position.

## 29. Contingencies

### 29.1 Liabilities

The Commission has no contingent liabilities as at 30 June 2001.

### 29.2 Assets

Transfer of title of freehold land at Collie and crown land at Manjimup to the value of \$0.710M as reflected in Note 19 was in progress at 30 June. As the Commission had *'de facto'* control of these assets at 30 June, these assets have been brought to account in the Commission's financial statements.

### 29.3 Other

In relation to stamp duty on the WATC loan (see Note 23), Treasury has been asked to grant an exemption of this payment on the grounds that the loan is a transfer occasioned by a Government policy change rather than a new facility. An amount of \$0.151M has been recorded which represents 50 per cent of the stamp duty payment with the remaining 50 per cent payable by CALM through an arrangement with the Commission.

## 30. Events occurring after reporting date

There were no events that occurred after balance date that will have a material effect on the Statement of Financial Position or Statement of Financial Performance as at 30 June 2001.

However, the Commission's cash position deteriorated significantly after the reporting date. Whilst an overdraft of \$1.238M existed at 30 June 2001, the cash balance has been consistently negative from then to 30 August 2001 and has peaked twice at \$5.0M and \$5.60M. The main factor contributing to this cash position is the level of customer accounts which are beyond the Commission's 30 day terms of trading. (see Note 32.2)



**31. Explanatory statement**

This statement responds to Treasurer’s Instruction 945 and explains significant variations between the Commission’s 16 November 2000 to 30 June 2001 budget and actual transactions during that period. Significant variations have been identified on the basis of materiality - being variations which are greater than 10 per cent and \$2.5M.

As the Commission commenced operation well into the financial year 2000-01, no set of annual estimates were able to be prepared and approved under section 42 of the *Financial Administration and Audit Act 1985*. Instead, a 33 week budget for the Commission was derived from that previously approved for CALM, with the additions of:

- ~ a Treasury request that a combined Statutory Dividend and Taxation Equivalent Regime payment be made to the State of \$3.731M.
- ~ an unbudgeted wildfire suppression expenditure in 2000-01 of \$1.642M. When commercial forestry was the responsibility of CALM, unbudgeted wildfire expenditure was funded by an additional Treasury allocation. The Treasurer therefore agreed that such expenditure may be funded through an equivalent reduction in the dividend requested.
- ~ an unbudgeted expenditure of \$1.219M to purchase from CALM, at production cost, the sandalwood inventory at Wescorp.
- ~ Treasury allocation of an additional \$1.5M to CALM and the Commission collectively to assist with the transition to two separate agencies - \$0.9M of which was allocated to the Commission.
- ~ an unbudgeted borrowing expense of \$0.151M - being for stamp duty on the transfer of a pre-existing loan facility from CALM to the Commission.

The significant variations for budgeted items are identified and explained in the table below.

| Budgeted Item                     | Actuals<br>\$M | Estimates<br>\$M | Variance<br>\$M | Note |
|-----------------------------------|----------------|------------------|-----------------|------|
| <b>Revenue</b>                    |                |                  |                 |      |
| Hardwood cost recovery            | 27,773         | 24,845           | 2,928           | 1    |
| Softwood harvesting cost recovery | 15,421         | 11,056           | 4,365           | 2    |
| <b>Expenditure</b>                |                |                  |                 |      |
| Harvesting costs                  | 39,913         | 34,425           | (5488)          | 3    |
| Materials                         | 0,894          | 13,633           | 12,739          | 4    |
| Services and contracts            | 23,608         | 28,321           | 4,713           | 5    |

**Notes**

1. The recovery, through revenue, of hardwood harvesting costs was higher than originally estimated because of an increase in the index applied to harvesting contract rates effective from January 2001 and the bulk of the annual harvesting activity being in the 33 week period. Also contributing to this higher recovery was the prorating of the original CALM 12 month budget into a Commission 33 week budget allowance.
2. Softwood harvesting cost recovery appears to be more than \$4.0M greater than estimated originally because of a misallocation of softwood sales revenue to a stumpage income account.
3. \$3.6M of this unfavorable variance resulted from an increase in the scale of operations in the *Eucalyptus Globulus* (Bluegum) plantations, for which there was no unbudgeted expenditure.
4. This favorable variance resulted from the complexities of the separation of the Commission from CALM and establishing the Commission in its initial year.
5. The bulk of this \$4.713M favorable variance is accounted for as follows:
 

|                                   |             |
|-----------------------------------|-------------|
| ~ cost over-run for Native Forest | \$ (0.357)M |
| ~ cost savings for Plantations    | \$ 4.946M   |



## 32. Financial instruments

### 32.1 Interest rate risk exposure

The following table details the Commission's exposure to interest rate risk as at the reporting date:

|                              | Weighted<br>Average<br>Effective<br>Interest<br>Rate<br>% | Variable<br>Interest<br>Rate<br>\$000 | Fixed Interest Rate Maturity    |                          |                                  | Non<br>Interest<br>Bearing<br>\$000 | Total<br>\$000 |
|------------------------------|---|---------------------------------------|---------------------------------|--------------------------|----------------------------------|-------------------------------------|----------------|
|                              |   |                                       | Less<br>than 1<br>Year<br>\$000 | 1 to 5<br>Years<br>\$000 | More<br>than 5<br>Years<br>\$000 |                                     |                |
| Financial assets             |   |                                       |                                 |                          |                                  |                                     |                |
| Cash assets                  |   |                                       |                                 |                          |                                  | 54                                  | 54             |
| Receivables                  |   |                                       |                                 |                          |                                  | 16,151                              | 16,151         |
| Accrued revenue              |   |                                       |                                 |                          |                                  | 1,757                               | 1,757          |
| Loans and advances           |   |                                       |                                 |                          |                                  |                                     | Nil            |
| Other                        |   |                                       |                                 |                          |                                  |                                     | Nil            |
|                              |   | <b>Nil</b>                            | <b>Nil</b>                      | <b>Nil</b>               | <b>Nil</b>                       | <b>17,962</b>                       | <b>17,962</b>  |
| Financial liabilities        |   |                                       |                                 |                          |                                  |                                     |                |
| Payables                     |   |                                       |                                 |                          |                                  | 6,842                               | 6,842          |
| Bank overdraft               |   |                                       |                                 |                          |                                  | 1,292                               | 1,292          |
| WATC                         | 8.95  |                                       | 436                             | 23,456                   | 51,856                           |                                     | 75,748         |
| Finance lease liabilities    |   |                                       |                                 |                          |                                  |                                     | Nil            |
| Accrued expenditure          |   |                                       |                                 |                          |                                  | 4,613                               | 4,613          |
| Accrued salaries and wages   |   |                                       |                                 |                          |                                  | 710                                 | 710            |
| Accrued superannuation       |   |                                       |                                 |                          |                                  | 171                                 | 171            |
| Accrued interest             | 8.95  |                                       |                                 | 1,774                    |                                  |                                     | 1,774          |
| Employee entitlements        |   |                                       |                                 |                          |                                  | 2,363                               | 2,363          |
| Amounts due to the Treasurer |   |                                       |                                 |                          |                                  | 4,309                               | 4,309          |
|                              |   | <b>Nil</b>                            | <b>436</b>                      | <b>25,230</b>            | <b>51,856</b>                    | <b>20,300</b>                       | <b>97,822</b>  |

**2001**  
**(\$'000)**

#### Summary

|                       |                 |
|-----------------------|-----------------|
| Financial assets      | 17,962          |
| Financial liabilities | (97,822)        |
|                       | <b>(79,860)</b> |

### 32.2 Credit risk exposure

Accounts receivable largely consists of timber debtors, for which deposits and securities equivalent to an average of six weeks deliveries are required to be lodged in favor of the Commission under timber contracts of sale. These deposits and securities are held in trust until the expiry or default of contracts (see Note 38). However, as at 30 June 2001, the value of overdue accounts exceeded deposits and securities by \$1.3M.

Further protection of the Commission's interests is provided by the fact that forest produce is the property of the Crown until forest produce charges are paid. In the instance of default of payment forest produce may be seized and disposed of under a statutory retention right.



2001  
(\$'000)**32.2 Credit risk exposure (cont.)**

The Commission's credit risk exposure at 30 June 2001 is illustrated by the aged debtors table below:

| Overdue beyond the Commission's 30 day trading terms (days) | Number of customers | Value of overdue accounts (\$M) |
|---|---------------------|---------------------------------|
| 1 to 30   | 53                  | 0.823                           |
| 31 to 60  | 38                  | 0.779                           |
| Greater than 60   | 41                  | 0.921                           |
| All overdue accounts  | 132                 | 2.523                           |

The likelihood of recovery as at 30 June 2001, was estimated and factored into the amount of (\$0.057M) provided for doubtful debts. However, given the current status of the industry, the provision for doubtful debts will be increased for the financial year 2001-02.

**32.3 Fair values**

The carrying amount of financial assets and financial liabilities recorded in the financial statements are not considered materially different from their fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements in particular Note 2.21.

The Commission's borrowings of \$75.748M have been assessed by the WA Treasury Corporation to have a net fair value of \$82.442M as at 30 June 2001. The net fair value of a financial liability is the amount at which the liability could be settled in a current transaction after allowing for the premium required if debt is settled prior to the due date.

**33. Taxation equivalent (see Note 2.18)**

The prima facie income tax equivalent expense on pre-tax accounting profit reconciles to the income tax equivalent expense in the accounts as follows:

|   |                |
|---|----------------|
| Profit/(Loss) from ordinary activities before income tax equivalents  | (352)          |
| Income tax equivalent expense calculated at 34% of operating profit   | (120)          |
| <i>Permanent differences: (see Note 2.18)</i>   |                |
| Non-deductible legal expenses   | 1              |
| Non-deductible travel expenses  | 4              |
| Research and development concession   | (225)          |
| Revaluation of native forests and native forest infrastructure  | 3,500          |
| Capitalised Maritime Pine expenditure   | (1,187)        |
| Change in tax rate 2001-2002  | 89             |
| Income tax equivalent expense attributable to profit from ordinary activities   | <b>2,063</b>   |
| Income tax equivalent expense comprises movements in:   |                |
| Provision for tax equivalent expenses   | (2,728)        |
| Provision for deferred tax equivalent   | (10)           |
| Future tax equivalent benefit   | 675            |
| Total income tax equivalent expense   | <b>(2,063)</b> |
| <i>Deferred tax assets (see Note 2.18)</i>  |                |
| Future income tax benefit - timing differences  | 675            |
| Reconciliations   |                |
| Reconciliations of the carrying amounts of future income tax benefits at the beginning and end of the current financial period are set out below. |                |
| Carrying amount at start of period  | Nil            |
| Amount arising during the period  | 675            |
| Carrying amount at end of period  | <b>675</b>     |



2001  
(\$'000)**33. Taxation equivalent (cont.)***Deferred tax liabilities (see Note 2.18)*

Provision for deferred tax liabilities (10)

Reconciliations

Reconciliations of the carrying amounts of deferred income tax liabilities at the beginning and end of the current financial period are set out below.

Carrying amount at start of period Nil

Amount arising during the period (10)

Carrying amount at end of period (10)*Provision for income tax expense*

Income tax equivalent expense 2,063

Future income tax benefit equivalent 675

Provision for deferred tax equivalent (10)

2,728**34. Dividend**Requested statutory dividend 1,668**35. Remuneration and retirement benefits of Commissioners and senior officers***Remuneration of Commissioners*

The number of Commissioners whose total of fees, salaries and other benefits received, or due and receivable, for the period, fall within the following bands:

\$

5,000 - 10,000 6

10,000 - 20,000 1

7The total remuneration of the Commissioners for the financial period was: **58**Retirement benefits of Commissioners **Nil**No Commissioner is a member of the *Superannuation and Family Benefits Act* Scheme.*Remuneration of senior officers*

The number of senior officers, other than the Commissioners, whose total of fees, salaries and other benefits received, or due and receivable, for the period, fall within the following bands:

\$

50,000 - 60,000 4

80,000 - 90,000 1

5The total remuneration of senior officers for the financial period was: **308**Retirement benefits of senior officers **8**

There were no amounts in respect of retirement benefits paid or become payable to senior officers during the financial period.

