

9

6

9

7

YEARBOOK

DPI FORESTRY



introduction

96 | 97

DPI FORESTRY yearbook

DPI FORESTRY 1996-97

*Our vision
Our mission
Our values
Our Yearbook*

ACHIEVEMENTS of 1996-97

*A summary of DPI Forestry's successes
in the 1996-97 financial year*

FINANCIAL summary

*Comparative results since
commercialisation*

executive DIRECTOR'S report

*Business performance
and emerging opportunities*

DPI FORESTRY 1996-97

*Organisational structure
Regional & District boundaries
Glossary
Our thanks*

Cover photograph *Mal Baxter and Lyn Bradley assessing hedges at Toolara Nursery*

We are a commercial business group of the 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

We manage State-owned forest and quarry material resources to earn commercial returns having regard to the 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

OUR

yearbook

This yearbook was produced in accordance with DPI Forestry's Commercialisation Charter to provide a public report of its business performance for 1996-97 and the performance of its core business segments.

It augments financial and non-financial information provided in the Department of Primary Industries 1996-97 Annual Report to the Minister and Parliament with additional information and statistics for the benefit of the forest industry, Government, community stakeholders, the people of Queensland and other interested parties.

DPI Forestry Yearbook 1996-97 can be accessed on the world wide web at the address below. This page links to Forestry in Queensland website where extensive information on forests and the forest industry in this State can be obtained.

www.dpi.qld.gov.au

achievements

Earnings before interest, tax and timber revaluation of \$16.9m and a return on assets of 6.5%

Returns to the State Government of \$20.1m including a dividend of \$5.1m

Development of a Forest Industry Strategy commenced in collaboration with industry

Staff safety record improved with a 41% reduction in statutory claims

Record timber sales of 1.44 million m³ from Crown plantations

New value-added timber products and processes researched and developed to assist industry

Quarry material sales up 32% to 2.55 million m³

A total of 214 ha of private plantations established on a joint venture basis with 18 land-holders

Sale of 120 000 m³ of maturing plantation timber near Atherton to local processors

Reviews of native forest sawlog allocation and pricing systems well advanced

'Brumby '97', a major inter-agency fire exercise, conducted in south-east Queensland

Investment of \$4.5m to upgrade plant and equipment, including heavy vehicle fleet

A total of 4215 ha of plantation established (including 119 ha of clonal plantings), up 19% on 1995-96

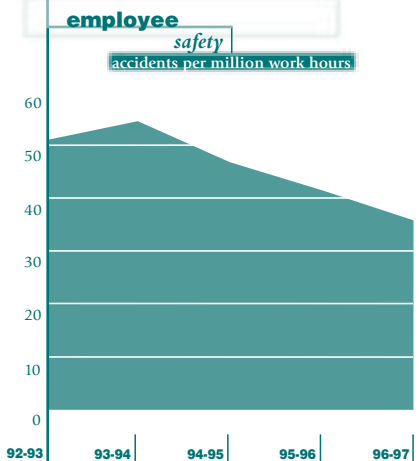
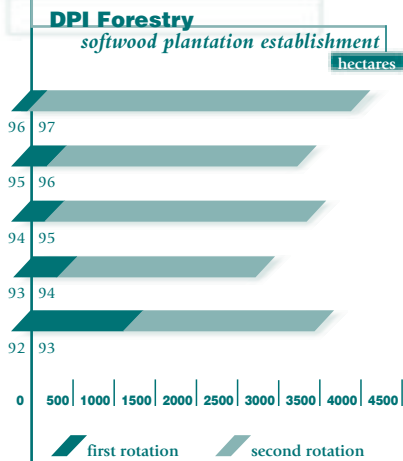
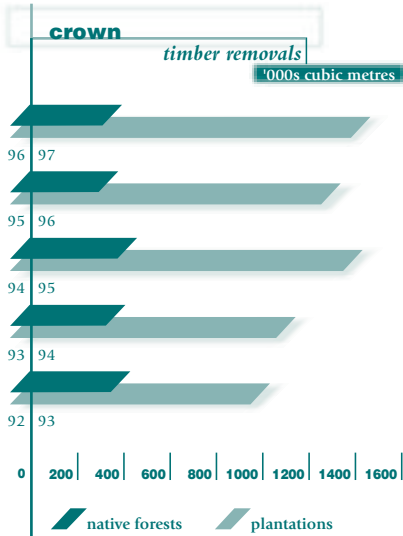
New containerised seedling nursery opened at Beerburrum with a 3 million seedlings per year production capacity

Beerburrum log store (timber salvaged from major wildfires in 1994) emptied following 1996-97 sales of 300 000m³ (40% exported)

Queensland Forestry Research Institute portfolio of FWPRDC funded collaborative research increased to seven projects valued at more than \$2.5m



financial SUMMARY



	96-97	95-96
Operating revenue	\$86m	\$85m
Return on assets	6.5%	10%
Earnings before interest, tax and timber revaluation (EBITR)	\$16.9m	\$17.6m
Debt to equity ratio	7.9%	7.6%
Operating profit after tax	\$7.85m	\$9.35m
Interest on borrowings	\$9m	\$8.3m
Profit after tax including timber revaluation	\$65.1m	\$96.5m
Interest cover ratio	1.9	2.1
Profit (EBITR) margin	19.6%	20.7%
Current ratio	1.1	1.3
Dividend	\$5.1m	\$8.98m
Revenue per employee (full-time equivalents)	\$89 062	\$89 771



executive

director's
R E P O R T

We are working in partnership with our customers and the community to develop internationally competitive forest industries for Queensland.

Building on the strong foundation established during its first year of commercialisation, DPI Forestry produced another good profit in 1996-97 in the face of difficult trading conditions. At the same time, we undertook a range of significant new initiatives in partnership with our customers and the community to develop and expand Queensland's forest industries.

