

DPI Forestry Yearbook

for the financial year
1997-98

About DPI Forestry

DPI Forestry is a commercial business group of the Queensland Department of Primary Industries.

Our Vision

DPI Forestry is a profitable, reliable and internationally-recognised supplier of quality products from sustainably-managed forests and scientifically-based expertise in tropical and subtropical forest management.

Our Mission

DPI Forestry manages State-owned forest and quarry material resources to earn commercial returns, having regard to the Queensland Government's environmental and other relevant policies.

Our Values

- Responsibility to customers
- Responsibility to the environment
- Commitment to market-based processes
- Support for the forest industries
- Commitment to timber as a construction material
- Commitment to benchmarked best practice
- Commitment to staff

About this Yearbook

The *DPI Forestry 1997-98 Yearbook* is produced in accordance with DPI Forestry's *Commercialisation Charter*. It reports DPI Forestry's commercial performance and the performance of its core business segments for 1997-98. The Yearbook augments the DPI Forestry financial and non-financial information published in the *Department of Primary Industries 1997-98 Annual Report*, with additional information and statistics for the benefit of the forest and timber industry, government departments and agencies, community stakeholders, the people of Queensland and other interested parties.

Copies of the *DPI Forestry 1997-98 Yearbook* can be obtained by contacting DPI Forestry Corporate Affairs, telephone (07) 3225 2617.



DPI Forestry Yearbook

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DPI Forestry

Achievements

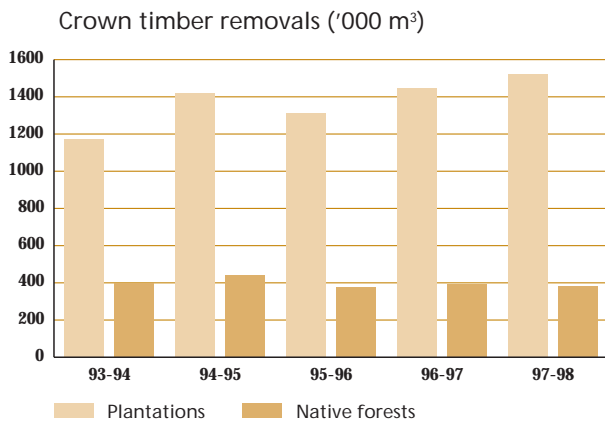
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- | | |
|--|---|
| <ul style="list-style-type: none">• Earnings before interest, tax and timber revaluation of \$13.8m and a profit margin on sales of 16%.• Returns to the State Government of \$19m in dividend, tax and tax equivalents, interest and loan repayments.• Sales of standing plantation and native forest timber of 1.9m m³.• A total of 4237 ha of plantation established, including 360 ha through joint ventures with private landholders.• Extension of the new state-of-the-art container nursery at Beerburum completed.• A three-year Enterprise Agreement negotiated, built around continuous improvement of work processes and productivity.• An enhanced market-linked cypress sawlog pricing system implemented, in consultation with the timber industry.• Development of an Environmental Management System progressed, to achieve independent certification to ISO 14001 by 2000. | <ul style="list-style-type: none">• Timber supplies to native forest sawmillers in the South East Queensland Regional Forest Agreement region maintained, in accordance with the Interim Forest Management Agreement.• A 90-page full-colour <i>Overview of the Queensland Forest Industry</i> published, to enhance community awareness of the industry's nature and scope and its significant contribution to the Queensland economy.• A Forest Industry Strategy to provide a long-term vision for Queensland's forest industry progressed collaboratively with industry.• Innovative technologies, to enhance the cost-effectiveness of timber processing and use, developed through cooperative research and development projects.• Tree residue retention procedures implemented on most plantation re-establishment sites to minimise soil movement and to retain soil nutrients.• A 47% reduction in the assessed workers compensation premium for 1998-99, as a result of a continued focus on employee safety. |
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Performance Summary

Table 1. Summary of financial performance

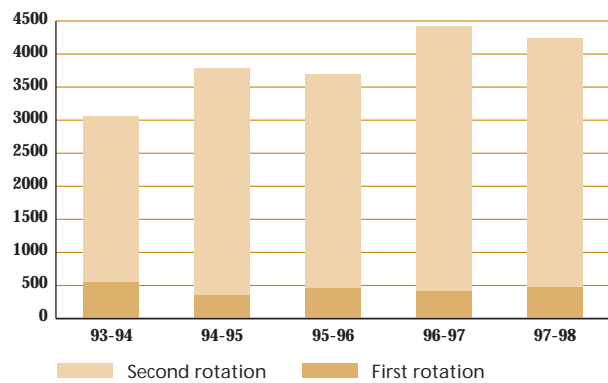
	1995-96	1996-97	1997-98
Operating revenue	\$85m	\$86m	\$84.5m
Earnings before interest, tax and timber revaluation (EBITR)	\$17.6m	\$16.9m	\$13.8m
Profit after tax	\$9.3m	\$7.8m	\$5.5m
Profit after tax and timber revaluation	\$96.5m	\$65.1m	(\$10.1m)*
Profit (EBITR) margin on sales	20.7%	19.6%	16.3%
Return on assets	10%	6.5%	(12.3%)*
Dividend	\$9m	\$5.1m	\$3.9m
Interest on borrowings	\$8.3m	\$9m	\$8.2m
Interest cover ratio	2.1	1.9	1.7
Current ratio	1.3	1.1	1.2
Revenue per employee (full-time equivalents)	\$89,771	\$89,062	\$89,262

*Reflects a net reduction in the value of plantation growing timber, owing to temporary price discounts on hoop pine sales to enhance industry competitiveness.



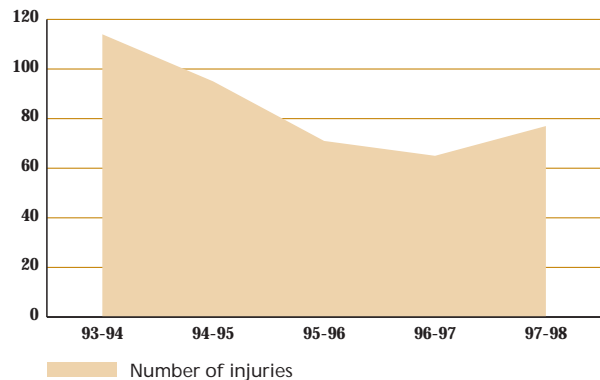
Note: Shows removals of standing timber from forests - excludes additional sales of fire-salvaged timber from the Beerbrum log store.

DPI Forestry plantation establishment (hectares)

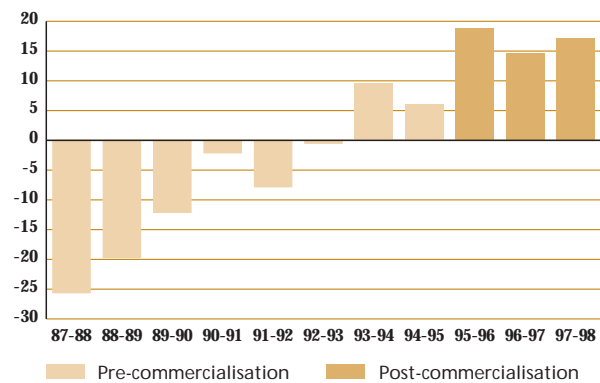


Note: Includes joint ventures.

Employee safety - lost time injuries



Net cash flow from Crown forest production (\$m)



Note: DPI Forestry established as a commercialised entity on 1 July 1995.

Executive Director's Report

Future directions for the forest industry were a key focus of activity during the year, with DPI Forestry working closely with industry to foster increased competitiveness, efficiency and environmental integrity.

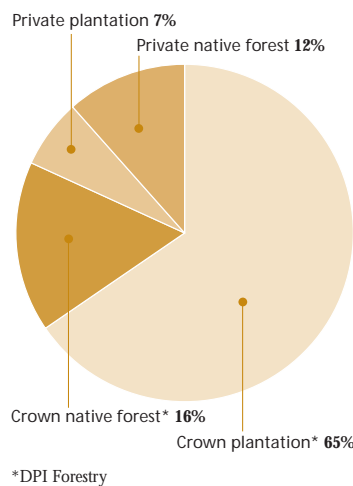
As Queensland's main forest grower, DPI Forestry supplies 80% of the log timber used each year by Queensland's forest industry - an industry that directly contributes more than \$1.7 billion annually to the State's economy and that plays a major role in sustaining local businesses and communities in many regional centres.

During 1997-98, DPI Forestry continued to work closely with industry and other community stakeholders to foster the industry's sustainable development and increased competitiveness, and to enhance the efficiency and environmental integrity of its own operations.

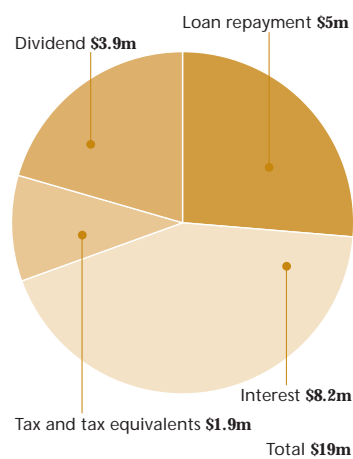
Future directions for the forest industry were a key focus of activity, with the Queensland launch of 'Plantations for Australia: The 2020 Vision', a Federal, State and Territory government agreement to treble Australia's plantation area by the year 2020. DPI Forestry continued to work towards this goal through joint-venture plantation-establishment projects with private landholders and through further progress in establishing secure harvest rights and tradeable timber titles for private forest growers.

During the year, DPI Forestry also worked with other forest and timber industry players in developing a Forest Industry Strategy for a clear, long-term vision for the

Timber production by Queensland forest growers 1997-98



Returns to the State from commercial operations



industry. In addition, a comprehensive report entitled *An Overview of the Queensland Forest Industry* was published, in collaboration with the industry to foster community awareness of the structure, scope and economic significance of Queensland's forest industry.

Difficult market conditions and increased competitive pressures were experienced in a number of industry sectors, despite some modest improvement in dwelling construction and demand for timber. The improvement in Queensland's building industry was significantly slower than for Australia as a whole, owing to a lingering oversupply of dwellings from the 1994 boom and lower migration into the State. Increased competitive pressures were also experienced in Queensland's timber market with the onset of the Asian economic crisis, which has dramatically reduced demand in Asia for some timber products and exports from Pacific Rim countries.

DPI Forestry's operating profit (earnings before interest, tax and timber revaluation) for 1997-98 was down 18% to \$13.8m, equating to a profit margin on sales of more than 16%. Notwithstanding this, DPI Forestry is expecting to return a healthy \$19m to the State in dividend, interest, loan repayments, tax and tax equivalents from the year's trading.

This profit result followed lower-than-expected sales revenue, mainly in the plantations and quarries business segments. Plantation timber sales, which generate more than 70% of business revenues, were down \$2m on the 1996-97 figure.

Effective cost-control measures, with costs for the year coming in at \$2.2m under budget, helped limit the effects of the revenue shortfall. Nevertheless, cost control has proved difficult under the current commercialisation mandate, owing to the need to fulfil a wide range of public-sector reporting requirements and administrative processes, to use public-sector service providers and to meet various non-commercial obligations from commercial revenues.

Increased competition from imported radiata pine in traditional hoop pine markets for mouldings, furniture timber and boards has significantly challenged Queensland's hoop pine processing industry. To help restore industry competitiveness, DPI Forestry agreed to substantial short-term price discounts and changed utilisation standards for its plantation hoop pine resource. In addition, DPI Forestry will be undertaking a joint marketing and research and development program with the industry to restore and enhance hoop pine's position at the premium end of the market. These hoop pine discounts resulted in a net reduction of \$160m in the value of the Crown plantation estate. At year's end, the plantation estate was valued at \$931m.

Under a re-financing arrangement with the Queensland Treasury Corporation, \$29m of long-term loans were bought out and consolidated with existing QTC borrowings on improved terms and conditions. This will save more than \$2m a year in debt servicing outlays. The loans, which related to monies provided by the Commonwealth of Australia under the Softwood Forestry Agreement Acts to establish softwood plantations more than two decades ago, had been transferred to DPI Forestry on its commercialisation.

To improve the quality and competitiveness of Queensland timber products, DPI Forestry is pursuing cooperative scientific research and development projects through its Queensland Forestry Research Institute (QFRI), a world leader in tropical and subtropical forest research. One project with the Forest and Wood Products Research and Development Corporation, the energy industry and the University of Technology Sydney is generating comprehensive structural design data for wood poles. A specially-developed portable rig is testing the strength of timber poles up to 12 m long. The

knowledge gained from this work is expected to reduce the whole-of-life costs of timber poles for users such as the electricity industry, help increase the product's competitiveness against steel and concrete substitutes, and expand export markets.

DPI Forestry is also on track to improve productivity in its south-east Queensland exotic pine plantations through a fully clonal stock planting program by 2002. Results from QFRI-managed clonal test sites and from operational plantings have shown good growth and excellent form from the cloned trees. This promises significantly improved profitability for timber processors and DPI Forestry through faster tree growth and better log quality and uniformity.

During the year, State Cabinet also endorsed a conditional offer to sell about 700 000 m³ of timber from plantations in the Ingham-Cardwell area to a local timber processing company. Subject to the company meeting performance requirements, the venture will result in a \$15m softwood sawmill being built in Ingham and will generate significant economic and social benefits for regional communities.

DPI Forestry continued to pursue initiatives under the National Competition Policy and the National Forest Policy Statement, to which Queensland is a signatory. In December 1997, following a joint review with industry, DPI Forestry implemented a new cypress sawlog pricing system which sets base prices that better reflect the value of the resource and the costs to DPI Forestry of its sustainable management.

Continued trials of a market-linked plantation price indexing system, mainly for large final-crop exotic pine sales, proceeded successfully. The system replaces the application of changes in the Consumer Price Index to timber prices with an index linked to actual market prices and related market factors for timber products. An assessment of the system's potential for application to native forest sawlog sales was also initiated.

DPI Forestry also contributed as a stakeholder to ongoing Department of Natural Resources-managed processes to develop a 20-year Regional Forest Agreement (RFA) between the State and Commonwealth governments for managing Crown native forests in south-east Queensland. The two governments signed an Interim Forest Management Agreement to ensure options for a nature conservation system were protected, pending the RFA's development.

In line with a State Government commitment to ensure no job losses and forced mill closures,

DPI Forestry maintained timber supplies to affected sawmills within the south-east Queensland RFA region, consistent with the Interim Forest Management Agreement. DPI Forestry also participated actively in related consultations with the timber industry and other stakeholders concerning future timber resource supply options and scenarios.

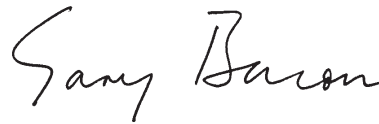
For the first time, DPI Forestry now has its own commercially-focused Enterprise Agreement separate from 'core' public sector arrangements. The three-year agreement, ratified during the year, provides an important vehicle for DPI Forestry to implement key commercial initiatives of its Business Plan. Based on processes of benchmarking and continuous improvement, the agreement establishes consultative arrangements with staff to implement more commercially-oriented employment conditions and achieve major productivity improvements worth \$10.6m across all areas.

Under the agreement, DPI Forestry will also foster a commercial customer service culture and ensure its Environmental Management System is developed to a standard suitable for independent certification to ISO 14001 standard by 2000, thereby enabling timber processing customers to seek eco-labelling of their products.

It is pleasing to note that DPI Forestry's sustained good employee safety record has been recognised by a 47% reduction in the assessed workers compensation premium for 1998-99. Work will continue to further enhance employee safety and wellbeing, including trialling of a staff Wellness Program under DPI Forestry's Enterprise Agreement.

The contribution of staff in developing and implementing improvement plans under the Enterprise Agreement exemplified the high level of commitment they have shown in improving DPI Forestry's operations in all areas. I extend my deep appreciation to all staff for their continued loyalty and dedication.

In 1998-99 and beyond, DPI Forestry will continue to work closely with customers and other stakeholders to improve industry competitiveness and position Queensland's forest industry for increased profitability and growth into the 21st century.