No senior officers are members of the *Superannuation and Family Benefits Act* Scheme.**36. Related bodies**

The Commission had no related bodies during the financial period.



**37. Remuneration of auditor**

The total fees due and payable to the Auditor General for the financial period is as follows:

|                       |           |
|-----------------------|-----------|
| Auditing the accounts | <b>40</b> |
|-----------------------|-----------|

**38. Trust account**

The purpose of the Trust account is to hold deposits on logging contracts which are repayable on completion of the contract.

|                 |            |
|-----------------|------------|
| Opening Balance | Nil        |
| Receipts        | 123        |
| Payments        | Nil        |
| Closing Balance | <u>123</u> |

In addition to the above, an amount of \$1.176M is currently held in trust under the control of CALM which relates to current contracts in place upon the establishment of the Commission as at 16 November 2000.

**39. Supplementary information**

|   |     |
|---|-----|
| Write-offs                                      | Nil |
| Losses through theft, defaults and other causes | Nil |
| Gifts of public property                        | Nil |



## AUDITOR GENERAL'S REPORT ON THE FINANCIAL STATEMENTS

### AUDITOR GENERAL

To the Parliament of Western Australia

### FOREST PRODUCTS COMMISSION FINANCIAL STATEMENTS FOR THE PERIOD NOVEMBER 16,2000 TO JUNE 30,2001

#### Scope

I have audited the accounts and financial statements of the Forest Products Commission for the period November 16, 2000 to June 30, 2001 under the provisions of the Financial Administration and Audit Act 1985.

The Commission is responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial statements, and complying with the Act and other relevant written law. The primary responsibility for the detection, investigation and prevention of irregularities rests with the Commission.

My audit was performed in accordance with section 79 of the Act to form an opinion based on a reasonable level of assurance. The audit procedures included examining, on a test basis, the controls exercised by the Commission to ensure financial regularity in accordance with legislative provisions, evidence to provide reasonable assurance that the amounts and other disclosures in the financial statements are free of material misstatement and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions so as to present a view which is consistent with my understanding of the Commission's financial position, the results of its operations and its cash flows.

The audit opinion expressed below has been formed on the above basis.

#### Audit Opinion

In my opinion,

- (i) the controls exercised by the Forest Products Commission provide reasonable assurance that the receipt, expenditure and investment of moneys and the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions; and
- (ii) the Statement of Financial Performance, Statement of Financial Position and Statement of Cash Flows and the Notes to and forming part of the financial statements are based on proper accounts and present fairly in accordance with applicable Accounting Standards, other mandatory professional reporting requirements and the Treasurer's Instructions, the financial position of the Commission at June 30, 2001 and the results of its operations and its cash flows for the thirty three week period then ended.



K O O'Neil  
Acting Auditor General  
November 28, 2001



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## APPENDIX 1

### TRENDS IN THE AREA OF NATIVE FOREST HARVESTED

|         | Jarrah Forest | Jarrah/Wandoo Forest | Karri Forest                     |         |
|---------|---------------|----------------------|----------------------------------|---------|
|         |               |                      | Clearfelled or cut to seed trees | Thinned |
|         | ha            | ha                   | ha                               | ha      |
| 1976-77 | 32,320        | 1,170                | 2,610                            | -       |
| 1977-78 | 26,020        | 740                  | 4,450                            | -       |
| 1978-79 | 25,540        | 530                  | 2,710                            | -       |
| 1979-80 | 25,150        | 860                  | 2,110                            | 60      |
| 1980-81 | 22,930        | 1,440                | 2,080                            | 180     |
| 1981-82 | 24,680        | 610                  | 2,180                            | 320     |
| 1982-83 | 23,740        | 330                  | 990                              | 190     |
| 1983-84 | 21,540        | 580                  | 1,490                            | 260     |
| 1984-85 | 20,010        | 1,440                | 2,360                            | 500     |
| 1985-86 | 22,640        | 650                  | 1,590                            | 340     |
| 1986    | 19,340        | 1,150                | 1,090                            | 490     |
| 1987    | 17,180        | 1,380                | 1,310                            | 700     |
| 1988    | 23,400        | 490                  | 1,180                            | 840     |
| 1989    | 15,130        | 200                  | 1,510                            | 910     |
| 1990    | 12,960        | 100                  | 1,560                            | 340     |
| 1991    | 10,910        | -                    | 1,920                            | 230     |
| 1992    | 13,990        | 30                   | 1,540                            | 310     |
| 1993    | 14,250        | 40                   | 1,630                            | 80      |
| 1994    | 14,050        | 50                   | 1,440                            | -       |
| 1995    | 17,830        | 30                   | 2,410                            | -       |
| 1996    | 22,320        | 50                   | 1,300                            | 60      |
| 1997    | 18,240        | 60                   | 1,870                            | 60      |
| 1998    | 19,250        | 60                   | 1,970                            | 320     |
| 1999    | 14,200        | 50                   | 1,890                            | 360     |
| 2000    | 20,570        | 10                   | 1,310                            | 70      |