DPI Forestry is Queensland's principal forest grower, being the source of more than 80% of the State's timber production and supplying approximately 70% of the State's consumption. The forest industry, based on our resource, makes a major contribution to the State's economy with every dollar of raw wood resource generating \$11.30 into the Queensland economy.

In addition, DPI Forestry makes an annual return to the State from its commercial operations. For 1996-97, this will amount to \$20.1m, consisting of a dividend of \$5.1m, interest and loan repayments of \$13.2m, tax equivalents (under Queensland's Tax Equivalents Regime) of \$0.3m and payroll tax of \$1.5m.

DPI Forestry's operating profit after income tax for the year was \$7.85m, and the dividend of \$5.1m represents a 65% payout. Earnings before interest, tax and timber revaluation (EBITR) were \$16.9m. This result is only slightly down on 1995-96 and we remain optimistic about the future in view of the first signs of the long-awaited recovery in dwelling construction and the expanded opportunities this brings for the entire industry.



Quarry sales increased by 32%

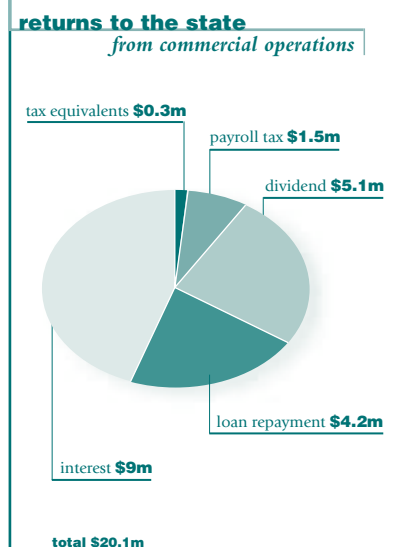
Encouraging improvements in the volume of timber sold from plantations and native forest were recorded during the year, with sales volumes up 5% and 4% respectively on 1995-96 when the current major slump in dwelling construction first took full effect. Strong growth in the sales of quarry materials was also recorded during the year with volumes up 32% on the 1995-96 figure to 2.55 million m³. A further significant achievement was the sale of 300 000 m³ of timber (with 40% exported) to empty the log store near Beerburrum which held material salvaged from major wildfires in 1994.

In line with these improved sales volumes, DPI Forestry's revenue increased during the year to \$86m, a 1% increase on the previous year's figure. However, this result was lower than expected due in part to constraints on prices in key product areas, reduced uptake of hoop pine thinnings, delays in finalising sales of large volumes of maturing plantation resources in north and central Queensland and a major slump in the State's sandalwood industry.

DPI Forestry effectively contained costs during the year, with inflation

adjusted savings of 1.8% over the previous year. At the same time, we increased plantation establishment by 19% (684 ha) over the previous year.

Our sharpened commercial focus has resulted in major new commercially viable projects in Asia and the Pacific during the year. In Indonesia, we began a five-year research and development agreement with PT Riau Andulan Pulp and Paper which will harness our clonal forestry expertise. This expertise has also gained DPI Forestry a four-year AusAID funded project in Vanuatu.





Hoop pine plantations, Imbil

Domestically, DPI Forestry is on schedule to implement a fully clonal planting program in south-east Queensland by 2002 to improve log quality and growth rates. The first operational scale plantings of tested hybrid clones took place in May and June this year.

These and other initiatives detailed in this yearbook will help us reap the benefits of the exciting new opportunities emerging for forestry in Australia. These opportunities will be fuelled by an expanding Asia-Pacific wood deficit, the tremendous growth potential of Australia's plantation sector, the growing recognition of timber's environmental advantages and our own vision and energies.

By the year 2000, I see forestry in Australia in the midst of major transformation with a dramatic expansion of private sector investment in plantation forestry, including diversification into farm forestry by private land-holders, a much greater use of native forest timbers for high value-added products, and an expanded export focus by all sections

of the industry. At the same time, I can see us becoming an international role model for ecologically sustainable forest management.

Queensland, with its proximity to growing markets to the north and its unique timber species, stands to be a major player in these developments. I see DPI Forestry playing a pivotal role in these developments as a change agent for the industry. And this is what we have been doing - helping the forest industry develop a shared vision for the future, working with it to develop new products and technologies, undertaking joint venture plantation growing, and advocating an investment environment that encourages expanded private sector involvement in forest growing.

In this regard, work commenced in partnership with industry to develop a Forest Industry Strategy for Queensland which will consider private sector investment in plantation forestry, production technology advances, timber residues use and domestic and international market opportunities.

Meanwhile, the first 214 ha of joint venture plantation between private land-holders and DPI Forestry was established through the State Government's Private Forestry Plantation Initiative. Further plantation establishment is planned for 1997-98.

Tangible support for the industry is also flowing from our commitment to improving processing technology and value adding through cooperative research projects. In the past year, we provided technical support for trade delegations to Japan, developed more cost efficient drying processes for hoop pine and hardwoods, and assisted in the production of a new range of external timber joinery products.

DPI Forestry is committed to the development of a strong, viable forest and timber industry in Queensland that will be well-placed to take full advantage of the next century's expanding global opportunities. The continued dedication and hard work of staff has been vital in another year of strong progress towards this goal.