Gary Bacon, Executive Director

DPI Forestry in Profile

In 1997-98, DPI Forestry harvested 1.5m m³ of plantation timber and 381 000 m³ of native forest timber and continued its research and development activities to ensure the ongoing success of its forest production program.

Commercialisation

Established as a commercial business group of the Department of Primary Industries on 1 July 1995, DPI Forestry's business goal is to 'maximise the market value of its assets while observing all regulatory (including environmental) requirements to which it is subject'.

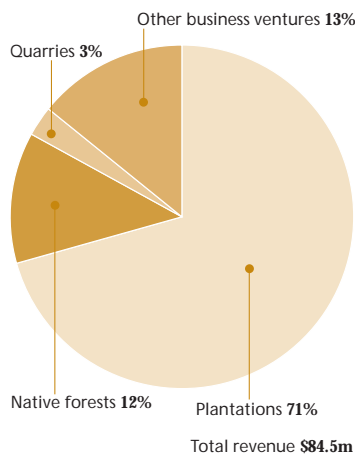
DPI Forestry's assets are vested in the Primary Industries Corporation, under the Minister for Primary Industries' control. The State Government, as DPI Forestry's sole 'shareholder', is entitled to an annual dividend from earnings on these assets. To ensure competitive neutrality with the private sector, DPI Forestry is also required to pay income and other taxes under Queensland's Tax Equivalents Regime.

Core business

DPI Forestry's core business segments comprise four major areas:

- establishing, managing and marketing the State's plantations;
- managing and marketing production activities in State-owned native forests;
- managing and marketing quarry materials on State-owned lands; and
- managing and marketing intellectual property generated by forest research and development activities.

Revenue contributions of business segments



Plantations

DPI Forestry's plantation estate, covering more than 177 000 ha, is the second largest in Australia. Just over 1.5m m³ of timber was harvested from these plantations in 1997-98, enough to build 100 000 average-sized homes.

Almost 90% of Queensland's plantation forests are in the State's south-east, with the largest concentration in the Gympie-Beerburum areas within 200 km of Brisbane. Almost all of Queensland's State-owned plantations are softwood

based, the major species being:

- slash pine (*Pinus elliotti*) - an exotic species grown in the coastal lowlands between the New South Wales border and Maryborough, accounting for about 27% of DPI Forestry's total softwood resource;
- Caribbean pine (*Pinus Caribaea*) - also an exotic species predominantly grown in coastal north and central Queensland, constituting 31% of the resource; and
- native species, mainly hoop pine (*Araucaria cunninghamii*) and small pockets of eucalypts such as Gympie messmate (*Eucalyptus cloeziana*), making up a further 27% of the resource.

Future exotic pine plantings will comprise an increasing proportion of genetically-engineered trees possessing the best attributes of slash and Caribbean pine. Hybrids and other exotic species make up the remaining 15% of the resource.

Most plantation timber is sold under 10- to 20-year contracts through competitive proposition, with the remaining timber sold by short-term sales. Harvesting is predominantly done on a clear-fall basis at the end of a 30- to 45-year rotation, although significant volumes of thinnings are provided to roundwood and board producers in the early rotation years.

Native forests

DPI Forestry produces more than half of Queensland's annual native forest wood supplies, amounting to about 381 000 m³ of timber in 1997-98. Eucalypts and cypress pine are the dominant commercial timber species. Unlike most other Australian States, a large proportion (83%) of native forest removals in Queensland are sawlogs. The remaining timber is used for fencing material, railway sleepers and poles, fuelwood and roundwood.

Operations in native forests are conducted according to strict environmental guidelines and codes of practice. Timber removals from native forests are determined by a system of allocations and are conducted using selective harvesting. These measures are aimed at maintaining sustainable production levels. On average, DPI Forestry removes as few as eight trees a hectare every 30 years from the State's native forests.

Quarries

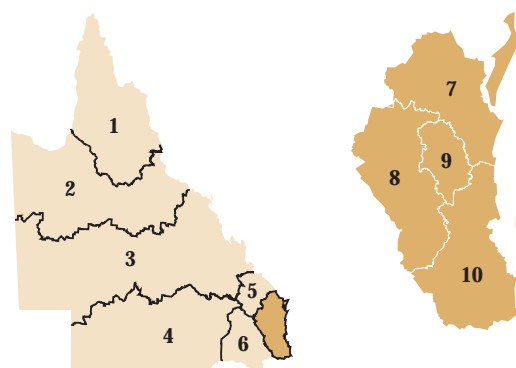
DPI Forestry is responsible for managing and marketing quarry materials on State-owned lands. It provides about 8% of Queensland's total quarry material supplies.

Research and development

Queensland Forestry Research Institute (QFRI) research and development underpin the ongoing success of DPI Forestry's forest production program.

QFRI is an acknowledged leader in tropical and subtropical forest research. It is involved in research projects around the world and is committed to providing high-quality research, development and advisory services to enhance the economic, environmental and social values of natural and planted forests. QFRI's emphasis on tropical and subtropical forestry distinguishes it from most

DPI Forestry regional and district boundaries



North & West Region Districts

1. Atherton
2. Ingham
3. Rockhampton
4. Roma
5. Monto
6. Dalby

South & East Region Districts

7. Maryborough
8. Yarraman
9. Imbil
10. Beerburrrum

other forest research groups in Australia. While traditionally focusing on forestry issues in Queensland, QFRI's vision is rapidly extending to other areas of the tropics, in particular the Asia-Pacific region, as forestry issues become more global in their importance and impact.

QFRI's timber research supports forest production, and timber processing and utilisation. This research aims to enhance the market share of timber and wood products by improving overall wood quality and processing technology, assisting new product development, and improving the efficient use of timber.

Private forestry and industry development

DPI Forestry also actively supports private forestry and forest industry development in Queensland. To help offset a predicted future shortage of hardwood sawlogs, DPI Forestry uses targeted initiatives to support commercial plantations of native species being established on private lands. These initiatives include strategic marketing, investment and extension advice, and joint-venture plantation establishment. As a major resource provider, DPI Forestry also supports Queensland forest industries being developed to achieve the highest value use of the State's forest resources. As such, DPI Forestry actively participates in policy forums dealing with key issues such as resource development, resource security, industry competitiveness and sustainability.

DPI Forestry organisational structure

Executive Director Gary Bacon	General Manager Production Division Peter Francis Plantation Production Native Forest Production Fire Protection New Business Development Engineering Services Forest Development Propagation	General Manager Marketing Division Alan Harvey Resources Market Development & Sales	General Manager Business Services Geoff Blake Finance Human Resource Management Information Management Business Policy Organisational Services	Director Queensland Forestry Research Institute Russell Haines Genetic Resources Silviculture Sustainability Forest Protection Timber Protection Wood Products
	Regional Manager South-east Region Ron Beck Maryborough Imbil Beerburrum Yarraman	Regional Manager North & West Region Keith Gould Atherton Ingham Rockhampton Monto Dalby Roma	General Manager Forest Industry Development Division Tom Just Industry Development Private Forestry Industry Services	

Queensland's forest industry – a 'Top Ten' economic contributor

Queensland's forest industry is one of the 'Top Ten' contributors to the State's economy and ranks as Queensland's seventh largest manufacturing sector. A study of the industry's economic contribution to Queensland, by the Centre for Agricultural and Resource Economics, released in May 1998, shows that:

- for every 10 jobs created directly in the forest industry, a further 8.5 jobs are created in Queensland's wider community;
- for every dollar spent on the raw timber resource, a further \$11.30 is injected into Queensland's economy; and
- in direct terms, the annual value of the industry is estimated at \$1.7 billion a year, and, when indirect or 'flow on' impacts are considered, this value rises to \$3.3 billion.

The industry is one of the main sources of employment in many regional centres, playing a major role in sustaining local communities and businesses. It consists of 396 sawmills and associated processing facilities, which provide employment for 17 000 people. These sawmills rely on DPI Forestry's annual timber harvest for some 75% of their resource input. Industry processors range from small family-owned and -operated hardwood sawmills with low capital investment, to large, sophisticated, multi-million dollar pine mills and reconstituted board manufacturing plants that are among the largest of their kind in the southern hemisphere. Sectors within the industry include:

- forest growing;
- log sawmilling;
- re-sawn and dressed timber processing;
- preservative treatment of timber;
- joinery and furniture manufacturing;
- paper and paperboard production; and
- reconstituted board manufacturing, including particleboard, medium density fibreboard, plywood, laminated veneer, and hardboard.

Table 2. Regional significance of the forest industry

Region	Employment (persons)	Share of total forest industry employment (%)	Output (\$ millions)	Share of total forest industry output (%)
Brisbane-Moreton	10 385	60.7	1 039	61.5
Darling Downs	1 174	6.9	94	5.6
Fitzroy	673	3.9	62	3.7
Mackay	294	1.7	26	1.5
Wide Bay-Burnett	2 978	17.5	341	20.1
Rest of Qld	1 596	9.3	128	7.6
Total	17 100	100	1 690	100

DPI Forestry Staff

The skill, dedication and enthusiasm of staff are the cornerstone of DPI Forestry's success as Queensland's main forest grower.

DPI Forestry employed 1026 people at 30 June 1998, more than 80% of whom were located close to customers in regional areas of the State. At 30 June 1998, the total full-time equivalent (FTE) figure was 946.4, comprising 383.8 salary and 562.6 wages staff. The staff profile also showed 211 female officers (20% of the total) and eight Aboriginal and Torres Strait Islander (ATSI) personnel at 30 June 1998.

A versatile resource

The skill, dedication and enthusiasm of staff are the cornerstone of DPI Forestry's success as Queensland's main forest grower. DPI Forestry's employees are multi-skilled and extremely versatile. It is not uncommon, for example, for regional staff to voluntarily participate in central-office project teams dealing with diverse issues such as new software introduction, assessing department-wide submissions for project funding, or city-based public relations events.

DPI Forestry has formalised its commitment to staff through its organisational values statement. In 1997-98, its Human Resource Management Branch coordinated four major programs to improve staff conditions and place the organisation on a more commercial footing. Undertaken in consultation with employees, these programs were:

- an Enterprise Agreement;
- a Forest Growing and Management Training Program;
- an Occupational Health and Safety Program, as part of an overall Risk Management Strategy; and
- Workplace Planning processes.

Enterprise Agreement

In December 1997, DPI Forestry signed a three-year Enterprise Agreement with staff and unions that provided for staged pay increases totalling 12%, plus the possibility of a one-off bonus payment at the end of the agreement. These pay increases are subject to achieving agreed performance improvement targets drawn from DPI Forestry's Business Plan (see 'The Business of Continuous Improvement' in this Yearbook). As part of this agreement, four Business Improvement Programs were developed, the fourth of which – a Workforce Enhancement Program – dealt with reforming workplace practices to place DPI Forestry on a more commercial footing and provide more flexible and equitable conditions for the organisation and its staff. Key initiatives of the Workforce Enhancement Program include:

- reviewing working hours and examining ways to implement more flexible arrangements;
- making better use of existing Award conditions and identifying more appropriate arrangements (such as aggregated/average hours and time off in lieu) to enhance the timeliness, flexibility and cost-effectiveness of various forestry operations;
- enhancing staff progression and development by providing such options as:
 - a professional and technical progression scheme for research staff;
 - an overlap of classification bands to allow officers performing higher duties to be recognised and paid at a higher classification;
 - a promotion scheme that allows employees to be reclassified to higher positions without going through open selection procedures; and

- transfer at level arrangements, placing priority on internal staff over external equivalents in specified circumstances (new trainee transfer arrangements, meanwhile, provide for easier movement of forestry trainees in the organisation);
- implementing a range of incentive and allowance schemes, including:
 - travelling and relieving allowances that now have parity with core public sector agencies;
 - a revised remote area incentive scheme and locality allowance that offset the perceived adverse aspects of re-location to remote areas; and
 - revised housing and associated allowances and a commitment to review DPI Forestry housing rental requirements and associated allowances.

The wellbeing of DPI Forestry staff has also been addressed, with a trial Wellness Program to include health and fitness monitoring; the inclusion of cultural leave arrangements (allowing, for example, access to leave arrangements on cultural grounds for ATSI employees); and the examination of options for employer-sponsored child care.

Forest Growing and Management Training Program

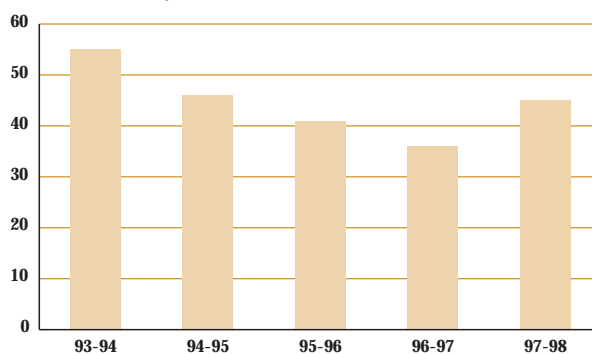
To support provisions within the Forestry Employees Award introduced in 1995, DPI Forestry has been working with the Forest Industry Training and Education Consortium (FITEC) to develop accredited competency-based employee training programs, particularly for its field workers. To provide enhanced outcomes for employees, DPI Forestry decided to integrate its training package into a Commonwealth Government initiative to develop a national Forest Growing and Management training program.

The content of this national program was expected to be completed by the end of 1998, with coverage to include forestry employees in the areas of propagation and nursery, forest establishment and regeneration, tending, research and development, and construction. Participation in this training will enable employees to better identify and pursue desirable career paths and achieve nationally-recognised competency standards.

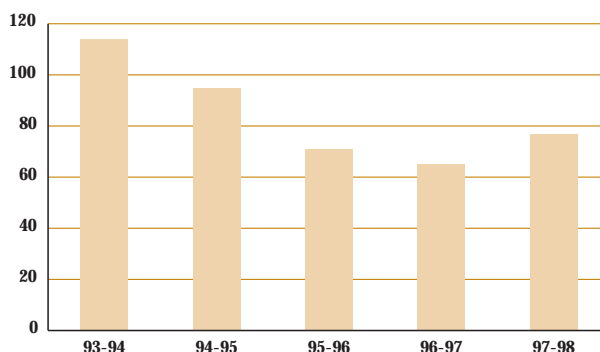
Occupational health and safety

Key injury statistics showed continuing strong employee safety performance, while a comparison with benchmarks (see Table 3) indicates that Workers Compensation costs were below the All Industry median level.

Accident frequency
- accidents per million work hours



Lost time injuries - number of injuries



Lost time duration - average days lost to injury

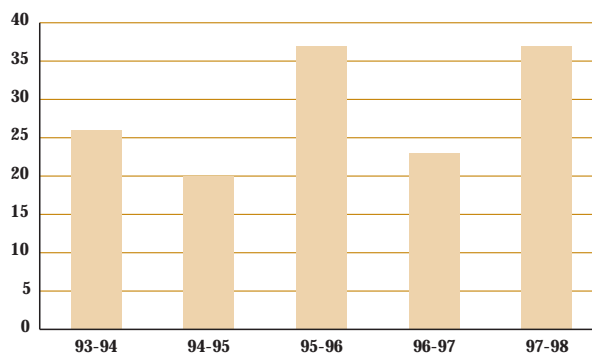


Table 3. Workers compensation comparison against all industry measures

Benchmark measure	DPI Forestry 1997-98	All industry Jan. - Sept. 1997		
		25th	Median	75th
Compensation costs per person ¹	\$524	\$287	\$580	\$777
OH&S premium rate per person ¹	\$521	\$270	\$527	\$755

¹Full-time equivalents.

The organisation is making further efforts to improve employee safety and wellbeing by:

- undertaking systematic external auditing and developing action plans to reduce hazards;
- reviewing auditing systems and integrating them with risk management procedures;
- improving reports and reporting arrangements on the status of occupational health and safety, including

reports on the effects injuries have had on productivity and WorkCover premiums;

- including health and wellbeing programs under the Enterprise Agreement's Wellness Initiative; and
- developing an occupational health and safety resource kit for DPI Forestry managers and employees.