APPENDIX 2

AREA OF STATE-OWNED CONIFEROUS PLANTATIONS AS AT 31 DECEMBER 2000

| SF = Share Farm | Planting Year | FPC - OWNED    |              |                 |              |                        |              |              |             |                          |              |                 |            | FPC - MANAGED          |              |              |              |                          |     |             |  |                  |  |
|-----------------|---------------|----------------|--------------|-----------------|--------------|------------------------|--------------|--------------|-------------|--------------------------|--------------|-----------------|------------|------------------------|--------------|--------------|--------------|--------------------------|-----|-------------|--|------------------|--|
|                 |               | Pinus Radiata  |              |                 |              | Grand Cumulative Total |              |              |             | Pinaster & Other Species |              |                 |            | Grand Cumulative Total |              |              |              | Pinaster & Other Species |     | All Species |  |                  |  |
|                 |               | First Rotation |              | Replanted Areas |              |                        |              |              |             | First Rotation           |              | Replanted Areas |            |                        |              |              |              | First Rotation           |     | Year Total  |  | Cumulative Total |  |
|                 |               | STATE          |              | STATE           |              | STATE                  |              | STATE        |             | STATE                    |              | STATE           |            | STATE                  |              | STATE        |              | STATE                    |     | STATE       |  |                  |  |
| +S/F            | S/F           | +S/F           | S/F          | +S/F            | S/F          | +S/F                   | S/F          | +S/F         | S/F         | +S/F                     | S/F          | +S/F            | S/F        | +S/F                   | S/F          | +S/F         | S/F          | +S/F                     | S/F |             |  |                  |  |
| <1959           | 200           | 29             | 16           | 0               | 216          | 29                     | 3362         | 56           | 32          | 0                        | 3394         | 56              | 0          | 0                      | 3610         | 85           | 3610         | 85                       |     |             |  |                  |  |
| 1959            | 27            | 2              | 0            | 0               | 243          | 31                     | 245          | 0            | 0           | 0                        | 3639         | 56              | 0          | 0                      | 272          | 2            | 3882         | 87                       |     |             |  |                  |  |
| 1960            | 45            | 10             | 3            | 0               | 291          | 41                     | 306          | 0            | 0           | 0                        | 3945         | 56              | 0          | 0                      | 354          | 10           | 4236         | 97                       |     |             |  |                  |  |
| 1961            | 43            | 0              | 0            | 0               | 334          | 41                     | 434          | 0            | 3           | 0                        | 4382         | 56              | 0          | 0                      | 480          | 0            | 4716         | 97                       |     |             |  |                  |  |
| 1962            | 92            | 5              | 0            | 0               | 426          | 46                     | 412          | 0            | 0           | 0                        | 4794         | 56              | 0          | 0                      | 504          | 5            | 5220         | 102                      |     |             |  |                  |  |
| 1963            | 106           | 2              | 0            | 0               | 532          | 48                     | 301          | 0            | 0           | 0                        | 5095         | 56              | 0          | 0                      | 407          | 2            | 5627         | 104                      |     |             |  |                  |  |
| 1964            | 81            | 0              | 0            | 0               | 613          | 48                     | 531          | 0            | 23          | 23                       | 5649         | 79              | 0          | 0                      | 635          | 23           | 6262         | 127                      |     |             |  |                  |  |
| 1965            | 100           | 0              | 13           | 0               | 726          | 48                     | 433          | 0            | 3           | 0                        | 6085         | 79              | 0          | 0                      | 549          | 0            | 6811         | 127                      |     |             |  |                  |  |
| 1966            | 169           | 0              | 6            | 0               | 901          | 48                     | 704          | 0            | 2           | 0                        | 6791         | 79              | 0          | 0                      | 881          | 0            | 7692         | 127                      |     |             |  |                  |  |
| 1967            | 229           | 0              | 0            | 0               | 1130         | 48                     | 911          | 0            | 0           | 0                        | 7702         | 79              | 0          | 0                      | 1140         | 0            | 8832         | 127                      |     |             |  |                  |  |
| 1968            | 194           | 0              | 16           | 0               | 1340         | 48                     | 1256         | 0            | 3           | 0                        | 8961         | 79              | 0          | 0                      | 1469         | 0            | 10301        | 127                      |     |             |  |                  |  |
| 1969            | 525           | 0              | 0            | 0               | 1865         | 48                     | 1436         | 0            | 9           | 0                        | 10406        | 79              | 0          | 0                      | 1970         | 0            | 12271        | 127                      |     |             |  |                  |  |
| 1970            | 770           | 30             | 0            | 0               | 2635         | 78                     | 1191         | 1            | 19          | 0                        | 11616        | 80              | 0          | 0                      | 1980         | 31           | 14251        | 158                      |     |             |  |                  |  |
| 1971            | 848           | 15             | 1            | 0               | 3484         | 93                     | 866          | 1            | 0           | 0                        | 12482        | 81              | 0          | 0                      | 1715         | 16           | 15966        | 174                      |     |             |  |                  |  |
| 1972            | 871           | 29             | 4            | 0               | 4359         | 122                    | 668          | 0            | 0           | 0                        | 13150        | 81              | 0          | 0                      | 1543         | 29           | 17509        | 203                      |     |             |  |                  |  |
| 1973            | 1171          | 103            | 51           | 0               | 5581         | 225                    | 542          | 0            | 3           | 0                        | 13695        | 81              | 0          | 0                      | 1767         | 103          | 19276        | 306                      |     |             |  |                  |  |
| 1974            | 1364          | 197            | 2            | 0               | 6947         | 422                    | 312          | 0            | 0           | 0                        | 14007        | 81              | 0          | 0                      | 1678         | 197          | 20954        | 503                      |     |             |  |                  |  |
| 1975            | 1283          | 159            | 0            | 0               | 8230         | 581                    | 1210         | 0            | 0           | 0                        | 15217        | 81              | 0          | 0                      | 2493         | 159          | 23447        | 662                      |     |             |  |                  |  |
| 1976            | 1484          | 101            | 5            | 0               | 9719         | 682                    | 1122         | 0            | 1           | 0                        | 16340        | 81              | 0          | 0                      | 2612         | 101          | 26059        | 763                      |     |             |  |                  |  |