Gary Bacon
Executive Director

DPI Forestry
ORGANISATIONAL
 structure

Executive Director
Gary Bacon

General Manager
Marketing Division
Alan Harvey
 Resources
 Market Development & Sales

General Manager
Business Services Division
Geoff Blake
 Finance
 Human Resource Management
 Information Management
 Business Policy
 Organisational Services

General Manager
Production Division
Peter Francis
 Plantation Production
 Native Forest Production
 Fire Protection
 New Business Development
 Engineering Services
 Forest Development
 Propagation

General Manager
Forest Industry Development Division
Tom Just
 Industry Development
 Private Forestry
 Industry Services

Regional Manager
North & West Region
Keith Gould
 Atherton
 Ingham
 Rockhampton
 Monto
 Dalby
 Roma

Regional Manager
South-East Region
Ron Beck
 Maryborough
 Imbil
 Beerburrum
 Yarraman

Director
Queensland Forestry Research Institute
Russell Haines
 Genetic Resources
 Silviculture
 Sustainability
 Forest Protection
 Timber Protection
 Wood Products

DPI Forestry
REGIONAL & DISTRICT
 boundaries



- North & West Region Districts**
- Atherton (1)*
 - Ingham (2)*
 - Rockhampton (3)*
 - Monto (4)*
 - Roma (5)*
 - Dalby (6)*

- South-East Region Districts**
- Maryborough (7)*
 - Yarraman (8)*
 - Imbil (9)*
 - Beerburrum (10)*

glossary

ACIAR	Australian Centre for International Agricultural Research
CRA	Comprehensive Regional Assessment providing information required to make long-term decisions about forest use and sustainable management (See RFA)
DNR	Department of Natural Resources; controls all Crown land within the plantation and native forest estates used by DPI Forestry and is responsible for setting and auditing compliance with environmental and natural resource management standards for all DPI Forestry forest production activities
DPIE	Department of Primary Industries and Energy
FITEC	Forest Industries Training and Education Consortium
FWPRDC	Forest and Wood Products Research and Development Corporation
HA	hectare(s)
IMA	Interim Management Arrangement. An interim measure within the RFA process where areas of forests may be excluded from logging, for conservation purposes, until agreements are finalised.
INTER-ROTATION PERIOD	the time between clearfall and establishing the next rotation in plantations
m ³	cubic metre(s)
MONTREAL PROCESS	grew out of the International Seminar of Experts on Sustainable Development of Boreal and Temperate Forests in Montreal following the UN Conference on Environment and Development. It provides the basis for further regional and international work to develop criteria and indicators for the sustainable management of these forests.
NATIONAL COMPETITION POLICY (NCP)	a series of separate reforms which aim to deliver a widespread competitive revitalisation of the national economy over the next decade, agreed to by all Australian Governments in April 1995
TRADAC	Timber Research and Development Advisory Council
QFRI	Queensland Forestry Research Institute, DPI Forestry's research arm.
RFA	Regional Forest Agreements; negotiated between the Commonwealth and State Governments with wide community involvement to establish a basis for long-term ecologically sustainable forest management in key biogeographic regions and to enable the development of competitive and efficient forest industries
SILVICULTURE	the practice of establishing and growing trees to meet desired objectives such as soil protection, nature conservation, timber production or ecosystem restoration.



Wayne Alexander, Gary Bacon, Mal Baxter, Peter Bice, Tony Borg, Lyn Bradley, Trevor Brown, Ken Bubb, Ken Buchanen, Neil Buchanen, Jamie Cook, Sue Crane, Brad Davage, Phil Frayne, Darren Gould, Neil Halpin, Kevin Harding, Jim Hilbert, Michael Impey, Trevor Kamp, Paul Keay, Bill Leggate, Evonne Leow, David Long, Andrew MacFarlane, Jane Mc Intyre, Graeme Palmer, Cliff Pearce, Geoff Pearce, Natalie Pringle, Barry Richards, Robin Riley, James Rommer, Mark Self, Jenny Smout, Ron Stewart, David Taylor, Natalie Taylor, Peter Venz, Stephen Walker, Alethea Wells, and Ross Wylie for their time and assistance with photographs.

many
thanks to



PRODUCED BY
BUSINESS SERVICES,
DPI FORESTRY

Photography by *Luke Pellatt*
Graphic Design by *Wendy Vogler*

our major

STRENGTHS

PEOPLE

DPI Forestry has long recognised the integral link between its success and its highly skilled and committed staff

PRODUCTS

DPI Forestry is the principal supplier of log timber to Queensland's \$1.7 billion forest industry

RESEARCH

Through its world-class Queensland Forestry Research Institute, DPI Forestry is reaping the rewards of dynamic research and development that aims to secure a leading role for Queensland forestry in the 21st century



people



Throughout Queensland 966 staff perform a myriad of roles with the aim of making DPI Forestry a profitable and reliable supplier of quality products from sustainable forests and scientifically-based expertise in tropical and subtropical forest management.

DPI Forestry is continuing to build a work environment that supports staff commitment to processes of continuous development and change at both a personal and organisational level.

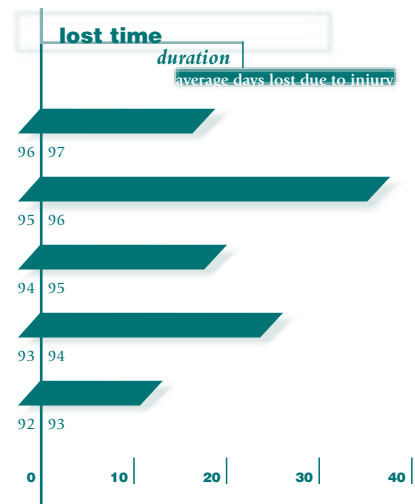
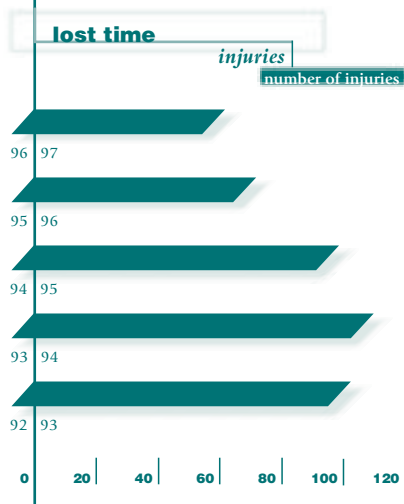
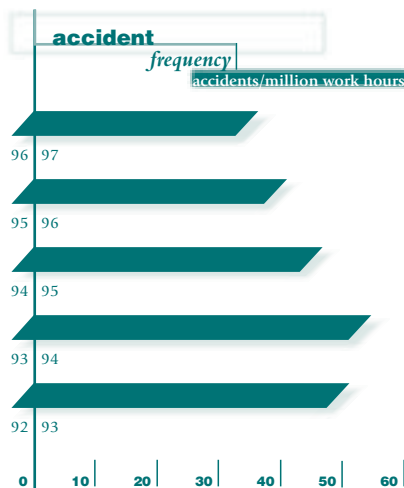
The two-way flow of information is an important element in ensuring job satisfaction and corporate success. During 1996-97, DPI Forestry conducted a survey of staff perceptions of its performance across a range of key features relevant to an effective organisation.