Workforce planning

In 1997-98, DPI Forestry completed a comprehensive workforce profile report. Selected analyses in this report were cross-matched against Australian human resource management benchmarks. The profile provides a solid foundation for workforce forecasting, replacement planning, training, development and other human resource initiatives. DPI Forestry's capability to analyse and develop proposals has been assisted by continued improvements in the computer systems within its Human Resource Management Branch and their extension for use at a local level.

The Business of Continuous Improvement

DPI Forestry has put in place a range of initiatives to improve its products and services.

To enhance its future commercial performance and underpin the competitiveness of Queensland's forest industry into the next millennium, DPI Forestry has put in place initiatives to improve the quality of its products and services, and the efficiency and environmental integrity of its production and marketing activities.

Many of these initiatives will be fostered and implemented through DPI Forestry's new Enterprise Agreement. The agreement seeks to instil a culture of continuous improvement and customer service throughout the organisation, with employees at all levels participating fully in business developments and change affecting them and their workplaces.

As part of the agreement, four Business Improvement Programs linked to Key Result Areas in DPI Forestry's Corporate Plan were developed. These programs are:

- the Competitive Performance Program;
- the Environmental and Quality Management Program;
- the Customer Service Program; and
- the Workforce Enhancement Program.

Because the successful implementation of these programs requires staff to be actively committed and involved, 14 Workplace Continuous Improvement Consultative Committees (WCICCs) were set up throughout the State, comprising local management and staff representatives. The WCICCs' task is to help develop, coordinate and implement local action plans to achieve productivity and performance improvement targets under the four programs and to provide a forum for staff suggestions and concerns.

Training of WCICC members was conducted with a focus on the 'how to's' of benchmarking, implementing

continuous quality improvement and improving customer service. One of the first actions of the WCICCs was to develop detailed action plans and performance targets under the four programs, as summarised below.

The Competitive Performance Program

The Competitive Performance program targets productivity savings of \$10.6m over the three-year life of the Enterprise Agreement. A key feature is a commitment to performance measurement and assessment against internal and external benchmarks. Through their WCICCs, staff developed and began implementing detailed improvement plans in:

- long-term plantation productivity – realising the potential for significantly improved tree growth from DPI Forestry's research and development programs (field staff are working to ensure site preparation, seedling production, planting and weed control are performed to a consistently high quality);
- plantation establishment – reducing the unit and cumulative costs of site preparation and planting;
- other field operations – implementing actions to improve the cost-effectiveness of field operations in plantations and native forests, including marketing, roading, resource assessment and fire protection;
- research-related improvements – including initiatives to enhance the operational application of improved forest-growing procedures and technologies developed through QFRI's research and development programs; and

- business and operational support – promoting cost-saving and service improvement initiatives in the organisation’s Brisbane headquarters (including the Production, Marketing and Business Services Divisions) and in regional functional areas that support field operations.

The Customer Service Program

The Customer Service Program recognises that DPI Forestry has more than 1700 customers, clients and stakeholders, including timber processors, quarry operators, private landowners and graziers, Commonwealth and State government agencies, universities, industry bodies, apiarists, international forestry companies, aid agencies, community and conservation groups, and the general public. The program’s goal is to engender a commercial customer service culture in DPI Forestry consistent with sound business practice in the private sector.

DPI Forestry believes quality service to external customers is built on a foundation of effective communication and internal customer service delivery within the organisation. As a first step towards enhancing this, internal customer service surveys were undertaken to enable service providers to review and upgrade their standards and practices. Work also began on developing a methodology for surveying external customer satisfaction during 1998-99 to identify key areas for improvement. A commercially-oriented customer service policy will also be developed, along with staff training programs and associated procedural changes to ensure the policy is put into practice with customers.

The Environmental and Quality Management Program

The Environmental and Quality Management Program underscores DPI Forestry’s commitment to ensuring its forestry production systems are sustainable, in terms of scientific principles, applied research, community standards and environmental legislation. DPI Forestry is also committed to continually improving its operations to prevent waste and pollution.

To ensure these standards are met, DPI Forestry is developing its Environmental Management System to a standard suitable for independent certification to ISO 14001 standard by 2000. This process will enable DPI Forestry’s processing customers to eco-label their products and maintain competitive advantages, particularly in export markets. Key actions of the program include:

- ensuring appropriate procedures are documented and in place to cover all environmentally relevant activities;
- ensuring staff at all levels and contractors are aware of environmental management requirements;
- ensuring staff implement and comply with all environmentally relevant legislation, policy and procedures;
- ensuring management review processes are in place; and
- implementing internal and external environmental audit processes.

The Workforce Enhancement Program

The Workforce Enhancement Program supports these programs and enables DPI Forestry to perform on a more commercial footing, by implementing new work conditions providing greater flexibility than is available under existing public sector arrangements (see ‘Staff’ in this Yearbook). At the same time, a number of existing anomalies in employment conditions will be removed to provide consistency and equity on an enterprise basis. The changes will provide:

- more flexible work hours to meet work requirements better;
- increased opportunities for performance-based progression arrangements for staff; and
- promotion and transfer processes that expand opportunities and employment security for staff while enhancing DPI Forestry’s flexibility in responding to changing work requirements.

Profitability

Key Result Area

DPI Forestry's earnings before Interest, Tax and Timber Revaluation in 1997-98 were \$13.8m, with a profit margin on sales of 16%.

The demand for timber is closely tied to trends in the building industry, particularly for new houses and extensions. While a steady recovery in dwelling construction from the low levels of the previous two years showed Queensland dwelling approvals increasing 10% over the previous year, recovery in the Queensland dwelling construction industry has been significantly slower than for Australia as a whole.

The house construction sector, the main consumer of timber products, has seen difficult times, with the number of approvals up only 2% on the previous year. This is due, in part, to a lingering oversupply of dwellings and lower migration into the State. At the same time, the onset of the Asian economic crisis has contributed to increased competitive pressures in local markets and to a significant price reduction for DPI Forestry's hoop pine products.

In the face of these market conditions, an expected increase in DPI Forestry's timber sales revenue did not eventuate, with sales actually falling \$2m on the previous year to \$68.4m. Quarry material sales also declined by \$0.5m. In line with this, earnings before Interest, Tax and Timber Revaluation (EBITR) and Profit after Tax were both down on the previous

Goal

To maximise the market value of DPI Forestry's assets and achieve targeted rates of return.

Performance targets

1. Increase earnings before interest, tax and timber revaluation (EBITR) by 5% to \$17.5m.
2. Improve productivity by reducing costs and expanding sales.
3. Progressively implement market-based pricing and supply of forest products still sold on an administratively determined basis.

Outcomes

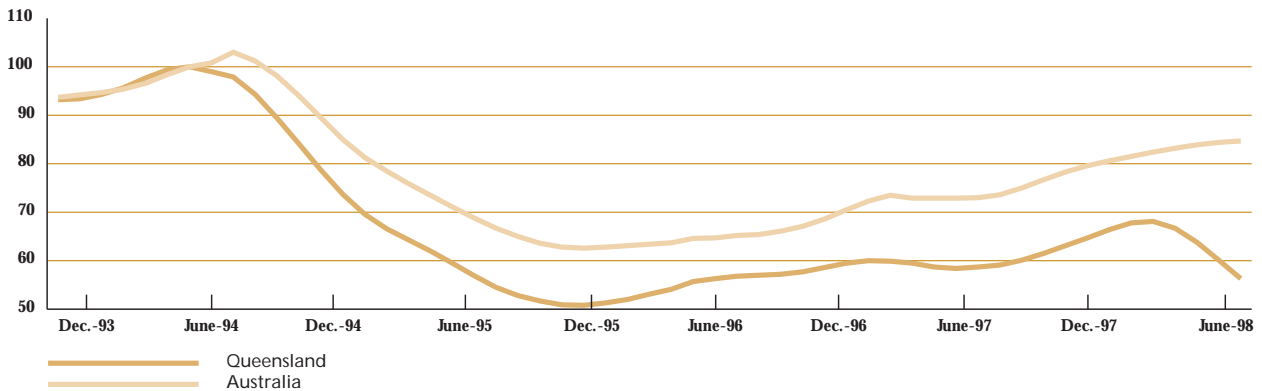
1. Earnings before Interest, Tax and Timber Revaluation were down on the previous year, to \$13.8m, with a profit margin on sales of 16%.
2. 1.9 million m³ of plantation and native forest timber was supplied to customers, up 3.5% on the previous year.
3. A new market-linked pricing system for Crown cypress pine sawlogs was introduced and trials of a market-linked plantation price indexing system continued.

year to \$13.8m and \$5.5m, respectively. Effective cost-control measures, with costs for the year coming in at \$2.2m under budget, helped limit the effects of the revenue shortfall.

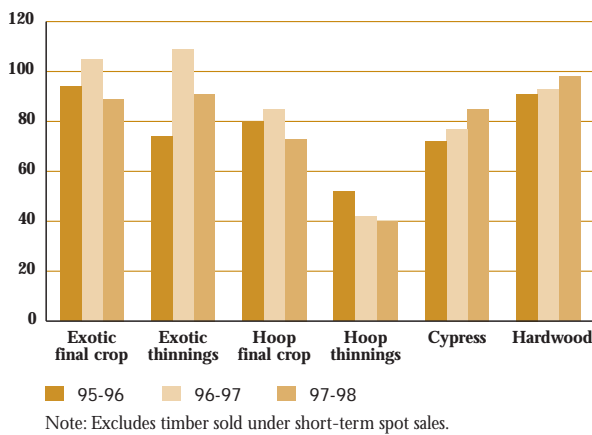
Despite this revenue decline, DPI Forestry supplied 1.9m m³ of plantation and native forest timber to customers, up 3.5% on the previous year's standing timber sales. In addition to sales under long-term commitments, DPI Forestry also sold access to 320 000 m³ of plantation and native forest log timber under short-term spot-sale arrangements. Good progress was also made towards finalising the sale of 700 000 m³ of maturing plantation timber near Cardwell in north Queensland.

In December 1997, a new market-linked pricing system for Crown cypress pine sawlogs was introduced, after a joint review with industry overseen by an independent tribunal. Recommendations for a new pricing system for Crown native forest hardwood sawlogs were presented to the Minister for Primary Industries for consideration. Continued trials of a market-linked plantation price indexing system, mainly for large final-crop exotic pine sales, proceeded successfully.

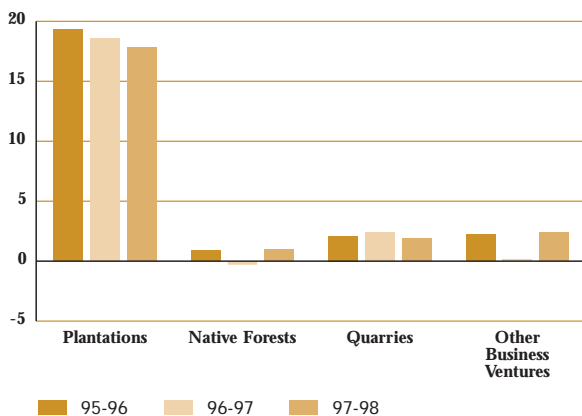
New dwelling approvals trend series index (June 1994 = 100)



Timber removed by purchaser against entitlement/allocation (percent)



Operating surplus* of business segments (\$ millions)



*Operating revenue minus operating expenses; excludes certain corporate costs and revenue.

Plantations

The operating surplus (operating revenue minus operating expenses) for the plantation segment was down 4% on the previous year to \$17.8m, after lower than expected sales revenue.

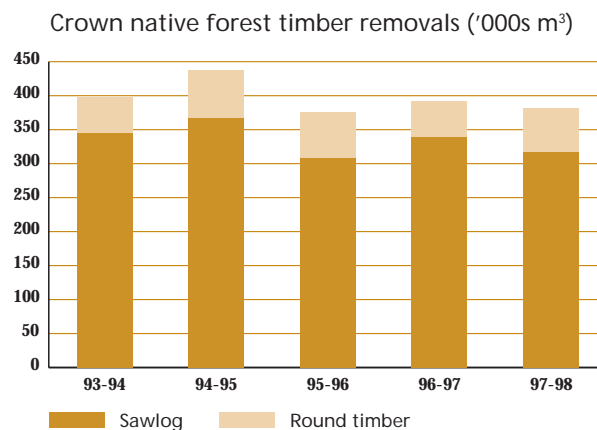
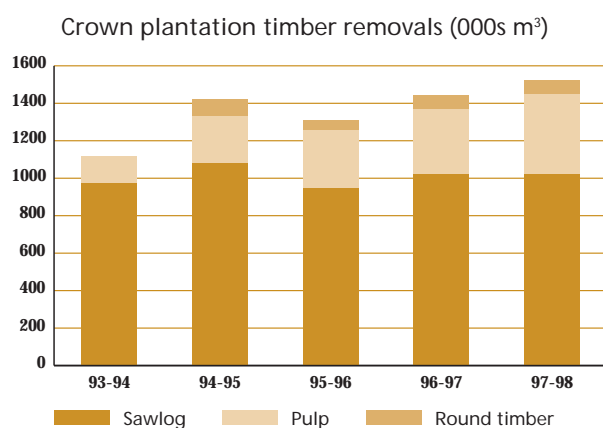
Contributory factors included:

- lower total sales volumes than the previous year, when large volumes of salvaged timber from the Beerburrum log store were liquidated;
- price reductions for hoop pine products and for exotic pine sales affected by the major wildfires at Beerburrum in 1994; and
- delays in finalising major new sales in north and central Queensland.

Overall plantation sales volumes were down significantly on the abnormally high 1996-97 figure, which included 300 000 m³ of fire-salvaged timber from the Beerburrum log store. However, during 1997-98, sales of standing timber increased 110 000 m³ on the previous year's to a record 1.52 million m³.

During 1997-98, demand for exotic pine timber remained strong, with long-term contracts augmented by operations under short-term spot sales. In contrast, hoop pine sales volumes, particularly for thinnings, were disappointing.

Increased competition from imported radiata pine hit Queensland's hoop pine processing industry in traditional hoop pine markets for mouldings, furniture timber and boards. To help restore industry competitiveness, DPI Forestry agreed to substantial short-term price discounts and changed utilisation standards for its hoop pine resource. In addition, a joint marketing and research and



development program will be undertaken, in cooperation with industry, to restore hoop pine's position at the premium end of the market.

A 1.9% price increase for exotic plantation thinnings, sold in accordance with published price lists, was implemented on 1 April 1998. The increase was recommended by the Crown Log Stumpage Review Committee and deferred from 1 July 1997, owing to difficult market conditions. Although most of DPI Forestry's plantation timber is sold competitively, annual log price adjustments have been made for certain native forest and plantation timber, in accordance with movements in the Consumer Price Index.

In consultation with its customers, DPI Forestry is assessing options to satisfy the increasing demand for exotic pine resources from local producers in south-east Queensland, who are seeking to achieve greater scale efficiencies. During the year, DPI Forestry continued a major review of production and marketing strategies for the 100 000 ha of Crown exotic pine plantations in south-east Queensland. A further spot sale of about 100 000 m³ of final crop resource in the Maryborough area will be offered during 1998-99.

Sales of more than 1.6m m³ of uncommitted exotic pine plantation timber at Cardwell in north Queensland and Byfield (near Yeppoon) in central Queensland, first advertised two years ago, have taken longer to finalise than expected. However, in December 1997, State Cabinet endorsed an offer to sell about 700 000 m³ of timber from plantations in the Ingham-Cardwell area to Ingham Sawmills Pty Ltd, conditional on the company achieving agreed business milestones. If this project is successful, the venture will result in a \$15m softwood sawmill being built in Ingham and will generate substantial economic and social benefits for the local community.

The timber industry showed strong interest in buying the Byfield resource, comprising more than 900 000 m³ of exotic pine. Sale of this resource is expected to contribute significantly to economic development and employment in the region. However, before sales can be finalised, upgrading of the Yeppoon-Byfield Road must proceed. During the year, DPI Forestry continued negotiations with the Main Roads Department to include the necessary roadworks in its programs.