| 1977            | 1309          | 9              | 33           | 0               | 11061        | 691                    | 864          | 0            | 0           | 0                        | 17204        | 81              | 0          | 0                      | 2206         | 9            | 28265        | 772                      |     |             |  |                  |  |
| 1978            | 2003          | 8              | 17           | 0               | 13081        | 699                    | 495          | 0            | 0           | 0                        | 17699        | 81              | 0          | 0                      | 2515         | 8            | 30780        | 780                      |     |             |  |                  |  |
| 1979            | 1380          | 2              | 406          | 0               | 14867        | 701                    | 515          | 0            | 0           | 0                        | 18214        | 81              | 0          | 0                      | 2301         | 2            | 33081        | 782                      |     |             |  |                  |  |
| 1980            | 1505          | 0              | 0            | 0               | 16372        | 701                    | 899          | 0            | 0           | 0                        | 19113        | 81              | 0          | 0                      | 2404         | 0            | 35485        | 782                      |     |             |  |                  |  |
| 1981            | 1353          | 0              | 114          | 0               | 17839        | 701                    | 876          | 0            | 5           | 0                        | 19994        | 81              | 0          | 0                      | 2348         | 0            | 37833        | 782                      |     |             |  |                  |  |
| 1982            | 1199          | 0              | 273          | 0               | 19311        | 701                    | 463          | 0            | 5           | 0                        | 20462        | 81              | 0          | 0                      | 1940         | 0            | 39773        | 782                      |     |             |  |                  |  |
| 1983            | 1295          | 0              | 37           | 0               | 20643        | 701                    | 662          | 0            | 0           | 0                        | 21124        | 81              | 0          | 0                      | 1994         | 0            | 41767        | 782                      |     |             |  |                  |  |
| 1984            | 1823          | 0              | 3            | 0               | 22469        | 701                    | 506          | 0            | 9           | 0                        | 21639        | 81              | 0          | 0                      | 2341         | 0            | 44108        | 782                      |     |             |  |                  |  |
| 1985            | 1631          | 48             | 125          | 0               | 24225        | 749                    | 477          | 0            | 2           | 0                        | 22118        | 81              | 0          | 0                      | 2235         | 48           | 46343        | 830                      |     |             |  |                  |  |
| 1986            | 1044          | 164            | 0            | 0               | 25269        | 913                    | 481          | 0            | 0           | 0                        | 22599        | 81              | 0          | 0                      | 1525         | 164          | 47868        | 994                      |     |             |  |                  |  |
| 1987            | 1433          | 739            | 159          | 0               | 26861        | 1652                   | 663          | 0            | 38          | 38                       | 23300        | 119             | 0          | 0                      | 2293         | 777          | 50161        | 1771                     |     |             |  |                  |  |
| 1988            | 1652          | 1231           | 134          | 1               | 28647        | 2884                   | 194          | 0            | 1           | 0                        | 23495        | 119             | 0          | 0                      | 1981         | 1232         | 52142        | 3003                     |     |             |  |                  |  |
| 1989            | 973           | 419            | 461          | 32              | 30081        | 3335                   | 22           | 0            | 20          | 0                        | 23537        | 119             | 0          | 0                      | 1476         | 451          | 53618        | 3454                     |     |             |  |                  |  |
| 1990            | 882           | 740            | 356          | 0               | 31319        | 4075                   | 0            | 0            | 6           | 0                        | 23543        | 119             | 0          | 0                      | 1244         | 740          | 54862        | 4194                     |     |             |  |                  |  |
| 1991            | 1278          | 1197           | 514          | 1               | 33111        | 5273                   | 4            | 0            | 19          | 0                        | 23566        | 119             | 0          | 0                      | 1815         | 1198         | 56677        | 5392                     |     |             |  |                  |  |
| 1992            | 1788          | 1781           | 493          | 0               | 35392        | 7054                   | 118          | 118          | 345         | 0                        | 24029        | 237             | 0          | 0                      | 2744         | 1899         | 59421        | 7291                     |     |             |  |                  |  |
| 1993            | 761           | 676            | 990          | 0               | 37143        | 7730                   | 158          | 0            | 309         | 0                        | 24496        | 237             | 0          | 0                      | 2218         | 676          | 61639        | 7967                     |     |             |  |                  |  |
| 994             | 543           | 400            | 420          | 13              | 38106        | 8143                   | 0            | 0            | 424         | 0                        | 24920        | 237             | 0          | 0                      | 1387         | 413          | 63026        | 8380                     |     |             |  |                  |  |
| 1995            | 101           | 97             | 1110         | 1               | 39317        | 8241                   | 266          | 266          | 149         | 0                        | 25335        | 503             | 0          | 0                      | 1626         | 364          | 64652        | 8744                     |     |             |  |                  |  |
| 1996            | 16            | 9              | 1171         | 0               | 40504        | 8250                   | 780          | 609          | 30          | 0                        | 26145        | 1112            | 0          | 0                      | 1997         | 618          | 66649        | 9362                     |     |             |  |                  |  |
| 1997            | 3             | 0              | 1152         | 0               | 41659        | 8250                   | 1122         | 1122         | 177         | 0                        | 27444        | 2234            | 16         | 16                     | 2470         | 1138         | 69119        | 10500                    |     |             |  |                  |  |
| 1998            | 92            | 75             | 70           | 0               | 41821        | 8325                   | 1615         | 1607         | 0           | 0                        | 29059        | 3841            | 288        | 288                    | 2065         | 1970         | 71184        | 12470                    |     |             |  |                  |  |
| 1999            | 64            | 32             | 824          | 0               | 42709        | 8357                   | 2488         | 2484         | 184         | 0                        | 31731        | 6325            | 288        | 288                    | 3848         | 2804         | 75032        | 15274                    |     |             |  |                  |  |
| 2000            | 222           | 217            | 1228         | 0               | 44159        | 8574                   | 4494         | 4491         | 13          | 0                        | 36238        | 10816           | 168        | 168                    | 6125         | 4876         | 81157        | 20150                    |     |             |  |                  |  |
| <b>TOTAL</b>    | <b>33952</b>  | <b>8526</b>    | <b>10207</b> | <b>48</b>       | <b>44159</b> | <b>8574</b>            | <b>34404</b> | <b>10755</b> | <b>1834</b> | <b>61</b>                | <b>36238</b> | <b>10816</b>    | <b>760</b> | <b>760</b>             | <b>81157</b> | <b>20150</b> | <b>81157</b> | <b>20150</b>             |     |             |  |                  |  |