More than 60% of staff responded to the survey, which was the first to give field staff an opportunity to have their say about their employer. The result was a detailed picture of the organisation that is allowing managers to act on the information at the local level.

The survey identified a range of key strengths including a strong identification with and commitment to the organisation's goals among staff as well as an enthusiasm for undertaking learning and development to meet those goals. It also indicated strong individual job satisfaction and motivation, very positive employee-supervisor/manager relations within work groups and a strong loyalty to and support within these work groups. Additionally, it highlighted a positive view toward the effectiveness of Workplace Health and Safety initiatives.



Staff are strongly committed to corporate goals





Traineeships bring new skills and offer broad experience

Most importantly, however, the survey indicated areas for improvement that DPI Forestry is now addressing, particularly through its new Enterprise Bargaining agreement (which will be finalised in 1997-98). Under the new agreement, DPI Forestry will assist staff with career development opportunities as well implement programs to improve productivity and customer service; two areas identified in the survey.

Over the next 18 months, DPI Forestry will be putting a strong emphasis on staff training and development, especially for field workers. The current Forestry Employees' Award is a competency-based award which replaced an outdated task-based award in 1995. During the year, position descriptions were written which, for the first time, outlined the necessary skills required for each position. Staff will be assessed

to ensure they meet the requirements and given training if needed. Additionally, staff will receive a federally recognised Certificate of Training from FITEC when they meet a competency level. Not only will this ultimately improve productivity and quality within DPI Forestry, it will provide staff with certification of skills recognisable by any forest grower in Australia. Staff achieving a range of competencies will be awarded a Forest Growers Certificate.

In January 1997, DPI Forestry appointed the first professional and technical trainees under its new traineeship program. The program gives trainees a broad experience of DPI Forestry, its core business and forest management practices in various forest types. It is seen as a critical part of staff development and will play an essential role in maintaining the organisation's expertise by providing a

new generation of foresters, rangers and overseers with new skills.

These traineeships can lead to permanent employment within the organisation. Already, one of the two foresters and four of the six technicians from the first group of trainees have been appointed to permanent positions. More trainees will be appointed under the program in January 1998.

In March 1997, an inaugural training and development program for women was held to coincide with International Women's Day as part of DPI Forestry's Equal Employment Opportunity (EEO) plan. Attracting women from throughout south-east Queensland, ranging from overseers to administrative officers to graphic artists to librarians, the day combined teamwork and group problem solving activities with physically challenging activities aimed at increasing personal confidence.

The program is now part of an ongoing EEO plan which will expand to meet the special needs of a variety of target groups. A career pack for schools is also being developed to promote the range of skills needed in the industry and to raise awareness among women of jobs available in forestry.

An information package containing advice on Employee Assistance Services has been developed by DPI Forestry and is kept in every DPI Forestry office. The program gives staff, supervisors and managers strategies to identify, prevent and deal with personal and workplace difficulties.



Training and development program, International Women's Day

The range of completely confidential services includes counselling, traumatic incident debriefing, training to improve wellbeing at work, advice for managing employees with personal and workplace issues and consultation for improving organisation health and performance.

Induction packs have also been revised to better fit the range of roles employed in DPI Forestry. The packs are designed to ensure new staff feel welcome and receive the information necessary to navigate their way through the organisation. The additional flexibility of the packs allows for mentoring schemes to be introduced and includes field days.

The field days give staff the entire seed to sawmill process while allowing them to visit plantations, native forests and nurseries. Held every six months, the days help to focus staff on the organisation's purpose and are particularly beneficial to office-based employees who do not see these operations as part of their day-to-day work.

*We are building a
work environment
that supports
continuous
improvement*



Staff induction field day, Beerburrun

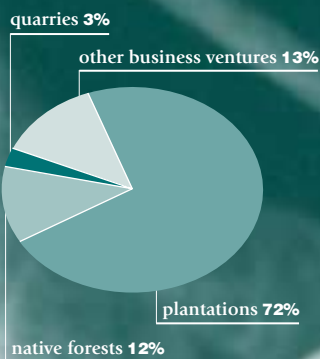
products

DPI Forestry sells most of its timber resource as standing trees to timber processing companies who arrange for the trees to be felled, extracted and transported for milling and other uses. Current wood production from both Crown plantations and native forests is around 1.8 million m³ per annum, representing more than 80% of Queensland's total timber production and approximately 70% of existing State consumption.

We also provide an increasing range of scientifically-based services and expertise to local, interstate and international forest industry customers on a commercial basis.

revenue contribution

of business segments
percent



total revenue \$86m

*Our 176 000 ha
plantation estate
is the second
largest in Australia*

plantations

Almost 90% of DPI Forestry's plantations are in the south-east of the State with the largest concentrations of exotic pine plantations between Maryborough and Beerburrum. Major hoop pine plantations are located around Imbil and Yarraman. Other smaller plantation centres are located in central and north Queensland and in southern inland areas.