Work is on track to improve productivity in exotic pine in south-east Queensland through a fully clonal stock-planting program by 2002. Results from QFRI -managed clonal test sites and from operational plantings have shown good growth and excellent form from the cloned trees. This promises significantly improved profitability for timber processors and DPI Forestry through faster tree growth and better log quality and uniformity.

Native forests

The operating surplus (operating revenue minus operating expenses) for the native forest segment improved significantly on the previous year's result to \$1.1m. Effective action to reduce costs by 7% was a key contributory factor. In addition, sales revenue was up 5% to \$10.8m, with increased revenue from cypress sawlog, and landscaping and fencing timber more than offsetting sales revenue declines in railway timbers and sandalwood.

Over recent years, sandalwood has suffered a major market collapse, with sales falling \$1.1m in 1996-97 and a further \$300 000 in 1997-98. After extensive industry consultation, DPI Forestry is implementing a new sandalwood marketing strategy, including appointing a marketing agent. However, most sandalwood

is sold into Asian markets and a return to the buoyant market of a few years ago is not expected for some time.

Overall, native forest sales volumes for the year were 381 000 m³. While higher than expected, this was 3% below the previous year's figure.

As part of Queensland's commitment to the National Forest Policy, DPI Forestry conducted a major review of native forest sawlog pricing, in collaboration with the timber industry. An independent tribunal oversaw the review to assure all stakeholders of fair pricing arrangements.

In December 1997, a new market-linked pricing system for Crown cypress pine sawlogs was introduced. The new system re-establishes market-related regional relativities in log prices and sets base prices that better reflect the value of the resource and the costs to DPI Forestry of its sustainable management. Further joint action is proposed, with the industry to develop market-linked price-review processes and long-term strategies for the sale of Crown cypress sawlog on a fully competitive basis.

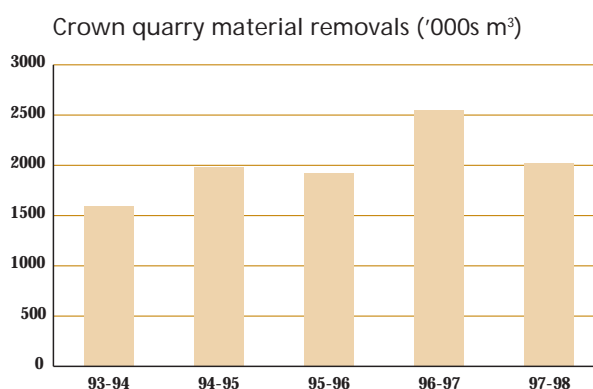
Recommendations for a new pricing system for Crown native forest hardwood sawlogs were also developed, in consultation with industry and submitted to the Minister for Primary Industries for consideration.

Quarries

The operating surplus on quarry material sales was \$1.9m, 20% below the 1996-97 result, after a significant decline in sales volumes. However, the profit margin on sales of 79% was down only slightly, owing to lower costs and a lower proportion of sales to local authorities at concessional rates.

Overall sales volume was 2m m³, down 21% on the 1996-97 figure. Demand for quarry materials varies significantly from year to year, in line with the incidence of major infrastructure or mining projects requiring quarry materials, particularly for roadworks. During 1997-98, sales were affected by a reduced number of such projects, mainly in north Queensland.

Investigation of native title issues on leased Crown land also delayed a number of new hard-rock sales. To minimise the risk of breaching the Native Title Act and to reduce impacts on its commercial operations, DPI



Forestry issued native title work procedures, which were developed under the Department of Premier and Cabinet's guidance.

Other business ventures

DPI Forestry continued to sell other products and services to a wide range of customers, using resources and expertise that support its core forest-growing activities. These services include:

- forest management services to the Department of Natural Resources (DNR);
- forest industry and private forestry development services to the DPI Agriculture Industry Development Program;
- forest and timber research and development services to the forest industry and to timber users;
- seed sales to Australian and international clients;
- laboratory services to industry clients;
- radio network service to government agencies and other bodies; and
- plant hire and mechanical workshop services to external plant users.

The profit margin on other business revenue increased to 20%, up significantly on the 1996-97 figure. Details of some of the key achievements in this area can be found in this Yearbook's 'Business Growth' and 'Customer and Community Relations' sections.

Business Growth

Key Result Area

DPI Forestry has increased its plantation estate to 177 000 ha, the second largest in Australia, while improving production activities through advanced expertise and technology.

Plantation expansion

During 1997-98, DPI Forestry increased the planted area of its State-owned plantation estate, the second largest in Australia, by almost 1% to 177 000 ha.

About 3.5 million seedlings were prepared for sowing and 3877 ha of first- and second-rotation plantation, predominantly exotic and native hoop pine, were established on State-owned land. Plantings included a further 900 ha of the plantation area near Beerburrum, burnt in major wildfires in 1994. In addition, near Beerburrum, DPI Forestry began planting on 2000 ha of land that it bought in 1995-96 and holds in freehold title.

To ensure the long-term stability and sustainability of its plantations, DPI Forestry implemented broad-scale on-site retention of tree residues for second-rotation planting on many recently harvested hoop and exotic pine plantation areas in south-east Queensland. Soil and water degradation in and around plantations is more likely after first-rotation harvesting when mechanical activity is greatest and ground cover is disturbed. To minimise this impact, branches, tree tops and understorey are now being retained after harvesting (rather than burnt) on an increasing number of sites.

Goal

To expand DPI Forestry's asset and resource base to maximise commercial returns.

Performance targets

1. Expand the productive plantation area through direct investment or joint ventures.
2. Expand the marketing of intellectual property products and services on a commercial basis.

Outcomes

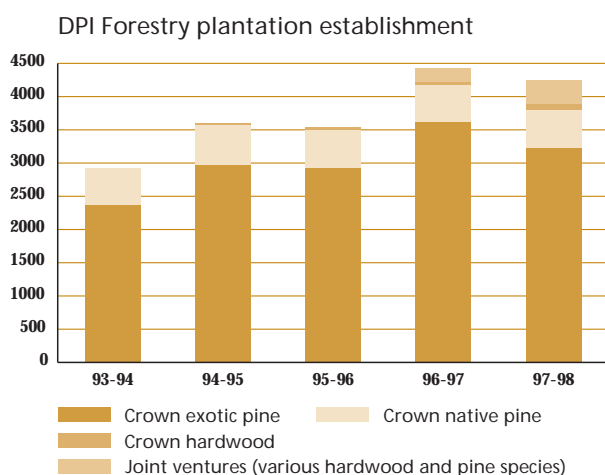
1. Plantation estate increased by almost 1% to 177 000 ha, the second largest in Australia; 3.5m seedlings were prepared for sowing.
2. Good progress was made on a range of continuing cooperative research projects.

All relevant DPI Forestry sites now have access to the organisation's Plantation Establishment Performance Assessment System (PEPAS). This system assesses the state of any given plantation at an early age (previously, a plantation's first assessment was carried out at 7 to 10 years), giving DPI Forestry the necessary early growth data to help ensure the success of its plantation establishment programs. Among other things, PEPAS provides an inventory of the effective area of a plantation, the number of trees per hectare, the trees' average height, and the form and health of tree stems.

To expand private forestry in Queensland, more than 360 ha of plantation was established with 23 landholders throughout the State, under the publicly funded Private Forestry Plantation Initiative (see 'Customer and Community Relations' in this Yearbook).

DPI Forestry is also considering a number of proposals to buy additional land for plantations, adjacent to its existing holdings. Evaluation of these opportunities progressed.

Further extensions to DPI Forestry's mechanised nursery at Beerburrum were completed at a cost, in 1997-98, of \$1m. The total cost of redeveloping the nursery was \$3.2m. This highly efficient facility now produces all the hoop pine seedlings used in



DPI Forestry's plantations in south-east Queensland and seedlings for exotic plantations and private forestry plantings.

Marketing of intellectual property

To improve DPI Forestry's commercial production activities, QFRI, through its research and development programs, generates advanced expertise and technologies in genetic resources, silviculture, sustainability, forest protection, timber protection and wood products.

These intellectual property resources are also a valuable resource for other forest growers and timber processors in Australia and overseas. Increasingly, DPI Forestry is seeking to expand its marketing of these resources by a variety of means, including sales or licensing of genetic materials and technological systems, consultancies or contracted supply of services, and joint-venture arrangements.

During the year, good progress was made on continuing cooperative research projects. These included the South Pacific Regional Initiative on Forest Genetic Resources (SPRIG), which is an AusAID-funded project in four Pacific Island countries (Fiji, Tonga, Vanuatu and Western Samoa) to better conserve and sustainably develop the region's forest genetic resources. QFRI, which is leading the project's vegetative propagation component, provided propagation training and advice to participants from the four island countries.

In Indonesia, a five-year research and development project aimed at clonal forestry development of *Acacia mangium* and other *Acacia* species is proceeding on target, despite the Indonesian economy's downturn. The project partner is PT Riau Andulan Pulp and Paper, which is establishing *Acacia* plantations in northern Sumatra to feed a new pulp mill.

QFRI also improved processing technology and value adding through cooperative and innovative research projects, such as a portable electricity-pole testing rig, a moisture meter and distortion detector for wood products, and a novel anti-termite treatment based on chemical compounds found in the heartwood of slash and Caribbean pine (see 'Customer and Community Relations' in this Yearbook).

An important new project was a joint venture agreement with Tarong Energy Corporation to establish a 74 ha plantation near its power station. The proposed hoop pine plantation, which DPI Forestry will establish and manage, will secure additional supplies of plantation timber while assisting the Tarong Energy Corporation to offset its greenhouse emissions.

QFRI secured Australian Centre for International Agricultural Research (ACIAR) and National Heritage Trust (NHT) funding for a major four-year cedar tip moth project, which will begin in January 1999. The project will investigate trees that may be resistant to the moth, explore silviculture measures such as companion planting, and insecticides as preventive measures. QFRI also held preliminary discussions with ACIAR about potential new projects in South-East Asia and investigated other new projects in the United States and Brazil.

QFRI further developed its client base to increase its external funding in 1997-98 to 57%.

It boasts an outstanding collaboration record with Cooperative Research Centres, universities and industry (see Table 4). Major projects with the Cooperative Research Centre for Sustainable Production Forestry include:

- investigating key soil processes that underpin the sustainability of plantation forestry; and
- hybrid breeding to improve productivity to extend the use of species over a broader site and to produce favourable new combinations of trees.

Nursery redevelopment complete

DPI Forestry's \$3.2m Beerburrum Nursery redevelopment was completed in 1998, consolidating nursery activities in the organisation's south-east region and pushing seedling production capacity of the nursery to more than 3.5m a year.

The nursery began operations on its present Evans Road site in 1968 and originally produced exotic pine seedlings in open-grown seedling beds. Its redevelopment program, which began in 1996, has increased production to more than 3.5m hoop pine, exotic pine and eucalypt seedlings every year. The redevelopment has made the Beerburrum Nursery the most modern forest production nursery in the southern hemisphere. The nursery now represents international standard best practice for the production of container seedlings.

The nursery's redevelopment included a new potting shed and pot-filling line that can produce 5000 seedlings each hour, a new travelling irrigation system, new shade houses and new roller bench systems that enable plants to be easily moved from shade to full sun. The roller benches are constructed on solid concrete slabs that enhance nursery hygiene management and allow water run-off to be captured and recycled. The Beerburrum Nursery is now Queensland's largest hoop pine nursery. It produces all the hoop pine seedlings for DPI Forestry's plantations in south-east Queensland and supports a large annual exotic container production program. It employs up to 30 people at peak times and has become the critical operational link in the organisation's plantation strategy.

DPI Forestry's investment in the Beerburrum Nursery redevelopment has centralised hoop pine production in south-east Queensland and has achieved significant improvement in seedling quality and production costs. Ongoing hoop pine propagation research using container technology continues to yield economies of scale in stock production. Propagation time has been reduced from two years to one and seedling quality has been consistently high. The nursery represents DPI Forestry's confidence in the Queensland timber industry's future and in its commercial plantation strategy. The nursery also supports the growth of private forestry in south-east Queensland, producing more than 300 000 seedlings every year for private plantings.

Environmental Integrity

Key Result Area

A reputation as a supplier of quality ‘clean and green’ products from sustainably managed forests is critical for DPI Forestry’s ongoing commercial success.

Environmental Management System

DPI Forestry recognises that a reputation as a supplier of quality ‘clean and green’ products from sustainably managed forests is critical to its ongoing commercial success. DPI Forestry’s record on environmental protection and sustainable use of commercial forest resources is on show in well-managed State forests throughout Queensland and it continually strives to improve its performance as an environmentally responsible organisation.

During the year, DPI Forestry implemented an Environmental Management System (EMS) to achieve a standard suitable for international certification (namely, AS/NZS ISO 14001:1996) by 2000. The EMS provides a management framework that enables DPI Forestry to:

- optimise and maintain long-term forest productivity;
- minimise on- and off-site adverse environmental impacts;
- improve environmental operations by adopting commercial best practice;
- facilitate environmental certification of timber products by DPI Forestry’s timber processing customers; and

Goal

To conduct all forest product operations in accordance with legislative requirements, codes of practice and internal procedures for ecologically sustainable use.

Performance targets

1. Implement an Environmental Management System to a stage suitable for independent certification to ISO 14001 standard by 2000.
2. Participate as a stakeholder in the development of a Regional Forest Agreement for south-east Queensland and codes of practice for commercial forest production.
3. Undertake research and development to ensure the ecological sustainability of wood production operations.

Outcomes

1. An Environmental Management System, to be developed to a standard suitable for international certification by 2000, was implemented.
2. DPI Forestry maintained timber supplies to sawmills in south-east Queensland, consistent with the Interim Forest Management Agreement.
3. The Queensland Forestry Research Institute continued its research into minimising off-site impacts, especially on water quality, plus a range of other studies into forest soils, vegetation and hydrology, and a biodiversity assessment.

- enhance public acceptance of sustainable wood production.

Internal environmental audits were undertaken in DPI Forestry’s 10 districts to assess performance against internal procedures and all elements of the ISO 14001 standard, with particular attention to workforce awareness of environmental policy and legislation, document management, Sound Practice Indicators, and management review of environmental policies and procedures. The audit revealed that good progress had been made towards implementing these environmental requirements. Follow-up action was taken to improve practices, where necessary.

National Forest Policy initiatives

The State Government is pursuing initiatives under the National Forest Policy - to which it is a signatory - to ensure that Queensland’s forests are managed sustainably, providing for wood production, conservation and other uses. These initiatives, which the Department of Natural Resources (DNR) is coordinating, include a Regional Forest Agreement for south-east Queensland and codes of practice for sustainable forest management.

During the year, DPI Forestry continued to contribute as a stakeholder to these processes,

advocating balanced outcomes that provide for forest conservation and economically-viable timber production. In addition, DPI Forestry was an active participant in related consultations with the timber industry and other stakeholders over future timber-resource supply options and scenarios.

Current DNR initiatives to develop a Regional Forest Agreement for south-east Queensland should result in an agreement between the State and Commonwealth governments on how native forests in the region can best be used. As part of this process, an Interim Forest Management Agreement was signed with the Commonwealth Government to protect options for a nature conservation system, pending the RFA's development.

In line with a State Government commitment to ensure no job losses and forced mill closures, DPI Forestry maintained timber supplies to sawmills within the South East Queensland RFA region consistent with the Interim Forest Management Agreement.

In 1995, the joint Commonwealth/State Ministerial Council for Forestry, Fisheries and Aquaculture agreed to remove existing export controls on plantation-grown wood, subject to an agreed Code of Practice for Plantation Timber Production being implemented. DPI Forestry cooperated with DNR to develop a draft code and in its subsequent assessment by CSIRO. DPI Forestry will continue to work with DNR towards implementing a commercially-viable code in 1998-99.

DPI Forestry also contributed to a Code of Practice for Native Forest Timber Production, a draft of which DPI Forestry and the timber industry trialled in 1996. This work is now reaching fruition with DNR initiating a program to implement a provisional code with a review proposed after two years.