**APPENDIX 3**

**AREA OF STATE-MANAGED BROADLEAVED PLANTATIONS AS AT 31 DECEMBER 2000**

| SF = Share Farm | FPC - OWNED |             |             |           | FPC - MANAGED        |                 | All Species  |             |                  |             |
|-----------------|-------------|-------------|-------------|-----------|----------------------|-----------------|--------------|-------------|------------------|-------------|
|                 | E. globulus |             | Other Eucs. |           | Owned by other Govt. | Privately owned | Year Total   |             | Cumulative Total |             |
|                 | STATE +S/F  | S/F         | STATE +S/F  | S/F       | E.glob               | E.glob          | E.glob       | Other Eucs. | E.glob           | Other Eucs. |
| <1987           | 23          | 0           | 6631        | 3         | 548                  | 0               | 571          | 6631        | 571              | 6631        |
| 1987            | 0           | 0           | 24          | 0         | 43                   | 0               | 43           | 24          | 614              | 6655        |
| 1988            | 1466        | 1466        | 9           | 0         | 7                    | 0               | 1473         | 9           | 2087             | 6664        |
| 1989            | 2858        | 2841        | 2           | 0         | 24                   | 20              | 2902         | 2           | 4989             | 6666        |
| 1990            | 294         | 247         | 25          | 0         | 58                   | 152             | 504          | 25          | 5493             | 6691        |
| 1991            | 441         | 435         | 28          | 0         | 79                   | 281             | 801          | 28          | 6294             | 6719        |
| 1992            | 431         | 417         | 1           | 1         | 68                   | 638             | 1137         | 1           | 7431             | 6720        |
| 1993            | 284         | 269         | 15          | 9         | 36                   | 1368            | 1688         | 15          | 9119             | 6735        |
| 1994            | 43          | 43          | 2           | 0         | 22                   | 1923            | 1988         | 2           | 11107            | 6737        |
| 1995            | 6           | 3           | 0           | 0         | 3                    | 3536            | 3545         | 0           | 14652            | 6737        |
| 1996            | 96          | 96          | 0           | 0         | 0                    | 6232            | 6328         | 0           | 20980            | 6737        |
| 1997            | 78          | 61          | 0           | 0         | 0                    | 6519            | 6597         | 0           | 27577            | 6737        |
| 1998            | 108         | 108         | 0           | 0         | 0                    | 5349            | 5457         | 0           | 33034            | 6737        |
| 1999            | 0           | 0           | 1           | 0         | 0                    | 5797            | 5797         | 1           | 38831            | 6738        |
| 2000            | 0           | 0           | 0           | 0         | 0                    | 6125            | 6125         | 0           | 44956            | 6738        |
| <b>TOTAL</b>    | <b>6128</b> | <b>5986</b> | <b>6738</b> | <b>13</b> | <b>888</b>           | <b>37940</b>    | <b>44956</b> | <b>6738</b> | <b>44956</b>     | <b>6738</b> |