Most Crown plantation timber is sold under five to 20 year contracts via competitive proposition processes. Clearfell harvesting is undertaken at the end of a 30 year rotation for exotic pines and a 45 year rotation for hoop pine. Significant volumes of thinnings are also provided in the early rotation years to round timber producers, reconstituted board producers and woodchip exporters.

DPI Forestry's plantations produced 1.44 million m³ of log timber during 1996-97. Sales of timber are set to increase to 1.8 million m³ per annum by the year 2000, with sales for 1997-98 expected to reach a record 1.53 million m³.

Most of the plantations are softwood based, predominantly stocked with the exotics slash pine, *Pinus elliotti*, and Caribbean pine, *Pinus Caribaea*, and the native hoop pine, *Araucaria cunninghamii*, a native species renowned for its strength and smooth, even grain.

In 1997, the first large scale clonal plantings of a hybrid of the two exotic pine species began. By 2002, plantings in the coastal exotic pine plantations of south-east Queensland will consist solely of clonal stock genetically engineered to possess the best attributes of slash and Caribbean pine.

native

forests

Around 3.3 million ha of Queensland's reserved native forests and extensive forests on other Crown land are the source of DPI Forestry's native forest production. Eucalypts and cypress are the dominant commercial species providing timber with distinctive characteristics related to strength, durability and appearance. DPI Forestry also receives revenue from grazing and beekeeping activities conducted on many areas of State native forests.

Unlike most Australian states, a large proportion (86%) of native forest removals in Queensland are sawlogs. The remaining timber includes poles, girders, roundwood, fencing material and railway sleepers. Timber harvesting is conducted in accordance with a selective harvesting process aimed at sustaining production in the long-term. During 1996-97, Crown native forests yielded 395 000 m³ of timber, including around 339 000 m³ of sawlogs.

quarries

DPI Forestry manages and markets quarry material on Crown lands (except those administered under the *Water Resources Act 1989*) and on certain freehold land identified in the *Lands Legislation Amendment Act 1992*.

DPI Forestry sells these resources to quarry operators who extract and sell or use the material. Products include sand, gravel and crushed rock. DPI Forestry is the source of around 8% of Queensland's quarry material supplies and, in some regions, is the principal supplier for local government and private industry development.

other business

ventures

DPI Forestry supplies a wide range of other forestry-related products and services on a commercial basis. These include genetic materials, technological systems, forest management expertise, research and development services, laboratory services and radio network services.

DPI Forestry supports its forest production activity by developing and applying advanced forest management expertise and technologies through its world-class Queensland Forestry Research Institute. These 'intellectual property' resources are essential to the successful conduct of DPI Forestry's core business, but are also applicable to the establishment and management of tropical and subtropical forests elsewhere in Australia and overseas.

Increasingly, DPI Forestry is marketing these resources by a variety of means, including sales or licensing of genetic materials and technological systems; consultancies or contracted supply of services; and/or joint venture arrangements.

Under service agreements with DNR, DPI Forestry also delivers a range of non-commercial public services associated with managing Crown forests. It also provides private forestry and industry development services to the forest industry and the wider community under service agreements with DPI Agriculture Industry Development.



research

Established in 1990, and built on research dating back to 1915, the Queensland Forestry Research Institute (QFRI) is the scientific arm of DPI Forestry. Initially set up to serve the Queensland forest industry, it now exports its knowledge around the globe. Today, QFRI expertise is at work in more than 100 projects locally and internationally, with clients including State Forests of NSW, AusAID, ACIAR, World Bank, APRIL Forestry Services (Indonesia) and the DPIE.

QFRI provides high quality research, development and advisory services to enhance the economic, environmental and social values of natural and planted tropical and subtropical forests. Its principal fields of research are genetic resources, silviculture, sustainability, forest protection, timber protection and wood products.

The institute's major bases are in the heart of the plantation forest area of south-east Queensland at Gympie and at Indooroopilly in Brisbane. Beyond this are a smaller centre at Atherton in tropical north Queensland and field stations at Cardwell, Byfield, Imbil, Yarraman and Beerburrum where extensive silvicultural, tree-breeding and nutritional experiments are maintained.

Its core of more than 90 highly skilled professional, technical and field staff combine with an ideal location, valuable genetic resources and close relationships with operational forestry and the timber processing and using industries

to create advanced research programs and produce an excellent record of research result implementation.

QFRI is meeting the demand to compete in an increasingly competitive research environment. It has brought new revenue to DPI Forestry by attracting interstate and overseas projects, while improving its traditional service to Queensland by taking a sharper economic focus in its research.

In the past year, work began on overseas-based projects such as the South Pacific Regional Initiative on Genetic Resources for AusAID, a clonal forestry development program for PT Riau Andulan Pulp and Paper of Sumatra and a pests of acacia and eucalypt plantations project for ACIAR. This research is worth more than \$150 000 per annum to DPI Forestry and produces valuable results. For example, the south-east Asia based ACIAR project is providing knowledge to help protect Queensland from these pests.

The institute is equipped to undertake further commercial ventures in Australia and overseas. Such ventures are providing not only increased knowledge and skills, but opening doors for further export opportunities in south-east Asia. The institute estimates there is the potential for more than 2 million ha of new forest plantation in Indonesia and Malaysia alone and with its expertise it is well placed to win more contracts.

