FIAC Secretariat
Forestry Branch
Department of Agriculture
GPO Box 858
Canberra ACT 2601

May 20, 2015

The Timber Merchants Association responses to the questions requested by FIAC are provided below. Should you require clarification please do not hesitate in contacting us.

(Please note questions answered NFI= Need further information)

Vision and Objectives:

1. What should the vision be for the forest products sector in the coming decades?

The vision for the industry should be all encompassing and all embracing. When forest products sector is referred to it should reference the entire supply chain, not just the trees.

The forest sector vision must recognise the social, economic and environmental benefits of timber and timber products along the supply chain in words and action. Go beyond the trees. Demonstrate the contribution to society, the economy and the environment in a way that builds advocacy through a call to action by demonstrating that the industry is a leader in the environmental debate, is able to resolve many economic issues through product advancement and innovation, and is a responsible part of the social fabric of the community.

2. What specific objectives should underpin this vision?
   a. Communicate:
      i. Go beyond the trees and the products the sawmillers produce. Think in terms of community, economy and environment.
      ii. Engage the supply chain and users by creating a call to action- recognise that customers have the strongest voices.
      iii. Talk like progressive environmentalists (importantly stop talking like apprehensive business people)
   b. Innovate:
      i. Adopt a mindset of innovation versus replication, look at Australia's needs as a direction for product opportunities and stop outsourcing our solutions with

products that just don't match what we need(oddly solve many of Australia's needs and you solve problems with Global impact).

   ii. Innovate aggressively through collaboration with and active listening to the supply chain (innovation does not always have an obvious economic benefit – the more collaboration the more tuned the innovation becomes.

c. Train:
   i. Encourage a mindset of training and development along the supply chain so that product knowledge is better than what the consumer can gain from the internet

d. Engage:
   i. The supply chain is often left out of all aspects of the development and delivery of timber products, engage the supply chain and incorporated the voice of the customer in the dynamism of the industry.

Market trends and Pressures:

3. What forest products does Australia have a local and/or international competitive advantage in producing?

Those products that solve local problems and local issues in the way our built environment responds to our natural environment. If we find solutions to the built environment that are environmentally friendly, in one of the worlds more hostile environments we can take up a leadership position in a number of significant markets.

4. What is the potential demand for forest products in the coming decades?

Enormous; regardless of whether it is imported or locally produced.

5. How can Australia best position itself for this demand both nationally and internationally?

Develop unique solutions to the Australian environment and take a leadership position on issues such as energy, water, reuse/recycle, affordability. Use our unique environment to create products that operate across climactic boundaries and provide solutions that confront the planet.

Stop trying to be smart (in a cynical way) be clever about the solutions and find ways to provide solutions that address for example:

- Affordable Housing in cyclonic regions of the world
    - Housing that is effective in earthquake regions.
    - Low cost housing to the millions in undeveloped countries
- High cost structures that
    - have low energy and water usage

- That can create a built environment that is suitable for humans as well as other species (lets stop pushing nature away from us!)

- That enable the society to be less wasteful and more productive with its resources.

6. What are the drivers or disruptions that will potentially affect supply and/or demand?
    a. A key disruptor to the industry is the pervading thinking that its all about the money. This does not resonate well with the community. The forests are seen as a public asset and a major contributor to resolving issues regarding global warming, so the focus must be on:
        i. Social value and return
        ii. Environmental value and return.
        iii. Community contributions
    b. Think of value and contribution first.
    c. Drivers – if you are the environmentalists – talk like environmentalists.

Emerging uses and markets

7. Which emerging forest products have the greatest potential for Australia?
    a. Those products that address the issues highlighted in question 5.
    b. The supply chain needs more information on the emerging forest products to comment. Particularly for engineered products such as beams and the use of hardwood fibre for stronger performing
8. What are some of the barriers to the development and/or uptake of these emerging forest products in Australia?
    a. The supply chain needs more information on the emerging forest products to comment.
    b. See question 6.
9. What opportunities exist to better utilise wood resources?
    a. See question 5
10. NFI
11. NFI
12. NFI

Innovation, research and development:

13. What are the future research and development needs for Australia's forest products sector, and which of these needs are specific to strengths and opportunities in the Australian context?