Sustainability research

Through its scientific arm, the Queensland Forestry Research Institute (QFRI), DPI Forestry continued to investigate the effects of its forest management practices on the natural environment.

QFRI is conducting research to minimise off-site impacts, especially on water quality, and a range of other studies into forest soils, vegetation and hydrology, and a rapid biodiversity assessment. A native forest soils project will provide information through long-term monitoring and short-term impact studies on levels of disturbance, changes in soil nutrient levels and distribution, and changes to the physical properties of soil. The vegetation and hydrology project will gather information about ecological sustainability and vegetation dynamics in managed forests. The impact of other forest management practices, such as controlled burning and cattle grazing, are also under investigation.

These projects will improve understanding of the impacts of forest management on ecological processes, leading to better management practices.

DPI Forestry environmental management

DPI Forestry is committed to sustainable forest management. Its forest practices are bound by environmental codes of practice, are underpinned by years of sustainability research and are governed by the organisation's environmental management policies. DPI Forestry is proud of its history of environmental management and of its environmentally-friendly products.

In 1997-98, DPI Forestry formalised its environmental management processes by implementing an environmental management system (EMS). Among other benefits, the EMS will see DPI Forestry in a position to have its environmental management practices independently audited and certified to international standards (ISO AS/NZS 14001) by 2000.

DPI Forestry also published an Environmental Management brochure to ensure staff and industry are aware of the organisation's commitment and actions to ensure sound, sustainable environmental practices.

DPI Forestry is building-in processes of continuous environmental management improvement through ongoing sustainability research, by imbuing all staff with a culture of environmental integrity (assisted by having the EMS linked to the organisation's Enterprise Agreement) and by participating in government policy formulation on sustainable forest use. As a stakeholder in the National Forest Policy processes, DPI Forestry will also help ensure Queensland's forest ecosystems and biodiversity are maintained while community needs for timber supplies are met.

Industry will benefit from the organisation's EMS. The independent auditing of the management system will allow DPI Forestry's processing customers to move towards eco-labelling their products to indicate that the timber has been grown and harvested in a certified and proven ecologically-sustainable and environmentally-friendly manner.

Customer & Community Relations

Key Result Area

Through forest industry development, improved processing technology, value adding and communication with its customers and the public, DPI Forestry continued to enhance its relationships with industry and the community.

Forest industry development

A secure investment climate is crucial for the continued development of Queensland's forest industry. In 1997-98, DPI Forestry successfully advocated legislative changes to allow *profit a prendre* agreements (providing for separate ownership of trees from land title) between a landowner and a plantation investor to be registered on land titles in Queensland.

Uncertainty about rights to harvest timber can also significantly impact on decisions to invest in private plantation developments. In 1997-98, DPI Forestry helped to develop the *Integrated Planning Act 1997*. The new Act ensures that, once any land-use approval has been given for forestry development, later planning schemes may not regulate the ongoing operational activities (such as forest management and harvesting) associated with that development.

DPI Forestry assisted with the launch in Queensland of *Plantations for Australia: The 2020 Vision*, a Federal, State and Territory government agreement to treble Australia's plantation area by the year 2020. DPI Forestry demonstrated its commitment to this program through many joint-venture plantation-

Goal

To enhance commercial collaboration with the forest industry and other customers, and customer and community appreciation of DPI Forestry as a reliable commercial supplier of quality products from sustainably-managed forests.

Performance targets

1. Achieve private forestry and industry development targets, in accordance with the DPI's *Priorities 1997-98 and beyond*.
2. Improve processing technology and value adding for timber products through continued cooperative research projects.
3. Enhance customer relations and community perceptions of the forest industry.

Outcomes

1. 23 landholders established 335 ha of private forestry plantings, while DPI Forestry helped develop the *Integrated Planning Act 1997* to remove impediments to private forestry investment.
2. Responding to industry needs, the Queensland Forestry Research Institute developed an array of innovate products including full-size pole strength testing, moisture metres, a distortion detector, an anti-termite treatment and initiatives to support private forestry.
3. DPI Forestry continued with an energetic campaign of industry-focused promotion and education.

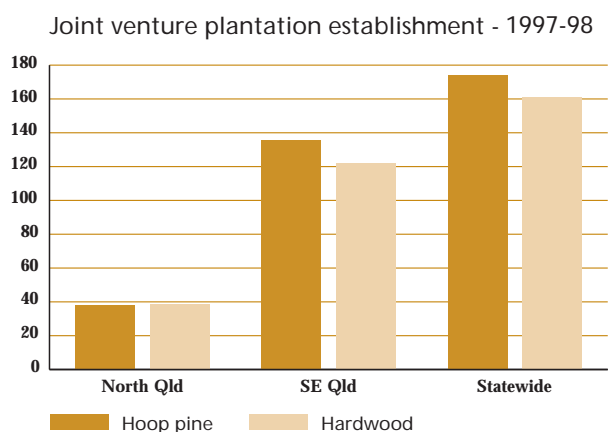
establishment projects with private landholders throughout the State.

In 1997-98, under the publicly-funded Private Forestry Plantation Initiative, 23 landholders established 335 ha of private forestry plantings, through joint ventures with DPI Forestry, an increase of 57% over the total plantings in 1996-97. In north Queensland, 77 ha were planted and in south-east Queensland 258 ha.

Additionally, smaller demonstration plantations were established on sites in the Mackay/Proserpine and Gatton/Laidley/Yarraman areas. Expressions of interest for a further 400 ha of joint-venture plantation were advertised, and the prospects of achieving this target were excellent.

To ensure Queensland's private forestry development continues to grow, an additional private forestry development officer, based in Brisbane, was appointed to support the work of two private forestry officers operating in north and south-east Queensland.

During 1997-98, DPI Forestry collaborated with industry on a draft forest industry strategy to identify a clear, long-term vision and objectives for the industry as it moves into the 21st century. Chair for the five-member steering committee overseeing the strategy's development was Warren Hyne, AM, who presided over



industry forums in Gympie and Brisbane and the setting up of four working groups to provide detailed input to the strategy.

Other representatives on the committee were from the Queensland Timber Board and the Timber Research and Development Advisory Council (TRADAC), with Margules Poyry Pty Ltd acting as consultants for the project. In consultation with industry stakeholders, the four working groups addressed key industry issues, including resource management, raw material supply, business investment, and product and market development.

Improved processing technology and value adding

Anticipating and responding to the timber industry's needs, the Queensland Forestry Research Institute (QFRI) undertook strategic cooperative research and developed an array of innovative products throughout 1997-98. These innovations included full-size pole strength testing, moisture meters and a distortion detector, an anti-termite treatment based on chemical compounds found in the heartwood of slash and Caribbean pine, and initiatives to support the Private Forestry Plantation Initiative.

Through 1997-98, excellent progress was made in a pole-strength project funded by the Forest and Wood Products Research and Development Corporation (FWPRDC), Queensland Electricity, the New South Wales Electricity Association and QFRI. The project aims to make timber more competitive and, subsequently, to open up new markets, by taking the guesswork out of pole strength. Accurate data about pole strength are being derived from strength testing full-size new, used and plantation poles on a portable test rig developed by

QFRI and the University of Technology, Sydney. More than 200 poles had been tested.

A project to develop moisture meters that are useful for all timber species, including high-density hardwoods, was undertaken. The project addresses the need for measuring moisture content for products where dimensional stability is critical, and in the kiln to optimise drying schedules for products that rely on appearance for sales. Several prototypes of capacitance-type moisture meters were constructed and were being tested in industrial environments.

An in-line twist spring-bow measurement project was begun in response to the need to measure distortion automatically for large samples of sawn dry wood. A laboratory-scale prototype was built and a research machine was under construction. The aim is to install such a device at QFRI's Salisbury Research Centre to support processing research for plantation softwoods. However, a commercial-scale device is also being considered. This work is in collaboration with the University of Queensland's Electrical Engineering Department.

During 1997-98, QFRI continued its research into novel termite treatments by investigating the use of chemical compounds found in the heartwood of slash and Caribbean pine. A joint QFRI, Forest and Wood Products Research and Development Council (FWPRDC) and CSR project is locating the termite-resistant compounds in the heartwood so they can be used to treat pine sapwood against termites. This research aims to improve the utility of hardwood and pine by producing potentially useful chemical products and upgrading the useability of the remaining waste. By impregnating sapwood timber with timber extractives, the superfluous durability of sawmill wastes is recycled into new building materials.

Also during the year, QFRI released *Hardwood Plantations Research and Development: A Strategy to Support a Hardwood Plantations Industry* outlining achievements and directions in research and development to support private forestry. To support the Private Forestry Plantation Initiative, QFRI addressed growing, processing and product development issues for native tree species, particularly hardwood. These included sawn grade recovery, round-wood structural properties, drying, growth stress, pulp properties and plywood manufacture. This work will continue during 1998-99, with particular emphasis on laminated products and gluing, wood properties and silviculture, dry mill processing and mill optimisation.

Communicating with our customers and the public

DPI Forestry continued with an energetic campaign of industry-focused promotion and education. Many activities were carried out with the support of the industry's peak associations, such as the Queensland Timber Board and TRADAC. Additionally, as part of its Enterprise Agreement, DPI Forestry was implementing a Customer Service Program. This will ensure quality service to its customers is built on effective communication and engender a commercially-focused service culture consistent with business practice in the private sector (see 'The Business of Continuous Improvement' in this Yearbook).

DPI Forestry worked with TRADAC on its main public display, the Brisbane Home Show, at the Brisbane Convention Centre in October 1997. The display had as its theme 'Timber – the most environmentally friendly building product' and was seen by more than 60 000 patrons over the show's five days.

Meanwhile, as part of Department of Primary Industries' displays, DPI Forestry promoted Queensland hardwood timbers at Brisbane's Royal Queensland Show in August 1997 and conducted a day of forest-related activities in Brisbane's Queen Street Mall as part of Primary Industries Week in March 1998. For World Forestry Day, 21 March 1998, the main DPI Forestry activity was the broadcast of an hour-long forest industry documentary on the Seven television network. Titled

Behind Every Queenslander, the documentary is now packaged as a DPI Forestry promotional and educational video and is distributed free to schools and members of the public.

Another DPI Forestry promotion was its combined display with DNR at the 19th Australian and Asia Pacific Scouting Jamboree held in native bushland at Springfield, near Ipswich, in January 1998. The display maintained a long tradition of forestry involvement at Scouting jamborees.

Other DPI Forestry promotions in 1997-98 included two permanent displays at the Timber Information Centre, Fortitude Valley; sponsoring the Best Overall Business Award at the annual Timber Industry and Merchants Business Awards; undertaking radio and television interviews; and representing the industry at public events such as the Lions clubs of Australia's 50 years' celebrations in October 1997 and the Seven television network's Picnic in the Park in June 1998; and continued work with DNR in the joint *Forestry in Queensland* web site and on the DPI web site. Publication of two issues of the forestry journal, *Between The Leaves*, was undertaken jointly with DNR.

QFRI, meanwhile, held regular field days throughout Queensland for clients and potential clients to help ensure it is meeting industry needs. An anti-termite treatment using chemical extractives from heartwood was profiled in an *Innovative Australians* exhibition. This exhibition, which began in May 1998, promotes the country's top 100 science and technology achievements as it travels throughout Asia and the Pacific.

Profiling the forest industry

In 1997-98, DPI Forestry produced *An Overview of the Queensland Forest Industry*, the most comprehensive overview of the forest industry in Queensland. This 90-page full-colour publication provides information on how the forest industry operates in Queensland, the issues it faces, its economic contribution to rural economies, key trends, and its linkage and contribution to other Queensland industries. The report is both a comprehensive authoritative reference for those seeking detailed information on the industry and an informative introduction for those who are largely unaware of the industry's component parts, structure and economics. It was funded by the Department of Primary Industries and was published under a service contract arrangement with DPI Forestry.

This publication complemented a range of DPI Forestry initiatives, undertaken as part of the organisation's Customer and Community Relations activities. One of the most successful was the first of a planned series of television documentaries on the history and economic contribution of Queensland's forest industry. Made in partnership with the Seven television network, Brisbane, and broadcast on that network's *World Around Us* documentary series, the first timber documentary, *Behind Every Queenslander*, was a resounding success. Shown on the evening of 21 March 1998, World Forestry Day, the one-hour program was watched by more than 240 000 viewers in south-east Queensland alone and won its timeslot against all other television networks. DPI Forestry subsequently produced the documentary as a promotional and educational video and distributed it free to schools and to members of the public, on request. A second documentary is scheduled for broadcasting in early 1999.

Best Practice Business Management

Key Result Area

Better commercial systems, benchmarked business operations and a commercially oriented Enterprise Agreement will underpin DPI Forestry's continued growth into the 21st century.

Enhanced commercial systems

Most of DPI Forestry's plantation timber products are sold competitively under long-term agreements subject to annual price reviews.

During 1997-98, DPI Forestry continued to implement a new Price Indexing System for the annual review of larger plantation sale agreements, as a replacement for price reviews based on the Consumer Price Index.

The new price index is calculated by giving equal weighting to an index of the price of structural softwood sawn timber supplied by the Australian Bureau of Statistics and a factor adjustment that calculates the changes in 10 specific factors related to the timber industry. These include domestic and international timber sales, levels of building approvals and renovations, plantation timber harvest volumes, housing loan interest rates, and general economic and market statistics. The new Price Indexing System is providing a much improved market-linked mechanism for adjusting prices.

In 1997-98, DPI Forestry began trialling its Native Forest Sawlog Docket Measurement System for classifying and measuring hardwood sawlogs. The new system improves on previous docket measurement systems

Goal

To pursue best practice standards in all areas of forestry operations.

Performance targets

1. Progressively develop and implement enhanced commercial systems.
2. Benchmark key business operations against commercial and industry best practice.
3. Implement a commercially-oriented Enterprise Agreement.

Outcomes

1. New pricing systems, docket management systems, streamlined sales negotiations and legislative reviews were undertaken to enhance commercial systems.
2. Under its Enterprise Agreement, DPI Forestry pursued initiatives to enhance quality control and generate productivity improvements across all areas.
3. A three-year Enterprise Agreement was negotiated, built around continuous improvement of work processes and productivity.

through enhanced flexibility and operational efficiencies.

Under the new system, an accredited cutter or authorised DPI Forestry employee can initially measure and classify each hardwood sawlog, either at the stump or at the ramp. The sawlog's classification and dimensions are branded on the butt end of each sawlog. The classified and measured sawlogs can then be reinspected at the stump, at the ramp, or in the mill yard by an accredited cutter, an accredited purchaser's representative, or an authorised DPI Forestry employee.

The new system brings greater efficiencies to both the purchaser and DPI Forestry, and includes checks and balances for accountability and to meet audit requirements.

Under another initiative designed to streamline sales negotiations, DPI Forestry now includes draft sales agreements in its invitations to industry to purchase timber supplies. This initiative is helping to reduce costs (such as legal costs) for both DPI Forestry and its customers, and is also enabling agreements to be finalised more quickly.

Under the Commonwealth Government's National Competition Policy (NCP) Agreement with Australian States and Territories, all legislation containing anti-competitive

restrictions not considered to be in the public interest must be amended by 2000. Audits of the *Forestry Act 1959* and the *Sawmills Licensing Act 1936*, undertaken in 1997-98, identified potentially anti-competitive elements. For the Forestry Act, these were the Crown Native Forest Sawlog Allocation System and the collection, through DPI Forestry, of additional stumpage to fund TRADAC. For the Sawmills Licensing Act, the requirement that only licensed sawmills be eligible to buy logs and market timber for sale was also identified as a possible anti-competitive element.

DPI is conducting a Public Benefit Test on these provisions, in accordance with Queensland Treasury's Public Benefit Test guidelines.

Enterprise Agreement

For the first time, DPI Forestry negotiated its own three-year Enterprise Agreement separate from the 'core' public sector agreement. The agreement, which is current to 30 June 2000, provides a firm basis for staff to implement key commercial initiatives in the DPI Forestry Business Plan, through consultative processes based on benchmarking and continuous improvement. Further information on these initiatives is provided in this Yearbook's 'Staff' and 'The Business of Continuous Improvement' sections.