QFRI exports its knowledge around the globe

Meanwhile, in Queensland, more than \$1 million has been committed to research to support a private forestry plantation initiative based on hardwoods. Experiment sites have been established to investigate appropriate combinations of cultivation, weed control and fertilisers as well as nitrogen and phosphorus fertiliser interactions and pre-commercial thinning regimes. In late 1997, this silvicultural experimental base will be expanded rapidly. Research is also being conducted to develop a database as a guide to optimum silvicultural systems for commercial plantations that will be useful for small and large scale timber growers. As part of the project, silvicultural demonstration plantings will be established throughout the State to assist communities with farm forestry.

Further achievements are outlined in the *Our Key Results* section in this yearbook.

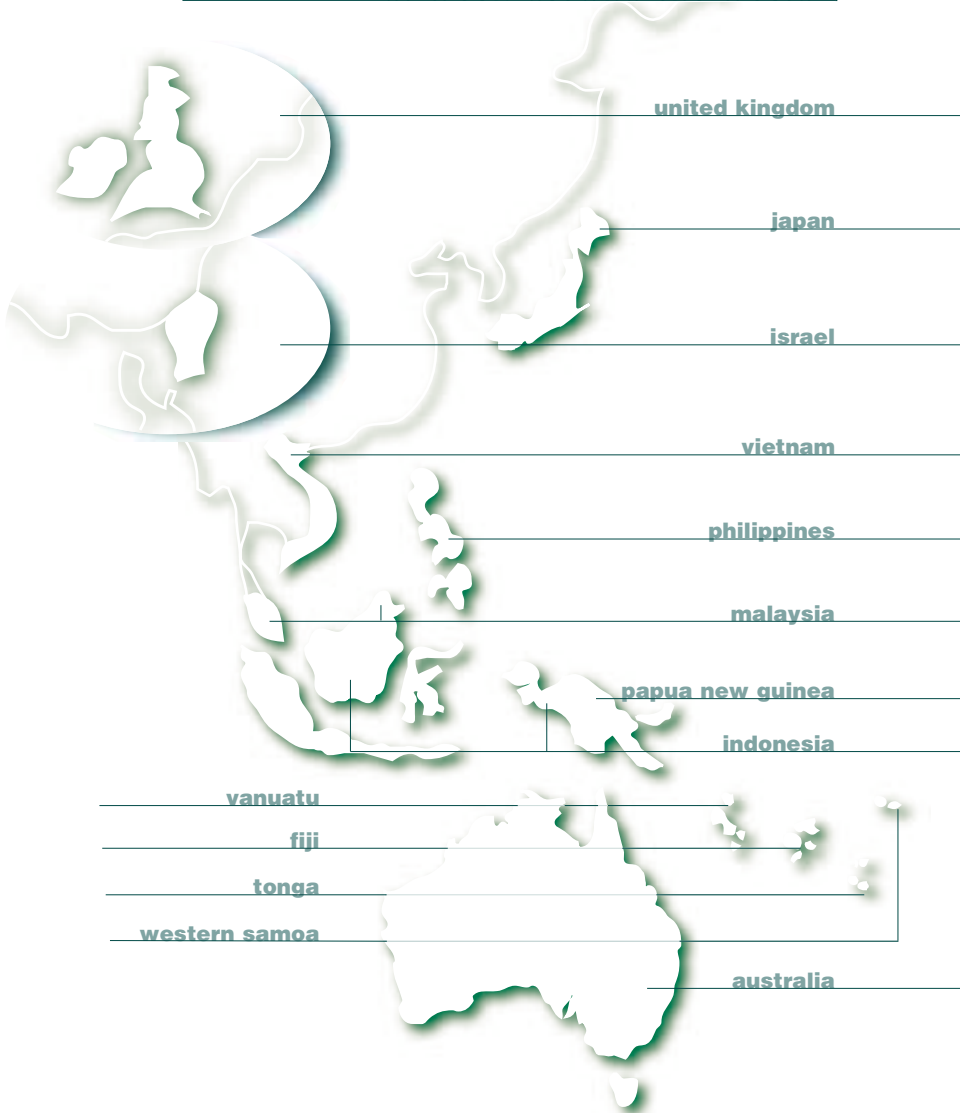
QFRI believes forming strategic alliances and networks is the key to successful tropical forestry, as an expansion in tropical forestry activities and increasing pressure on research funding limit the capability of individual organisations to confront complex and generic questions.

QFRI is also forming partnerships with leading Australian universities to allow postgraduate students to work in the real world of industry research while increasing staff available at the institute to conduct vital research.

QFRI highlights **1996-97**

- became a partner in the Cooperative Research Centre for Sustainable Production Forestry's northern node
- expanded its timber engineering laboratory at Salisbury Research Centre
- implemented Quality Assurance Systems in all areas of its Wood Products Program
- began Forest Health Surveillance program
- oversaw the first operational scale clonal plantings
- established research to support the Private Forestry Plantation Initiative
- the first QFRI-based PhD student graduates from Griffith University.

DPI Forestry's expertise **at work around the world**



our key

RESULTS

PROFITABILITY

*Maximising the market value of
DPI Forestry and achieving target
rates of return*

BUSINESS growth

*Expanding the asset and resource
base to maximise
commercial returns*

ENVIRONMENTAL integrity

*Conducting all forest
production operations in an
environmentally sound manner*

customer & BUSINESS relations

*Enhancing commercial
collaboration with the forest
industry and other customers*

best practice | BUSINESS management

*Pursuing best practice standards
in all areas*

profitability

GOAL

Maximise the market value of DPI Forestry and achieve target rates of return

96 | 97

PERFORMANCE targets

Increase earnings before interest, tax and timber revaluation (EBITR) by 20% to \$21.2m (23% profit margin)

Productivity improvements of 5% per annum

Achieve a return on assets for the business as a whole of more than 7%

OUTCOMES

DPI Forestry recorded an operating profit (EBITR) of \$16.9m for 1996-97 (with a 20% profit margin) and a return on assets for the year of 6.5%.