Just to reiterate:

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14. **What are the current inhibitors to private sector investment in research, development and extension, and what role if any, does the Australian Government potentially have in addressing these?**
    a. Inhibitors include:
        i. Lack of an innovation mindset with the companies (fear of cannibalisation of existing product lines prohibits true innovation)
        ii. Risk aversion by the potential investors – the Australian culture of and expected reward pervades the ability to excite anyone on the process of ideation.
        iii. Everyone wants to be a star and get the big rewards without the desire to do the true work of innovation (within the industry)
        iv. Lack of engagement with the market in the process of innovation – many innovations are undertaken independent of the supply and customer chains and miss the opportunity to gain powerful insights in the ideation phases.
        v. A copyist mentality (this is what has worked overseas) as opposed to the solve the problem mindset.
    b. Governments role:
        i. Provide real tax incentives to companies undertaking Research. The current tax regime does reward the development side of R&D somewhat but does not give enough rewards to encourage businesses to really invest in opportunities and new product directions.
        ii. Provide consistent grant funding for innovations and developments, let companies be more involved in the process give more incentive to be part of the process.

15. How can the framework for coordinating Australian Forestry research and development be strengthened?
    i. NFI

Consumer and Community Engagement:

16. How can domestic and international consumers be better engaged on the environmental, economic and social credentials of Australian Forest Products.
    a. Actually consumers really don't care about Forest products, or certification (we have had years of working direct with the consumer – it rarely if ever is raised). Generally, consumers assume that what they see in stores is responsibly obtained. They do care about the item they are purchasing e.g furniture, cabinetry, flooring and they again assume it is responsibly obtained. What does not exist in the Australian forest products sector is a message of value and performance and how that makes a better more environmental product. If you want to engage the consumer, engage with them at the point of interest, and give them a call to action.
    b. Go beyond the "nice message" ask the consumer to do something.
    c. International customers love Australia (they really do), but we have a poor customer service and supply approach, we put the money first not the value and then we don't deliver. From flooring to timber products we fail to see the opportunity generated by strong customer engagement and commoditise our thinking much too early.
17. How important are consumer awareness programs to the future prosperity of the sector.
    a. They are not important at all. Feel good messages about the forest doing good things don't work. Why? Because the customer isn't asked to confirm their support with a purchase or engagement. Get the customer engaged in the product by building a true value proposition and you will see that engagement strategies are much more effective. The customer needs a call to action, they don't change perceptions or ideas until they are actually asked to do something.
    b. Prosperity is a consequence of doing the right thing and being recognised for it. Forget trying to be prosperous, focus on being of value then prosperity will come.
18. Can Forest Certification be better leveraged to achieve stronger demand and better prices for Australian forest products and if so how?
    a. Certification is an expectation of the product, it will not increase prices or demand, service and value will.
19. NFI
20. NFI
21. NFI
22. NFI
23. NFI

Industry skills and training

24. **What are the skills and training needs of the sector over the coming decades, and where are the vocational gaps?**
    a. Needed skills:
        i. product and application training that allows the distribution chain to better engage the customers and product users. Merchandising and Commercial training.
        ii. Consumer engagement training – knowing how to work with the consumer to obtain innovation and application opportunities.
        iii. Technology engagement:
            1. Bar Coding: being able to track every piece of timber even after its been cut!
            2. Inventory management and control: making it easier.
            3. Using technology to understand consumer behaviours.
            4. Understanding the effects of information mobility
        iv. Trades engagement: knowing what they are doing that impacts the use of the timber industry products.
        v. Being a lot more sophisticated about the products value and service.
    b. Gaps: all of the above are still very rudimentary for the supply chain and ad hoc at best. Most of the needed skills are not on any of the training horizons at this juncture.
25. **Are VET and University training providers well positioned to meet the further skills and training needs of the sector?**
    a. NO.
    b. The providers do have the skill sets themselves to adequately meet the needs of the sector at all levels of the supply and demand chains.
26. **What improvements are required at an enterprise level to support the recruitment, development and retention of the sector's current and future workforce?**
    a. Make applicable training available (for instance a diploma course for merchandising).
    b. Help businesses understand the value of employee training and the importance to profitability.
    c. Help with efficiencies and the overall value proposition so that the work force can be rewarded in a profitable manner so that we are no longer the "choice of last resort".