## APPENDIX 4

### FPC LOG PRODUCTION FROM CROWN LAND & PRIVATE PROPERTY 16 NOVEMBER 2000 - 31 JUNE 2001

| Type   | Crown Land     |                  | Private Property |                | Total            |                  |
|--|----------------|------------------|------------------|----------------|------------------|------------------|
|  | c.metres       | tonnes           | c.metres         | tonnes         | c.metres         | tonnes           |
| <b>SAWLOG TIMBER*</b>                              |                |                  |                  |                |                  |                  |
| Jarrah   | 260,051        | 340,540          | -                | -              | 260,051          | 340,540          |
| Karri  | 109,598        | 135,546          | -                | -              | 109,598          | 135,546          |
| Marri  | 7,477          | 9,279            | -                | -              | 7,477            | 9,279            |
| Blackbutt  | 1,005          | 1,274            | -                | -              | 1,005            | 1,274            |
| Wandoo   | 693            | 910              | -                | -              | 693              | 910              |
| Sheoak   | 1,458          | 1,458            | -                | -              | 1,458            | 1,458            |
| Other  | 525            | 690              | -                | -              | 525              | 690              |
| <b>Total Native Forest Sawlogs</b>                 | <b>380,807</b> | <b>489,697</b>   | <b>-</b>         | <b>-</b>       | <b>380,807</b>   | <b>489,697</b>   |
| Globulus   | 0              | 0                | 0                | 0              | 0                | 0                |
| Mallet   | 180            | 214              | 0                | 0              | 180              | 214              |
| <b>Total Plantation Hardwood Sawlogs</b>           | <b>180</b>     | <b>214</b>       | <b>0</b>         | <b>0</b>       | <b>180</b>       | <b>214</b>       |
| Pinaster   | 17,635         | 17,635           | 0                | 0              | 17,635           | 17,635           |
| Radiata  | 132,980        | 132,980          | 19,108           | 19,108         | 152,088          | 152,088          |
| <b>Plantation Softwood Sawlogs and veneer logs</b> | <b>150,615</b> | <b>150,615</b>   | <b>19,108</b>    | <b>19,108</b>  | <b>169,723</b>   | <b>169,723</b>   |
| <b>TOTAL SAWLOGS</b>                               | <b>531,602</b> | <b>640,526</b>   | <b>19,108</b>    | <b>19,108</b>  | <b>550,710</b>   | <b>659,634</b>   |
| <b>OTHER LOG MATERIAL</b>                          |                |                  |                  |                |                  |                  |
| <b>Native Forests</b>                              |                |                  |                  |                |                  |                  |
| Chiplogs   | 211,053        | 259,165          | -                | -              | 211,053          | 259,165          |
| Firewood/charcoal logs                             | 71,495         | 77,672           | -                | -              | 71,495           | 77,672           |
| Sandalwood   | 1,013          | 1,013            | -                | -              | 1,013            | 1,013            |
| other **   | 8,989          | 10,811           | -                | -              | 8,989            | 10,811           |
| <b>Sub-total Native Forest Other</b>               | <b>292,550</b> | <b>348,661</b>   | <b>-</b>         | <b>-</b>       | <b>292,550</b>   | <b>348,661</b>   |
| <b>Plantation Hardwood</b>                         |                |                  |                  |                |                  |                  |
| Chiplogs***  | 0              | 0                | 121,537          | 143,606        | 121,537          | 143,606          |
| Firewood/charcoal logs                             | 296            | 296              | 0                | 0              | 296              | 296              |
| other **   | 16             | 19               | 0                | 0              | 16               | 19               |
| <b>Sub-total Hardwood Plantation Other</b>         | <b>312</b>     | <b>315</b>       | <b>121,537</b>   | <b>143,606</b> | <b>121,849</b>   | <b>143,921</b>   |
| <b>Plantation Softwood</b>                         |                |                  |                  |                |                  |                  |
| Industrial wood                                    | 98,869         | 98,926           | 10,059           | 10,059         | 108,928          | 108,985          |
| Woodchips  | 37,150         | 37,402           | 5,247            | 4,565          | 42,397           | 41,967           |
| Other  | 4,812          | 4,812            | 0                | 0              | 4,812            | 4,812            |
| Pine rounds  | 9,781          | 9,781            | 0                | 0              | 9,781            | 9,781            |
| <b>Sub-total Plantation Softwood Other</b>         | <b>150,612</b> | <b>150,921</b>   | <b>15,306</b>    | <b>14,624</b>  | <b>165,918</b>   | <b>165,545</b>   |
| <b>Total Other Material</b>                        | <b>443,474</b> | <b>499,897</b>   | <b>136,843</b>   | <b>158,230</b> | <b>580,317</b>   | <b>658,127</b>   |
| <b>TOTAL LOG TIMBER</b>                            | <b>975,076</b> | <b>1,140,423</b> | <b>155,951</b>   | <b>177,338</b> | <b>1,131,027</b> | <b>1,317,761</b> |

\* Sawlog timber from all sources, including veneer, but not including chiplogs, particle board, industrial wood, firewood, fencing material, poles, piles and minor forest products.

\*\* includes poles, bridge timbers, burls, chopping logs, mining timber, pegging logs and fencing material.

\*\*\* includes woodchips.

Note: includes logs from Crown land sold under Minor Production Contracts.

## APPENDIX 5

## FPC/CALM COMBINED LOG PRODUCTION FROM CROWN LAND &amp; PRIVATE PROPERTY 2000-2001

| Type   | Crown Land       |                  | Private Property |                | Total            |                  |
|--|------------------|------------------|------------------|----------------|------------------|------------------|
|  | c.metres         | tonnes           | c.metres         | tonnes         | c.metres         | tonnes           |
| <b>SAWLOG TIMBER*</b>                              |                  |                  |                  |                |                  |                  |
| Jarrah   | 344,551          | 451,286          | -                | -              | 344,551          | 451,286          |
| Karri  | 158,624          | 196,011          | -                | -              | 158,624          | 196,011          |
| Marri  | 10,349           | 12,840           | -                | -              | 10,349           | 12,840           |
| Blackbutt  | 1,287            | 1,623            | -                | -              | 1,287            | 1,623            |
| Wandoo   | 698              | 917              | -                | -              | 698              | 917              |
| Sheoa  | 2,702            | 2,702            | -                | -              | 2,702            | 2,702            |
| Other  | 525              | 690              | -                | -              | 525              | 690              |
| <b>Total Native Forest Sawlogs</b>                 | <b>518,736</b>   | <b>666,069</b>   | <b>-</b>         | <b>-</b>       | <b>518,736</b>   | <b>666,069</b>   |
| Globulus   | 0                | 0                | 27               | 32             | 27               | 32               |
| Mallet   | 314              | 374              | 0                | 0              | 314              | 374              |
| <b>Total Plantation Hardwood Sawlogs</b>           | <b>314</b>       | <b>374</b>       | <b>27</b>        | <b>32</b>      | <b>341</b>       | <b>406</b>       |
| Pinaster   | 29,662           | 29,662           | 0                | 0              | 29,662           | 29,662           |
| Radiata  | 236,876          | 236,876          | 22,972           | 22,972         | 259,848          | 259,848          |
| <b>Plantation Softwood Sawlogs and veneer logs</b> | <b>266,538</b>   | <b>266,538</b>   | <b>22,972</b>    | <b>22,972</b>  | <b>289,510</b>   | <b>289,510</b>   |
| <b>TOTAL SAWLOGS</b>                               | <b>785,588</b>   | <b>932,981</b>   | <b>22,999</b>    | <b>23,004</b>  | <b>808,587</b>   | <b>955,985</b>   |
| <b>OTHER LOG MATERIAL</b>                          |                  |                  |                  |                |                  |                  |
| <b>Native Forest</b>                               |                  |                  |                  |                |                  |                  |
| Chiplogs   | 345,666          | 424,779          | -                | -              | 345,666          | 424,779          |
| Firewood/charcoal logs                             | 128,209          | 142,010          | -                | -              | 128,209          | 142,010          |
| Sandalwood   | 1,823            | 1,823            | -                | -              | 1,823            | 1,823            |
| Other **   | 16,700           | 20,089           | -                | -              | 16,700           | 20,089           |
| <b>Sub-total Native Forest Other</b>               | <b>492,398</b>   | <b>588,701</b>   | <b>-</b>         | <b>-</b>       | <b>492,398</b>   | <b>588,701</b>   |
| <b>Plantation Hardwood</b>                         |                  |                  |                  |                |                  |                  |
| Chiplogs***  | 0                | 0                | 199,389          | 234,932        | 199,389          | 234,932          |
| Firewood/charcoal logs                             | 645              | 645              | 0                | 0              | 645              | 645              |
| Other **   | 27               | 32               | 0                | 0              | 27               | 32               |
| <b>Sub-total Hardwood Plantation Other</b>         | <b>672</b>       | <b>677</b>       | <b>199,389</b>   | <b>234,932</b> | <b>200,061</b>   | <b>235,609</b>   |
| <b>Plantation Softwood</b>                         |                  |                  |                  |                |                  |                  |
| Industrial wood                                    | 167,713          | 167,770          | 13,742           | 13,742         | 181,455          | 181,512          |
| Woodchips  | 65,387           | 65,448           | 7,801            | 6,787          | 73,188           | 72,235           |
| Other  | 8,988            | 8,988            | 0                | 0              | 8,988            | 8,988            |
| Pine rounds  | 14,963           | 14,963           | 0                | 0              | 14,963           | 14,963           |
| <b>Sub-total Plantation Softwood Other</b>         | <b>257,051</b>   | <b>257,169</b>   | <b>21,543</b>    | <b>20,529</b>  | <b>278,594</b>   | <b>277,698</b>   |
| <b>Total Other Material</b>                        | <b>750,121</b>   | <b>846,547</b>   | <b>220,932</b>   | <b>255,461</b> | <b>971,053</b>   | <b>1,102,008</b> |
| <b>TOTAL LOG TIMBER</b>                            | <b>1,535,709</b> | <b>1,779,528</b> | <b>243,931</b>   | <b>278,465</b> | <b>1,779,640</b> | <b>2,057,993</b> |