Productivity improvements of 1.8% real over the previous year were achieved.

increase

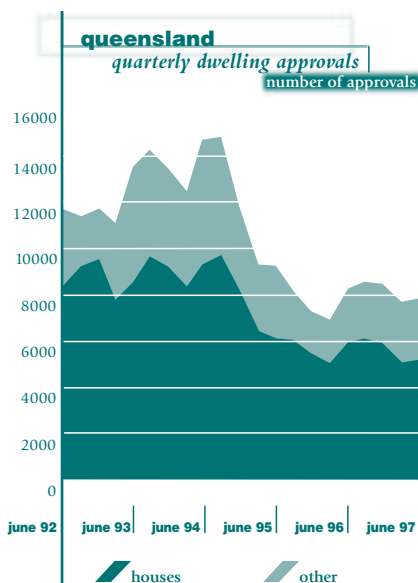
earnings

DPI Forestry recorded earnings before interest, tax and timber revaluation (EBITR) for 1996-97 of \$16.9m. Although this figure is down only 4% on 1995-96, it is significantly below the target for the year of \$21.2m.

This was principally due to the unexpectedly prolonged Australia-wide slump in new dwelling construction which has been particularly severe in south-east Queensland, a key market for DPI Forestry's timber processing customers.

As a result, sales revenue was more than \$5m (or 6%) below expectations. The difficult trading conditions during the year had the effect of constraining prices in significant product areas, reducing uptake of hoop pine thinnings and contributing to delays in finalising sales of large volumes of maturing plantation resources in north and central Queensland.

In addition, Queensland's sandalwood industry has suffered a major reverse



timber removed by

purchaser against entitlement/allocation

percent



over recent years due to various demand and supply issues specific to the industry. As a result, sales of Crown sandalwood during 1996-97 slumped by over a million dollars compared to the previous year.

To support the development of Queensland's timber industry, the State Government directed DPI Forestry to allocate plantation timber, offered for sale near Atherton in north Queensland, to local processors. Revenue foregone by DPI Forestry as a result of this decision has been ratified by State Cabinet as a Community Service Obligation (CSO). The amount of this CSO is still to be determined.

Despite the difficult conditions prevailing during the year, DPI Forestry's revenue increased by 1% over the 1995-96 figure to \$86m. This was associated with increased sales volumes particularly for plantation timber and quarry materials.



Plantation sales increased by 5% to 1.44 million m³

productivity

improvements

DPI Forestry effectively contained costs during the year, with operating expenses coming in 2% under budget and inflation adjusted savings of 1.8% achieved over the previous year.

return on

assets

DPI Forestry's return on assets for the year, based on total earnings before interest and tax of \$74m (including a plantation timber revaluation component of \$57m), was 6.5%. DPI Forestry revalues plantation growing timber annually. Only merchantable stands of timber - in excess of 20 years for hoop pine and 15 years for exotic pine - are included in the plantation timber revaluation. The decline in the return of assets from 10% in 1995-96 was largely due to a lower timber revaluation component in 1996-97 reflecting variable planting rates in the past.



Plantations account for 72% of business revenue

BUSINESS segment results

plantations

Plantation operations continued to grow in importance as DPI Forestry's major product area with sales for the year increasing by 3% to a record \$61.7m. Plantation sales now comprise 72% of business revenue, up 2% on 1995-96. However, the operating surplus (operating revenue less operating costs) for the year was down 4% to \$18.6m reflecting cost increases due to expanded plantation establishment.

Approximately 4.3 million seedlings were prepared for sowing and 4215 ha of mainly exotic and hoop pine were planted on the Crown plantation estate during the year. This was an increase of 19% on the previous year. A further 4.8 million seedlings have been prepared for 1997-98, including 900 000 for joint ventures.

At 30 June 1997, the total planted area of Crown plantation estate was 176 000 ha. In addition, DPI Forestry holds 1971 ha of freehold plantation land near Beerburrum.

During the year, the harvest from Crown plantations reached a record

level of 1.44 million m³, including 1 million m³ of sawlog. This was an increase of 5% on the previous year but 4% below the target of 1.5 million m³ due to the impact of depressed conditions in the domestic timber industry and international markets and an extension of the timelines for resolution of new sales in north Queensland.

In addition, a further 300 000 m³ of timber was sold from the log store near Beerburrum (with 40% exported) finalising sales of material salvaged after major wildfires in 1994. Sales had to be expedited after the discovery of a wood decay fungus in logs in the store.

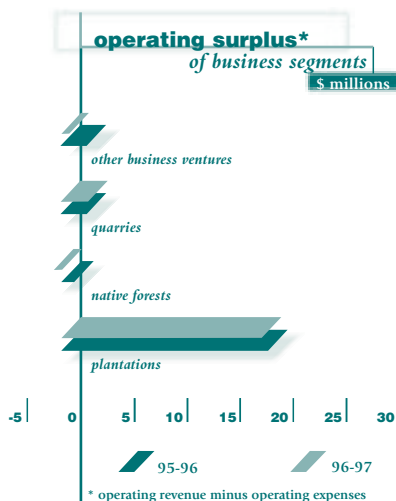
Over the past 12 months, prices for structural timber received by processors

declined. Annual adjustment to DPI Forestry's prices for some products was deferred for six months in line with the Stumpage Review Committee's recommendations. Meanwhile, DPI Forestry is trialing a new price indexing system for plantation softwoods with three customers. The system replaces Consumer Price Index (CPI) adjusted prices with a weighted index based on end product Australian Bureau of Statistics' selling prices and a range of economic and market factors. The index has the advantage of producing prices that reflect changes in log value not reflected in the CPI.