Benchmarking

Under its Enterprise Agreement, DPI Forestry is pursuing initiatives to enhance quality control and

generate productivity improvements across all areas through benchmarking and continuous improvement.

An important system for achieving improved performance, particularly for field operations, is DPI Forestry's Sound Practice Indicators (SPIs). Based on internationally-recognised best-practice procedures in silviculture, operational efficiency, environmental protection and safety, SPIs are a key quality-assurance mechanism enabling silvicultural and operational practices to be monitored and compared for staff training, work assessment, environmental and operational audits, and management review. Recognising the importance of SPIs for continuous operational improvement, DPI Forestry's operational and developmental staff jointly reviewed the SPI system in 1997-98. Their recommended improvements will be implemented from 1998.

A strategic evaluation of the Byfield State Forest plantation (in DPI Forestry's Rockhampton district) was completed in June 1998, as were draft evaluations of the Toolara, Tuan and Wongi plantations (Maryborough district). Other plantations will be evaluated in 1998-99. With an analysis of production costs, productivity, product prices and the plantation's financial investment performance, these reports represent a new, streamlined format to support annual reviews, plantation by plantation. The evaluations are linked to DPI Forestry's business and operational plans and are a vital resource for regional staff, highlighting areas with the greatest potential for improving commercial performance.

Debugging for the new millennium

Like most other businesses that depend on information technology for their operations, DPI Forestry has taken the Year 2000 problem (computers not recognising 2000 or beyond as valid dates) very seriously. A Year 2000 task force, comprising information services personnel from both the Department of Primary Industries and DPI Forestry, was established in 1998 to audit DPI Forestry's computer and microchip-based systems and draw up plans to alleviate as many potential problems as possible. By November 1998, the task force will have a full Year 2000 contingency plan in place.

To date, the task force has comprehensively audited and extensively tested computer-based systems for Year 2000 compliance and has prepared a Year 2000 Survival Guide for staff operating individual computers and locally developed software. Specialised systems such as laboratory equipment, and hardware and appliances using embedded computer chips are also receiving particular attention.

The introduction of the Systems Application and Products (SAP) software throughout the Queensland Public Service will be a significant step towards alleviating many Year 2000 problems. A general accounting package that includes finance, pay office and human resource management facilities, SAP is expected to be operational by the end of 1998 and is, among other things, fully Year 2000 compliant.

Financial Statements

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Profit and loss statement

(for the financial year ended 30 June 1998)

	*Notes	97-98 \$'000	96-97 \$'000
Operating revenue			
Sale of timber	3(a)	68,429	70,453
Specialised forest industry services		8,832	6,868
Quarries		1,995	2,827
Seeds and seedlings		1,142	1,089
External workshop charges		843	907
Profit on disposals of non-current assets		65	203
Other revenue	3(b)	3,189	3,687
Total operating revenue		84,495	86,034
Operating expenses			
Salaries, wages and related costs		32,373	30,580
Interest and loan guarantee fee		8,247	9,038
Contracted forestry, professional, technical and other services		9,117	9,534
Depreciation on property, plant and equipment		5,424	5,717
Hire of plant and equipment		2,226	2,210
Superannuation contributions		3,573	3,331
Provision for employee entitlements		3,590	3,273
Motor vehicle expenses		2,482	2,709
Occupancy costs		2,648	2,532
Forest maintenance expenses		2,437	2,031
Materials		1,787	1,505
Travel expenses		1,182	1,199
Workers' compensation costs		925	949
Postage, printing and stationery		542	641
Computer operating expenses		744	610
Auditor's remuneration		120	185
Doubtful debts expense		102	8
Bad debts written off		8	1
Other operating expenses		1,430	2,134
Total operating expenses		78,957	78,187
Operating profit before income tax equivalents and abnormal items		5,538	7,847
Income tax equivalents attributable to operating profit	5	-	-
Operating profit after income tax equivalents		5,538	7,847
Abnormal items	4	(15,667)	-
Income tax equivalents attributable to abnormal items	5	-	-
Operating profit/(loss) after income tax equivalents and abnormal items		(10,129)	7,847
Retained profits at the beginning of the financial year		3,155	368
Total available for appropriation		(6,974)	8,215
Dividend provided for	13,15	(3,868)	(5,060)
Retained profit/(accumulated loss) at the end of the financial year		(10,842)	3,155

* The accompanying notes on pages 49-57 form an integral part of the Financial Statements.



Balance Sheet

as at 30 June 1998

	*Notes	97-98 \$'000	96-97 \$'000
Current assets			
Cash	6	7 858	9 958
Receivables	7	9 052	10 814
Inventories	8	2 880	2 698
Total current assets		19 790	23 470
Non-current assets			
Receivables	7	583	805
Property, plant and equipment	9	68 817	73 806
Total non-current assets		69 400	74 611
Self generating and regenerating assets			
Plantation growing timber	10	930 826	1 090 873
Total assets		1 020 016	1 188 954
Current liabilities			
Creditors	11	4 705	6 579
Borrowings	12	3 928	4 871
Provisions	13	8 167	9 239
Total current liabilities		16 800	20 689
Non-current liabilities			
Creditors	11	-	700
Borrowings	12	76 935	80 089
Provisions	13	7 930	7 545
Total non-current liabilities		84 865	88 334
Total liabilities		101 665	109 023
Net assets		918 351	1 079 931
Equity			
Capital	14	928 065	928 167
Retained profits/(accumulated losses)		(10 842)	3 155
Reserves			
- Asset revaluation	14	1 128	4 229
- Plantation growing timber revaluation	14	-	144 380
Total equity		918 351	1 079 931

* The accompanying notes on pages 49-57 form an integral part of the Financial Statements.



Statement of cash flows

for the financial year ended 30 June 1998

	*Notes	Inflows (outflows) \$'000 97-98	Inflows (outflows) \$'000 96-97
Cash flows from operating activities			
Receipts from customers		85 748	84 304
Payments to suppliers and employees		(64 759)	(62 688)
Interest received		362	826
Interest and loan guarantee fees paid on borrowings		(8 884)	(7 825)
Sales taxation equivalents paid		(307)	(349)
Grants and subsidies paid		(317)	(501)
Grants and subsidies received		64	421
Net cash provided by operating activities	16	11 907	14 188
Cash flows from investing activities			
Payments for property, plant and equipment		(5 607)	(8 363)
Proceeds from sale of property, plant and equipment		1 619	690
Net cash used in investing activities		(3 988)	(7 673)
Cash flows from financing activities			
Repayment of borrowings		(4 959)	(4 220)
Dividends paid		(5 060)	(8 978)
Net cash used in financing activities		(10 019)	(13 198)
Net increase/(decrease) in cash held		(2 100)	(6 683)
Cash at the beginning of the financial year		9 958	16 641
Cash at the end of the financial year	6	7 858	9 958

* The accompanying notes on pages 49-57 form an integral part of the Financial Statements.



Notes to and forming part of the financial statements

for the financial year ended 30 June 1998

1. Constitution

By Cabinet Decision number 4637 dated 15 May 1995, the DPI Forest Service was restructured to operate as a commercial business group (DPI Forestry) from 1 July 1995. DPI Forestry is part of the Department of Primary Industries.

2. Statement of significant accounting policies

The significant accounting policies, which have been adopted in the preparation of these financial statements, are as follows:

2.1 Basis of preparation of the accounts

The accounting policies adopted comply with the requirements of the Financial Management Standard, Statements of Accounting Concepts and applicable Australian Accounting Standards. The accounts have been prepared on an accrual basis and except where stated otherwise, in accordance with the historical cost convention.

2.2 Receivables

Receivables are reported net of any doubtful debts.

2.3 Bad debts

All known bad debts are written off.

2.4 Borrowings

Borrowings are reported at their principal amount.

2.5 Inventories

Inventories are valued at lower of cost and net realisable value.

2.6 Library assets

Purchase of library materials are expensed as incurred.

2.7 Leasehold improvements

Leasehold improvements are expensed as incurred.

2.8 Computer software

Acquisition and development costs of computer software are expensed as incurred.

2.9 Property, plant and equipment

Recording of property, plant and equipment

All items of property, plant and equipment with a value of \$500 or more, are capitalised and items under this threshold are recorded as an expense in the year of acquisition. Items or components, which form an integral part of an asset, are recognised as a single asset and the capitalisation threshold is applied to the aggregate cost of the asset.

Depreciation on property, plant and equipment

Depreciation on depreciable assets is calculated on a straight-line basis so as to allocate the cost, or other value, of each depreciable asset, progressively over its estimated useful life.

For each class of depreciable asset the following depreciation periods were used:

Asset class	Average estimated useful life in years
Land improvements.....	32
Buildings.....	21
Access roads.....	41
Plant and equipment.....	8

Profit and loss on disposal of assets

Any gain or loss on the disposal of property, plant and equipment has been taken into account in determining the profit for the year.

Valuation of property, plant and equipment

Non-current physical assets are valued on the "deprival" basis in accordance with the Queensland Treasurer's guidelines entitled "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector". Under the deprival value concept assets are valued at an amount that represents the entire loss that might be expected to be incurred if DPI Forestry was deprived of the future economic benefits of these assets at reporting date. Additions of non-current physical assets acquired during the year are recorded at the acquisition cost.

For the purpose of revaluation of non-current physical assets, the Department established the following revaluation thresholds by class of assets.

Asset class	\$
Land.....	200 000
Land improvements.....	700 000
Buildings.....	100 000
Access roads.....	1 000 000
Plant and equipment.....	1 000 000

The carrying values of property, plant and equipment are reviewed annually.

Non-current physical assets having an estimated value greater than the appropriate revaluation threshold, and an estimated useful life of three years or more, are periodically revalued. A comprehensive revaluation of these assets is performed at five-year intervals with annual indexation between full revaluations.

Capital works in progress represents costs incurred in respect of assets under construction.

2.10 Plantation growing timber

The Net Realisable Value (NRV) methodology has been adopted by DPI Forestry for the valuation of Plantation Growing Timber. NRV is the amount that could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of such a disposal. Under this methodology, value changes arise mainly from:

- changes in timber volume associated with growth and also changes to the overall estate as a result of annual planting and harvesting activity;
- changes in timber prices.



Volume increments are determined both by periodic re-measurement of samples of plantations and by modelling growth from the date of the most recent measurement to the valuation date. The market valuation is prepared by appropriately qualified staff employed by DPI Forestry using advanced modelling techniques/methods accepted by the forestry industry. Current market prices have been applied in determining the plantation growing timber valuation. Realisation costs are based on weighted average costs of existing sales.

Only merchantable stands of timber have been included in the valuation and comprise stands 20 years and older for hoop pine and 15 years and older for exotic pine species. Other plantation areas considered unmerchantable for the purposes of the valuation include:

- plantations containing minor species which previous marketing experience suggests are likely to be unmerchantable or of problematic value;
- areas subject to experimental treatments which previous marketing experience suggests are likely to be unmerchantable or of problematic value; and
- small, fragmented plantation areas likely to be unmerchantable or of problematic value.

Costs incurred in relation to pine plantations establishment and maintenance are expensed as incurred with the exception of access roads construction and upgrade, which are capitalised.

DPI Forestry revalues plantation growing timber annually. The change in net realisable value from the beginning to the end of the year is not recognised in the Profit and Loss Statement but is treated as an adjustment to the Plantation Growing Timber Revaluation Reserve. The only exception to this treatment is where a decrement in value exceeds the balance of the Plantation Growing Timber Revaluation Reserve. In this case the amount to be adjusted in excess of the balance is expensed in the Profit and Loss statement. This treatment of the change in net realisable value varies from that of some other forest growing agencies and needs to be borne in mind in any comparative analysis of profits.

2.11 Native forests

DPI Forestry's asset in native forests is its right to harvest forest products on certain crown owned native forests in order to further its commercial objectives. Valuation difficulties arise as a consequence of the need to assess volume and growth characteristics across an extensive range of forest types and areas. In addition, ongoing resource availability is dependent upon the finalisation of both the Regional Forest Agreement process and associated State Forest management planning. These factors raise reliability problems for any asset valuation approach and have resulted in native forest property rights not being valued in the financial statements for the year ended 30 June 1998. The volume of timber harvested from native forests approximates annual forest growth, i.e. the forests are managed on a sustained yield basis. Accordingly, costs are expensed on the basis that these costs are incurred to maintain the constant forest resource.

2.12 Land

DPI Forestry carries out its forestry establishment, management and marketing operations principally on Crown land allocated for forest

production purposes by the Department of Natural Resources (DNR). While DNR retains control over this land, DPI Forestry is granted access to carry out its operations in accordance with the Forestry Act 1959.

Only land controlled by DPI Forestry has been brought to account. This land includes specified freehold and crown land parcels held for operational purposes.

2.13 Quarries

DPI Forestry obtains royalties from quarry operators for the extraction of quarry materials located on Crown land and identified freehold land. Revenues are taken to account when received and any expenditure when incurred. The extent of quarry resources has not been quantified and accordingly a value for these assets has not been included in the accounts.

2.14 Employee entitlements

Employee entitlements relate to amounts expected to be paid to employees for accrued recreation leave and long service leave as well as accrued salaries and wages. In addition, associated on-costs and outstanding employer contributions to employee superannuation schemes have also been recorded.

Recreation leave liability is based on each employee's statutory entitlement based on current salary and wages rates.

A liability for long service leave is recognised and is measured by the use of a shorthand method derived by the Queensland State Actuary. The result of this method does not differ materially from that which would be arrived at should a calculation be performed estimating the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. The method used incorporates consideration of expected future wage and salary levels, experience of employee departure and periods of service. The assumed rate of salary inflation and discount rate are based on Commonwealth Government bond yields at the reporting date and the expected long term gap between salary inflation and investment return.

Sick leave is charged as an expense in the period in which it is taken.

Employer contributions for employee superannuation are expensed as incurred. No liability is shown for superannuation benefits in the balance sheet as the liability is held by the Government Superannuation Office.

2.15 Research and development

Research and development costs are charged to operating profit before income tax equivalents as incurred. Research and development costs will only be deferred to the extent that future benefits are expected, beyond any reasonable doubt, to equal or exceed those costs, any previously deferred costs, and any future costs necessary to give rise to the future benefits.

2.16 Taxation

DPI Forestry as a commercialised business unit is subject to the payment of income tax equivalents and sales tax equivalents in accordance with the requirements of the Queensland Tax Equivalents Regime.



Pursuant to Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)", Income Tax Equivalent expense is calculated on the operating profit in the profit and loss statement after adjusting for permanent differences. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward as a future tax equivalent benefit or a provision for deferred tax equivalent.

Future tax equivalent benefits are not brought to account unless realisation of the benefit is virtually certain.

No liability has been provided for the payment of future Capital Gains Tax Equivalents that may arise on the disposal of assets. Such liability is provided at the time of disposal of the assets. Where assets are revalued no provision for potential Capital Gains Tax Equivalents has been made.

2.17 Insurance

In accordance with Government policy, assets are not insured, and losses are treated as an expense as they are incurred. Workers' Compensation premiums are paid to Workcover Queensland.

2.18 Financial reporting by segments

DPI Forestry operates principally in the forestry industry within Queensland.

2.19 Interests in joint ventures

DPI Forestry is involved in establishing private forestry plantations. These are joint venture schemes designed to establish commercially viable timber plantations on private land. Contributions by DPI Forestry are expensed as incurred consistent with DPI Forestry's policy of not capitalising plantation establishment and maintenance costs (refer note 2.10). Details of DPI Forestry's interests are disclosed at note 18.

2.20 Deposits held in trust

Security, tender and other deposits administered by DPI Forestry in a trust capacity are not recognised in the financial statements but are disclosed for information purposes in note 21.

2.21 Comparative figures

Where necessary, comparative figures have been restated in order to comply with the current year's presentation of the accounts.

2.22 Rounding

Amounts included in the financial statements have been rounded to the nearest one thousand dollars unless specifically stated to be otherwise.