\* Sawlog timber from all sources, including veneer, but not including chiplogs, particle board, industrial wood, firewood, fencing material, poles, piles and minor forest products.

\*\* includes poles, bridge timbers, burls, chopping logs, mining timber, pegging logs and fencing material.

\*\*\* includes woodchips.

Note: includes logs from Crown land sold under Minor Production Contracts.

Note: The period includes 5 months when the FPC was part of CALM.



## APPENDIX 6

### NATIVE FOREST SAWLOG PRODUCTION BY FPC/CALM COMBINED 2000-2001

| Product type  | High Quality<br>m3 | 1st & 2nd<br>Sawlogs<br>m3 | Bole<br>Log<br>m3 | Other<br>Sawlogs<br>m3 | TOTAL<br>m3    |
|---------------|--------------------|----------------------------|-------------------|------------------------|----------------|
| Jarrah        | 5,761              | 314,233                    | 1,162             | 23,395                 | 344,551        |
| Karri         | 1,038              | 143,961                    | 0                 | 13,625                 | 158,624        |
| Marri         | 74                 | -                          | -                 | 10,275                 | 10,349         |
| Other Species | 1,838              | 1,527                      | 19                | 1,828                  | 5,212          |
| <b>Total</b>  | <b>8,711</b>       | <b>459,721</b>             | <b>1,181</b>      | <b>49,123</b>          | <b>518,736</b> |
|               | Tonnes             | Tonnes                     | Tonnes            | Tonnes                 | Tonnes         |
| Jarrah        | 7,533              | 413,215                    | 1,528             | 29,010                 | 451,286        |
| Karri         | 1,287              | 177,829                    | 0                 | 16,895                 | 196,011        |
| Marri         | 98                 | -                          | -                 | 12,742                 | 12,840         |
| Other Species | 1,917              | 2,006                      | 25                | 1,984                  | 5,932          |
| <b>Total</b>  | <b>10,835</b>      | <b>593,050</b>             | <b>1,553</b>      | <b>60,631</b>          | <b>666,069</b> |

\* Includes logs from Crown Land sold under Minor Production Contracts

## APPENDIX 7

### NATIVE FOREST CHIPLOG PRODUCTION BY FPC/CALM COMBINED 2000-2001

|              | Crown land 1998-99 |                | Crown land 1999-00 |                | Crown land 2000-01 |                |
|--------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|
|              | (m3)               | (tonnes)       | (m3)               | (tonnes)       | (m3)               | (tonnes)       |
| Marri        | 317,596            | 391,108        | 319,259            | 394,197        | 258,119            | 318,860        |
| Karri        | 197,005            | 237,109        | 127,063            | 154,131        | 87,547             | 105,919        |
| Other        | 27                 | 33             | 0                  | 0              | -                  | -              |
| <b>Total</b> | <b>514,628</b>     | <b>628,250</b> | <b>446,322</b>     | <b>548,328</b> | <b>345,666</b>     | <b>424,779</b> |

## APPENDIX 8

### NATIVE FOREST FUELWOOD PRODUCTION BY FPC/CALM COMBINED 2000-2001

| Log Type      | 1998-99<br>(tonnes) | 1999-00<br>(tonnes) | 2000-01<br>(tonnes) |
|---------------|---------------------|---------------------|---------------------|
| Firewood logs | 56,085              | 51,853              | 49,002              |
| Charcoal logs | 68,433              | 149,485             | 93,008              |
| <b>TOTAL</b>  | <b>124,518</b>      | <b>201,338</b>      | <b>142,010</b>      |

## APPENDIX 9

### SANDALWOOD PRODUCTION BY FPC/CALM COMBINED FROM CROWN LAND 2000-2001

| Type         | 1998-99<br>(tonnes) | 1999-00<br>(tonnes) | 2000-01<br>(tonnes) |
|--------------|---------------------|---------------------|---------------------|
| Green        | 807                 | 699                 | 1,020               |
| Dead         | 923                 | 691                 | 763                 |
| Bark         | -                   | -                   | 40                  |
| <b>Total</b> | <b>1,730</b>        | <b>1,390</b>        | <b>1,823</b>        |