3. Revenue

	97-98 \$'000	96-97 \$'000
(a) Sale of timber comprised:		
Plantations - Native pine	21 612	21 756
- Exotic pine	36 913	38 774
- Hardwood	162	258
Native Forests - Cypress	3 224	2 847
- Hardwood	6 355	6 363
- Sandalwood	23	338
Freehold selections - timber revenue	140	117
Total timber revenue	68 429	70 453

(b) Other revenue comprised:

Fees and permits	181	266
Interest	353	769
External plant hire	441	615
Other sundry revenue	2 214	2 037
Total other revenue	3 189	3 687

4. Abnormal items

	97-98 \$'000	96-97 \$'000
Revaluation decrement		
- plantation growing timber	15 667	-

DPI Forestry established a Reserve for Plantation Growing Timber Revaluation in 1995-96 to recognise and account for movements in the value of its major plantation forest asset. This movement is brought about by changes in volume and price as a result of forest growth and market price changes.

In 1997-98 a significant reduction in price and an associated change in utilisation standards for certain premium products resulted in a substantial decrement (\$160,047,000) in the net realisable value of the forest estate.

This decrement has been offset against the Reserve Account to the extent of the amount available within the Reserve. The residual decrement amounting to \$15,667,314 has been brought to account in the Profit and Loss Statement as an abnormal item.

5. Income tax equivalents

	97-98 \$'000	96-97 \$'000
Operating profit	5 538	7 847
The prima facie income tax expense (calculated at 36% of operating profit)	1 994	2 825
Tax effect of permanent differences		
Acquired timber felled - Queensland Income Tax Equivalents Ruling 95/4	(14 373)	(14 751)
Research and development concession	(234)	(272)
Entertainment - non-deductible	2	6
Depreciation - non-deductible	23	-
Capital gains tax	71	148
Other	(16)	(71)
Total tax equivalent benefit	(12 533)	(12 115)

	97-98 \$'000	96-97 \$'000
Total income tax movements in:		
Net tax equivalent benefit	(13 800)	(13 002)
Provision for deferred tax equivalent	1 485	941
Future tax equivalent benefit	(218)	(54)
Total tax equivalent benefit	(12 533)	(12 115)

A future tax equivalent benefit has not been brought to account, as an asset of DPI Forestry as realisation of the benefit cannot be regarded as being virtually certain. Accumulated future tax equivalent benefits attributable to tax losses carried forward amount to \$31,875,720 as at 30 June 1998, and will only be obtained if;



- DPI Forestry derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- DPI Forestry continues to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect DPI Forestry in realising the benefit from the deductions for the losses.

6. Cash

	97-98 \$'000	96-97 \$'000
Cash on hand	31	30
Cash at bank	110	517
Cash other - Forestry Fund	7 717	9 411
Total cash	7 858	9 958

7. Receivables

	97-98 \$'000	96-97 \$'000
Current		
Trade debtors	8 421	10 255
Freehold selection debtors (1)	327	349
	8 748	10 604
Less - Provision for doubtful debts (1)	(127)	(24)
	8 621	10 580
Interest receivable	36	45
Other debtors	395	189
	9 052	10 814
Non-Current		
Freehold selection debtors (1)	583	805
Total receivables	9 635	11 619

- Freehold selection debtors arise where Crown Land under lease is converted to freehold. Debtors represent the value of unpaid instalments due on the timber component of the property sold. Included in the total doubtful debt provision is an amount of \$6,360 (\$8,075, 1996-97) for freehold selection debtors. The Department of Natural Resources manages the freehold selection debtors.

8. Inventories

	97-98 \$'000	96-97 \$'000
Finished goods:		
Seeds and seedlings (1)	1 379	1 199
Harvested timber on hand	92	64
	1 471	1 263
Work in progress		
Seedlings (1)	98	124
Raw materials and stores:		
Fertilisers, chemicals and herbicides	391	391
Saleable publications	169	180
Fuel	68	63
Miscellaneous	683	677
	1 311	1 311
Total inventories	2 880	2 698

The basis for valuation of inventories is set out in note 2.5

- Seeds and seedlings held for resale are taken up as inventory. Seedlings produced for DPI Forestry's plantation production are not recognised as inventory.

9. Property, plant and equipment

	97-98 \$'000	96-97 \$'000
Land		
At cost	3 209	3 209
At valuation (1)	1 085	1 088
	4 294	4 297
Buildings		
At cost	569	431
At valuation (2)	18 115	18 117
Accumulated depreciation	(2 231)	(1 601)
	16 453	16 947
Land improvements		
At cost	968	531
At valuation (2)	2 202	2 191
Accumulated depreciation	(679)	(537)
	2 491	2 185
Access roads		
At cost	1 195	908
At valuation (2)	29 973	29 810
Accumulated depreciation	(3 601)	(2 552)
	27 567	28 166
Plant and equipment (3)		
At cost	19 033	17 174
At valuation	12 879	16 570
Accumulated depreciation	(15 722)	(12 601)
	16 190	21 143
Capital works in progress		
At cost	1 822	1 068
Property, plant and equipment		
At cost	26 796	23 321
At valuation	64 254	67 776
Accumulated depreciation	(22 233)	(17 291)
Total property, plant and equipment		
- net book value	68 817	73 806

Valuation of property, plant and equipment

All Property, Plant and Equipment has been valued at deprival value in accordance with the Queensland Treasurer's guidelines entitled "Recording and Valuation of Non-Current Physical Assets in the Queensland Public Sector".

- Land** was valued as at 1 January 1996 by the following independent expert valuers:
Australian Valuation Office
R N Mullins, FVLE (Val) LLB and A Roberts AVLE (Val)
- Buildings, land improvements and access roads** were valued as at 1 January 1995 by the following independent expert valuers:
Australian Valuation Office
J F McAuliffe, LRVLE (Val & Econ) , C J Tuttle, Dip Val., FVLE (Val & Econ) and R N Mullins, FVLE (Val) LLB



- 3) **Plant and equipment** with an historical cost or current replacement cost over \$50,000 was revalued by the following independent expert valuer as at 30 June 1997.

Edward Rushton Australia Pty. Ltd.
S Greenstock, FVLE (P & M)

DPI Forestry undertook an analysis of its other plant and equipment assets and concluded that the historical cost or management valuation assigned to these assets reasonably represents deprival value.

Interim revaluations (by indexation) of assets above the established revaluation thresholds and with an estimated useful life of three years or more (refer note 2.9) were carried out as at 1 January 1998.

10. Plantation growing timber

	Notes	97-98 \$'000	96-97 \$'000
Balance as at 1 July		1 090 873	1 033 590
Net increment/(decrement) for the year	4, 14	(160 047)	57 283
Balance as at 30 June		930 826	1 090 873

11. Creditors

	97-98 \$'000	96-97 \$'000
Current		
Trade creditors	1 054	1 253
Accrued interest		
- Commonwealth Softwood Loans	-	1 482
Accrued loan guarantee fee		
- Queensland Treasury Corporation Loan	415	283
- Commonwealth Softwood Loans	-	150
Accrued staff related expenses	739	906
Tax payable		
- Payroll	130	125
- Sales	235	307
Land purchase (1)	700	700
Accrued expenses	644	303
Prepaid royalties, grants & other revenue received in advance	524	766
Miscellaneous	264	304
	4 705	6 579
Non-current		
Land purchase (1)	-	700
Total creditors	4 705	7 279

- 1) In the 1995-96 financial year, additional plantation land was acquired at a total cost of \$3,200,000. The acquisition involved a payment of \$1,100,000 in 1995-96 with subsequent payments of \$700,000 due in each of the next three financial years. The current amount represents the final payment of \$700,000 due in March 1999.

12. Borrowings

	97-98 \$'000	96-97 \$'000
Current		
Commonwealth Softwood Loans (1)	-	1 708
Queensland Treasury Corporation Loan (2) (market value at 30 June: \$5.710M)	3 928	3 163
	3 928	4 871

Non-current

Commonwealth Softwood Loans (1)	-	28 071
Queensland Treasury Corporation Loan (2) (market value at 30 June: \$81.020M)	76 935	52 018
	76 935	80 089
Total borrowings as at 30 June	80 863	84 960

- 1) On 2 April 1998 the loans provided by the Commonwealth of Australia under the Softwood Forestry Agreement Acts were refinanced under an arrangement with the Queensland Treasury Corporation.
- 2) The balances at 30 June 1998 represent the consolidation of Commonwealth Softwood loans and the previously existing Queensland Treasury Corporation loan.

13. Provisions

	Notes	97-98 \$'000	96-97 \$'000
Current			
Provision for dividend	15	3 868	5 060
Recreation leave		3 485	3 341
Long service leave (1)		814	838
		8 167	9 239
Non-current			
Long service leave (1)		7 930	7 545
Total provisions		16 097	16 784

- 1) As explained in note 2.14 long service leave entitlement is measured by use of a shorthand method derived by the Queensland State Actuary. This method is equivalent to the calculation of the present value of payments expected to arise in the future in respect of services provided by employees up to the reporting date, assuming:
- weighted average rates of increase in annual employee entitlements to settlement of the liabilities of 4% pa;
 - weighted average discount rate of 6.5% pa; and
 - weighted average term to settlement of the liabilities at 14 years.

13(a) Aggregate employee entitlements

	97-98 \$'000	96-97 \$'000
(i) Current		
Recreation leave	3 485	3 341
Long service leave	814	838
Accrued staff related expenses (1)	739	906
Total current	5 038	5 085
(ii) Non-current		
Long service leave	7 930	7 545
Total employee entitlements	12 968	12 630

- 1) Accrued staff related expenses are disclosed in the financial statements as Current Liabilities - Creditors (Refer Note 11).



14. Movement in capital and reserves

	Capital		Asset revaluation reserve		Plantation growing timber revaluation reserve	
	97-98 \$'000	96-97 \$'000	97-98 \$'000	96-97 \$'000	97-98 \$'000	96-97 \$'000
Balance as at 1 July	928 167	945 055	4 229	77	144 380	87 097
Increment/(Decrement) on revaluation						
- Land improvements and buildings			104	70		
- Access roads			201	-		
- Plant and equipment (1)			(3 406)	4 082		
- Plantation growing timber (2)					(144 380)	57 283
Conversion of equity into QTC borrowing (3)	-	(10 000)				
(Prior period) Adjustment to non-current assets (4)	(102)	(6 888)				
Balance as at 30 June	928 065	928 167	1 128	4 229	-	144 380

- Adjustments relate to anomalies subsequently identified in the recording of asset values and related lives following the independent valuation of plant and equipment undertaken in 1996-97.
- Significant reductions in price for selected premium products and a change in utilisation standards resulted in a substantial decrement in the net realisable value of the forest estate (see Note 4).
- Under the terms of DPI Forestry's debt restructuring agreement with Queensland Treasury Department an amount of \$10,000,000 was to be converted from equity to debt on 1 July 1997. This conversion did not proceed as planned and any future action on this matter will depend on the outcome of a debt-equity structural review currently being undertaken.
- Represents adjustments processed during 1997-98 to correct opening asset balances taken up as at 1 July 1995 when DPI Forestry commenced operations as a Commercial Business Group.

15. Dividend

The dividend of \$3,868,000 (\$5,060,000, 1996-97) provided for is payable to the Queensland Government.

16. Reconciliation of net cash provided by operating activities to operating profit after tax equivalent

	97-98 \$'000	96-97 \$'000
Operating profit after income tax equivalents	5 538	7 847
Depreciation on property, plant and equipment	5 424	5 717
Non-current assets written off/(on)	(44)	28
Inventories written down	-	372
Provision for doubtful debts	102	8
Bad debts written off	8	1
Internal transfer of costs for assets constructed	(380)	(284)
Profit on disposal of non-current assets	(65)	(203)
Capitalised interest	863	771
Increase/(decrease) in employee entitlements	505	415
(Increase)/decrease in inventories	(182)	(692)
(Increase)/decrease in receivables	1 873	(692)
Increase/(decrease) in unearned revenue and prepaid royalties	(242)	766
Increase/(decrease) in creditors	(1 493)	134
Net cash provided by operating activities	11 907	14 188

Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits at call which are readily convertible to cash and which are used in the day-to-day cash management function of DPI Forestry. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as detailed in Note 6.

17. Financing facilities

Standby arrangements to provide funds and support facilities

	97-98 \$'000	96-97 \$'000
Credit facility	3 000	3 000
Amount utilised	-	-
Unused credit facility	3 000	3 000

The credit facility is arranged with the Queensland Treasury Department with the general terms and conditions being set and agreed upon from time to time. The provider of this credit facility is Queensland Treasury Corporation.

18. Interests in joint ventures

DPI Forestry holds an interest in a number of joint ventures. Refer note 2.19.

- In the year ended 30 June 1998 contributions to joint venture operations totalled \$549,721 (\$197,170, 1996-97).
- No output was derived from the joint venture operations during 1997-98.
- Total contributions to joint venture operations to 30 June 1998 amount to \$746,891.



19. Contingent liabilities

- a) DPI Forestry was self-insured for workers compensation prior to 1 July 1995. Five matters relating to this period of self-insurance remain unresolved. Claims made by employees for injuries sustained on or after 1 July 1995 in the course of carrying out their employment duties are fully covered by insurance through Workcover Queensland.

There are three other matters relating to personal injury claims to non-employees currently outstanding, to which DPI Forestry is a party.

The incidents giving rise to the above matters occurred prior to the end of the financial year. The jurisdiction of all contingent liability matters is as follows:-

Supreme Court	6
District Court	2
Anticipated matters	2

DPI Forestry's legal advisers and management believe that it would be misleading to estimate the final amounts payable, if any, in respect of the litigation filed in the courts.

- b) The Year 2000 issue concerns the potential failure of computer systems, personal computers and the wide variety of devices utilising microprocessors due to dates being programmed in only two digits, resulting in an ambiguity at the turn of the century or at times prior.

In July 1997 a Year 2000 Project was established to facilitate and co-ordinate the Year 2000 activities including modification of existing programs and developing contingency plans to ensure continuity of critical systems operations. These activities should be completed by 30 June 1999.

The project includes reviewing computer hardware and software applications to determine the rectification work required to ensure that computer systems are Year 2000 compliant. The contingent liability in relation to the Year 2000 activities will be able to be quantified at the end of this review.

20. Commitments for capital expenditure

Commitments for capital expenditure - plant and equipment payable within 1 year: \$191,809 (\$399,200, 1996-97).

21. Deposits held in trust

Security, tender and other deposits are held by DPI Forestry in trust primarily as guarantees for performance under timber sales agreements and contracts. Deposits held as at 30 June 1998 amounted to \$751,672 (\$682,254, 30 June 1997). These deposits are not recognised in the financial statements but are reported for information purposes.

Transactions and balances relating to these deposits are subject to audit by the Auditor-General.



22. Financial instruments

22 (a) Terms, conditions and accounting policies.

DPI Forestry's accounting policies including terms and conditions of each class of financial asset and financial liability are as follows:

(i) Financial assets

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
Cash	6	Cash includes cash on hand, cash at bank and deposits at call. Interest is included in other revenue.	Cash deposited with the Queensland Treasury Department earns interest at the Treasury monthly benchmark rate.
Receivables (Trade debtors)	2.2, 2.3 & 7	Trade debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Trade sales require payment within 30 days from end of month in which a sale is invoiced. All trade debtors are secured by cash deposit or other financial guarantee.
Receivables (other than trade debtors)	7	Amounts (other than trade debtors) are carried at nominal amounts.	All other receivables are net 30 day terms.

(ii) Financial liabilities

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
Trade creditors and accruals	11	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to DPI Forestry.	Trade liabilities are normally settled on 7, 14 or 30 day terms.
Borrowings	2.4 & 12	Loans are carried at the principal amount. Interest is charged as an expense as it accrues.	All borrowings are with the Queensland Treasury Corporation (QTC). The loan is repayable quarterly with the expected final instalment due 26 April 2010. Interest is charged at a weighted average market rate.
Dividend payable	13 & 15	Dividends payable are recognised when declared by DPI Forestry.	Dividends payable are declared at a negotiated percentage (currently 75%) of operating profit after tax equivalents less QFleet dividend allowance. The dividend is payable to the Queensland Government.



22 (b) Interest rate risk.

Financial Instruments	Floating Rate		Fixed Rate Maturing in:						Non Interest Bearing		Total		Average Rate:				
			1 year or less		1 to 5 years		Greater than 5 years						Fixed		Floating		
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000	1998 %	1997 %	1998 %	1997 %	
Financial Assets																	
Cash	7,717	9,411	-	-	-	-	-	-	-	141	547	7,858	9,958	-	-	3.13	5.06
Receivables -trade debtors	-	-	-	-	-	-	-	-	-	8,294	10,231	8,294	10,231	-	-	-	-
Receivables (other than trade debtors)	-	-	-	-	-	-	-	-	-	1,341	1,388	1,341	1,388	-	-	-	-
Total Financial Assets	7,717	9,411	-	-	-	-	-	-	-	9,776	12,166	17,493	21,577	-	-	-	-
Financial Liabilities																	
Trade creditors and accruals	-	-	-	-	-	-	-	-	-	4,705	7,279	4,705	7,279	-	-	-	-
Commonwealth Softwood Loans	-	-	-	1,708	-	9,053	-	19,018	-	-	-	-	29,779	-	11.85	-	-
Queensland Treasury Corporation Loan	-	-	3,928	3,163	19,163	20,752	57,772	31,266	-	-	80,863	55,181	7.77	8.93	-	-	
Dividend payable	-	-	-	-	-	-	-	-	3,868	5,060	3,868	5,060	-	-	-	-	
Total Financial Liabilities	-	-	3,928	4,871	19,163	29,805	57,772	50,284	8,573	12,339	89,436	97,299	-	-	-	-	

22 (c) Net fair values

Financial Instruments	Total carrying amount as per balance sheet		Net fair value	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Financial Assets				
Cash	7,858	9,958	7,858	9,958
Receivables -trade debtors	8,294	10,231	8,294	10,231
Receivables (other than trade debtors)	1,341	1,388	1,341	1,388
Total Financial Assets	17,493	21,577	17,493	21,577
Financial Liabilities				
Trade creditors and accruals	4,705	7,279	4,705	7,279
Commonwealth Softwood Loans	-	29,779	-	29,779
Queensland Treasury Corporation Loan	80,863	55,181	86,730	59,138
Dividend payable	3,868	5,060	3,868	5,060
Total Financial Liabilities	89,436	97,299	95,303	101,256

The fair value of borrowings is the market value as advised by Queensland Treasury Corporation.

22 (d) Credit risk exposure.

DPI Forestry's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

Credit risk in respect of trade debtors is managed in the following ways:

- payment within 30 days from end of month in which a sale is invoiced; and
- all trade debtors are secured by cash deposit or other financial guarantee.



Certificate of DPI Forestry
for the financial year ended 30 June 1998

We have prepared the foregoing annual financial statements pursuant to section 40 of the Financial Administration and Audit Act 1977 and other prescribed requirements and certify that -

In our opinion:

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards and other prescribed requirements, of the transactions of DPI Forestry for the financial year ended 30 June 1998 and of the financial position as at the end of that year.

Dr W A Hoey
Acting Director-General

Dr G J Bacon
Executive Director (DPI Forestry)

18 September 1998



Audit Certificate

for the financial year ended 30 June 1998

Scope

I have audited the financial statements of DPI Forestry for the year ended 30 June 1998 comprising the Profit and Loss Statement, Balance Sheet, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Accountable Officer and person responsible for financial administration as required by the Financial Administration and Audit Act 1977.

The Accountable Officer is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with QAO Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures adopted have included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements 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 prescribed accounting standards and other prescribed requirements so as to present a view which is consistent with my understanding of the entity's financial position, the results of its operations and cash flows.

The audit opinion expressed in this certificate has been formed on the above basis.

Audit Opinion

In accordance with the provisions of the Financial Administration and Audit Act 1977, I certify that I have received all the information and explanations I have required in respect of the financial statements of DPI Forestry and, in my opinion-

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with the prescribed accounting standards and other prescribed requirements of the transactions of DPI Forestry for the financial year ended 30 June 1998 and of the financial position as at the end of that year.

J P Beh

Acting Assistant Auditor-General - Audit
(Delegate of the Auditor-General)

Queensland Audit Office
Brisbane



Statistical Appendices

Financial year ended 30 June 1998

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Statistical Appendix 1

DPI Forestry plantation timber removals 1997-98 (cubic metres)

Product/District	Atherton	*Beerburrum	Dalby	Imbil	Ingham	Maryborough	Monto	Rockhampton	Roma	Yarraman	Total 97-98	**Total 96-97
Sawlog												
Native pine	21 012	210	-	163 415	-	2 521	23 110	157	-	91 283	301 708	287 577
Exotic pine	-	211 876	23 871	6 775	4 416	411 770	18	7 251	-	47 523	713 499	699 238
Non-conifers	200	-	-	237	-	6 328	-	-	-	-	6 765	6 111
Total sawlog	21 212	212 086	23 871	170 427	4 416	420 618	23 127	7 408	-	138 805	1 021 971	992 926
Pulpwood												
	-	32 528	-	1 305	-	357 409	-	32 442	-	116	423 800	343 019
Miscellaneous												
Plantation roundwood	-	5 009	-	-	-	70 487	-	282	-	-	75 777	72 242
Plantation poles	-	-	-	-	-	-	-	1 028	-	-	1 028	4 779
Total 97-98	21 212	249 623	23 871	171 733	4 416	848 515	23 127	41 159	-	138 922	1 522 577	
Total 96-97**	22 890	275 883	25 759	210 314	1 963	777 240	10 463	15 421	-	104 451		1 412 966

*In addition to the removals shown above, the following sales of residual material were made from the log store at Beerburrum, which was established to store timber salvaged after major wildfires in 1994:

Sawlog:	2 630
Pulpwood:	2 262
Roundwood:	22
Total:	4 914

**1996-97 results adjusted to reflect revised figure for native pine sawlog removals.

Statistical Appendix 2

DPI Forestry native forest timber removals 1997-98 (cubic metres)

Product/District	Atterton	Beerburrun	Dalby	Imbil	Ingham	Maryborough	Monto	Rockhampton	Roma	Yarraman	Total 97-98	Total 96-97
Sawlog												
Hardwoods	4 434	31 574	10 310	18 278	2 599	25 455	37 385	45 431	5 369	12 702	193 537	207 626
Cypress	-	-	46 116	-	-	-	1 156	345	75 158	-	122 775	131 654
Other pine	-	188	-	28	-	-	-	-	-	-	216	-
Total sawlog	4 434	31 762	56 426	18 306	2 599	25 455	38 541	45 776	80 527	12 702	316 528	339 280
Pulpwood*	-	-	-	-	-	-	-	-	-	480	480	3 541
Miscellaneous**												
Railway sleepers and like timber	124	-	935	-	2 338	-	3	-	-	-	3 401	6 107
Landscaping and fencing timber	1 133	345	1 190	5 427	62	3 413	5 188	9 664	448	4 119	30 989	17 724
Mining timber	-	-	-	-	-	-	-	950	-	-	950	97
Girders, corbels, piles and sills	1 681	185	46	920	223	3 136	846	912	-	390	8 339	7 918
Hardwood poles	-	141	9	1 388	-	3 100	1 409	-	7	2 494	8 547	7 810
Other hardwood round timber	498	195	2 443	119	15	645	69	7 542	153	442	12 123	11 939
Sandalwood	-	-	-	-	124	-	-	-	-	-	124	278
Totals	7 871	32 627	61 049	26 160	5 362	35 749	46 056	64 844	81 135	20 628	381 483	394 694

*Pulpwood obtained from forest harvesting residue and silvicultural thinnings.

**Miscellaneous timbers are sold using a range of measurement units, including linear metres, tonnes and 'pieces'. A review of the average piece size of such miscellaneous timbers indicates that the published removal figures, for the period 1985-86 to 1995-96 inclusive, for the following categories should be adjusted as follows:

Mining timber:	Published figure x 0.576
Girders, corbels, piles and sills:	Published figure x 0.388
Hardwood poles:	Published figure x 1.466
Other hardwood round timber:	Published figure x 0.333
Sandalwood:	Published figure x 0.871

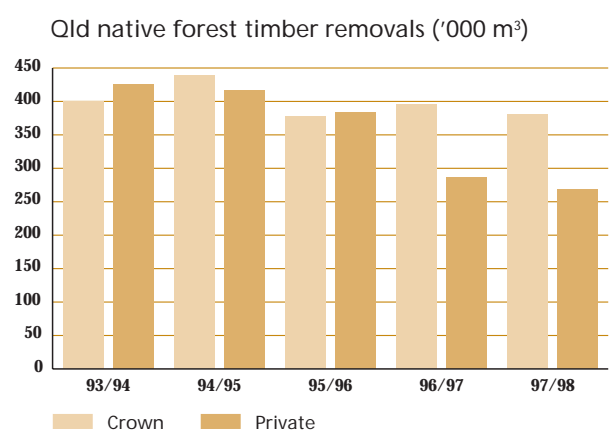
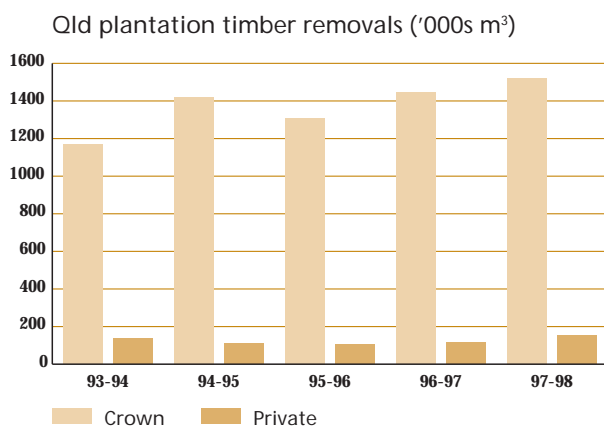
Statistical Appendix 3

Queensland milling timber removals from private forests 1997-98 (cubic metres)

Product/District	Atherton	Beerburrum	Dalby	Imbil	Ingham	Maryborough	Monto	Rockhampton	Roma	Yarraman	Total 97-98	Total 96-97*
Private native forests												
Hardwoods and scrubwoods	7 898	58 215	18 386	4 371	4 296	39 714	39 128	30 968	53	23 568	226 598	240 789
Cypress	-	-	19 266	-	-	-	-	473	19 242	66	39 047	42 243
Other pine	75	390	50	-	-	1 661	137	168	-	552	3 033	3 859
Total 97-98	7 973	58 605	37 702	4 371	4 296	41 375	39 265	31 609	19 295	24 186	268 678	
Total 96-97*	6 437	53 240	45 488	6 023	7 773	43 306	40 511	37 715	21 451	24 948		286 891
Private plantations												
Native pine	93	2 482	-	554	-	-	6	-	-	957	4 091	4 434
Exotic pine	86	131 473	10 981	-	1 009	1 078	8	-	-	4 904	149 539	109 295
Broadleaf	-	-	-	-	-	-	-	-	-	-	-	5
Total 97-98	179	133 955	10 981	544	1 009	1 078	14	-	-	5 861	153 630	
Total 96-97*	17	86 601	10 084	1 934	931	2 244	15	125	-	11 783		113 734

Note: This appendix shows removals from privately-owned forests by other forest growers. See Appendices 1 and 2 for DPI Forestry's removals.

*Revised figures.



Statistical Appendix 4

DPI Forestry quarry materials and minor forest product removals 1997-98

Product/District	Atherton	Beerburrum	Dalby	Inbil	Ingham	Maryborough	Monto	Rockhampton	Roma	Yarraman	Total 97-98	Total 96-97
Quarry materials (cubic metres)*	164 603	606 317	26 888	173	411 599	37 403	14 168	656 584	91 377	8 068	2 017 178	2 550 264
Minor forest products (\$)***	17 814	132 195	3 474	11 455	4 422	46 312	628	24 881	60	1 261	242 501	160 278

*Includes sand, gravel, fill, hard rock and like material.

***Includes seed, wildflowers and foliage, epiphytes, small trees, miscellaneous wood.

Statistical Appendix 5

Area of Crown plantation established 1997-98

Product/District	Atherton	Beerburrum	Dalby	Inbil	Ingham	Maryborough	Monto	Rockhampton	Roma	Yarraman	Total 97-98	Total 96-97
Native pine												
First rotation	-	-	-	-	-	-	-	-	-	23	23	17
Second rotation	17	-	-	280	-	-	28	-	-	221	545	540
Total native pine	17	-	-	280	-	-	28	-	-	244	568	557
Exotic pine												
First rotation	-	-	5	-	61	10	-	-	-	8	84	132
Second rotation	-	1 379	88	11	10	1 482	-	91	-	84	3 145	3 479
Total exotic pine	-	1 379	92	11	71	1 492	-	91	-	92	3 229	3 611
Hardwoods												
First rotation	-	18	-	-	-	47	-	-	-	15	80	47
Total 97-98	17	1 397	92	291	71	1 539	28	91	-	351	3 877	
Total 96-97	18	1 557	107	308	158	1 706	27	81	-	253		4 215

Note: Plantation established during the year comprises new planted areas (first rotation) and replanting (second rotation) of harvested plantation areas.

In addition to plantings on Crown land, 214 ha and 361 ha were planted in 1996-97 and 1997-98, respectively, under joint venture arrangements with private landholders.

Statistical Appendix 6

Area of Crown plantation at 30 June 1998 (hectares)

Product/District	Atherton	Beerburrum	Dalby	Imbil	Ingham	Maryborough	Monto	Rockhampton	Roma	Yarraman	Total 97-98	Total 96-97
Native pine												
Hoop pine	1 053	1 621	5	21 138	4	910	4 092	267	-	16 041	45 131	44 716
Other native pine	104	8	-	297	1	24	5	3	-	89	531	556
Total native pine	1 157	1 629	5	21 435	5	934	4 097	270	-	16 130	45 662	45 272
Exotic pine												
Slash pine	1	6 544	177	3	-	40 298	12	629	-	337	48 001	49 687
Caribbean pine	2 273	3 080	-	102	9 981	32 005	3	6 542	-	394	54 380	54 129
Pinus hybrids	-	7 158	1	-	50	15 287	-	264	-	1	22 761	20 511
Other exotic pine	41	283	2 155	214	93	164	9	55	-	1 341	4 355	4 542
Total exotic pine	2 315	17 065	2 333	319	10 124	87 754	24	7 490	-	2 073	129 497	128 869
Hardwoods*	236	379	-	144	22	836	6	2	-	61	1 686	1 359
Miscellaneous**	14	52	2	9	30	109	14	6	-	23	259	204
Total 97-98	3 722	19 125	2 340	21 907	10 181	89 633	4 141	7 768	-	18 287	177 104	
Total 96-97	3 624	17 986	2 339	21 716	10 099	89 785	4 091	7 722	-	18 342		175 704

*Mostly eucalypt and native rainforest species.

**Mostly small research plantings.

Statistical Appendix 7

DPI Forestry operational statistics 1997-98 (hectares)

Operation	Total 97-98	Total 96-97
Plantation establishment/re-establishment (ha)		
Native pine	568	557
Exotic pine	3 229	3 611
Hardwoods	80	47
Plantation weed control (ha)		
Native pine	13 848	13 051
Exotic pine	21 758	20 279
Fertilising (ha)		
Established	1 773	2 704
Maintenance	1 311	1 154
Pruning (ha)		
Low	2 466	2 349
High	2 231	2 023
Native forest treated (ha)		
Eucalypt	67	470
Cypress	227	527
Wildfires on State forests (ha burnt)		
Native forest	37 317	47 471
Plantation	362	290
Prescribed burning (ha)		
Native forest - eucalypt	69 371	76 146
Native forest - cypress	17 123	16 373
Plantation - exotic pine	8 820	11 131

Note: Statistics for wildfires and prescribed burning relate only to DPI Forestry activity on State forests. The Department of Natural Resources may also have separately recorded wildfires or conducted prescribed burning.