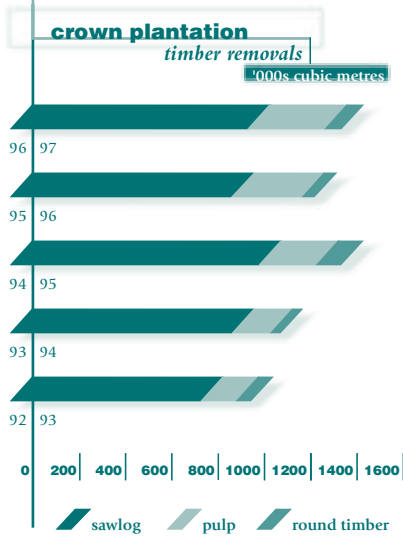
Despite the downturn in the domestic building industry, larger exotic pine processors maintained sales volumes in an apparent effort to keep unit production costs low and remain competitive against timber imported from interstate and overseas. However, sales of hoop pine final crop fell below forecasts due to the difficult trading conditions and intense competition from radiata pine imports. Sales of hoop pine thinnings suffered the most with removals being well below projections.

During the year, 120 000 m³ of timber - mainly from maturing plantations of hoop, Kauri and Caribbean pine on the Atherton Tableland - were sold to two local sawmills, Ravenshoe Timbers and Tarzali Sawmill. When processed, the timber will be used to make laminated boards for use in furniture construction, and finger jointed and edge bonded products for sale in both domestic and export markets.

A detailed proposal for the purchase of uncommitted plantation resources (731 000 m³) near Cardwell in north Queensland was received in June 1997 and is currently being evaluated by DPI Forestry.



native forests



The sale of 937 000 m³ of timber at Byfield near Rockhampton was withdrawn because the proposal received was commercially unacceptable. A range of alternative marketing options is now under investigation.

Responding to requests from major customers, DPI Forestry successfully offered 100 000 m³ of final crop exotic pine from the Tuan/Toolara area for sale. Smaller sales of exotic pine clearfall included 7000 m³ from Elliott State Forest, 12 000 m³ of unoperated entitlement from Pechey State Forest, and 12 000 m³ from the Imbil area.

DPI Forestry also began a major review of the availability of plantation timber in south-east Queensland to ensure the viability of the forest industry by maximising wood supplies in the short to medium term. Industry consultation is an integral part of this process, with industry signalling a need for major volume increases over the next five to 10 years to expand economies of scale in timber processing.

Although DPI Forestry recorded solid sales performance in the hardwood and cypress sectors during the year, a dramatic sales slump in the sandalwood market (down \$1.1m) was a key factor in turning the previous year's \$1m native forest operating surplus into a small (\$0.1m) deficit.

During 1996-97, sales of Crown sandalwood dropped to 297 tonnes, about half the level of the previous year. At the same time the sale price for green sandalwood logs at Richmond slumped by 55%. As well as reducing DPI Forestry's sandalwood revenue by 77% in 1996-97, this resulted in the loss of employment opportunities, particularly in the Richmond area.

This market collapse was caused by increased harvesting of low quality privately owned sandalwood and the illegal harvesting of Crown sandalwood. In response to illegal harvesting, the State Government amended the Forestry Act to increase penalties as a strong deterrent. DPI Forestry also began consultations with industry and other stakeholders on alternative strategies for marketing Crown sandalwood to stabilise prices. It is expected that a revised marketing strategy will be implemented next year.

Despite this sectoral downturn, DPI Forestry achieved native forest timber sales of 394 000 m³ in 1996-97, 4% higher than the revised figures for the previous year. This included 339 000 m³ of sawlog, with sales of hardwood sawlog up 12% and cypress sawlog up 9%.

In accordance with recommendations by the Crown Log Stumpage Review Committee, prices for certain Crown cypress pine and hardwood were

increased by 4.3% in January 1997 based on increases in the CPI - All Groups Brisbane for the 12 months ending December 1995. This increase was deferred from 1 July 1996 due to the difficult trading conditions in the industry.

As a signatory to the National Forest Policy Statement, Queensland is committed to developing commercially viable and equitable pricing for wood products sourced from native forests. In cooperation with the timber industry, a major review of pricing of native forest sawlog in Queensland began in December 1996 to develop a 'transparent pricing system that encourages economic and efficient sawlog processing and provides acceptable returns to DPI Forestry'. A consultant was engaged in December 1996 to coordinate the project, facilitate data gathering from industry and deliver the final report. Under the terms of reference of the review, the analysis and recommendations of the final report will be reviewed by an independent tribunal that will make final recommendations to the Minister for Primary Industries on future pricing arrangements for native forests.

The indicative timeframe for completion of the review was 1 July 1997. However, finalisation was extended by several months to ensure full consultation with industry stakeholders.

Revised pricing arrangements for native forest sawlog are integrally linked to outcomes of a concurrent review of the Native Forest Sawlog Allocation System. About 95% of the annual harvest of sawlogs (hardwood and cypress) from Crown native forests is sold under the Native Forest Sawlog Allocation System. These allocations are made on a non-competitive basis and are normally reviewed every five years.



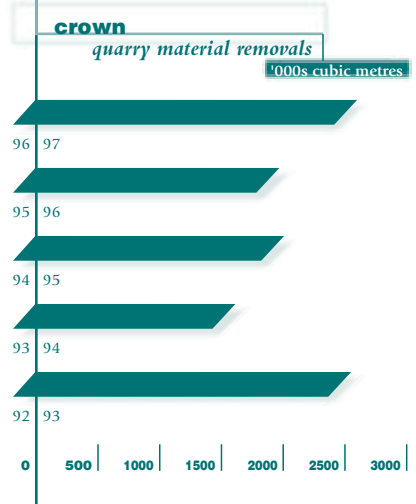
Native foliage and wildflower harvesting is increasing

The review of the Native Forest Sawlog Allocation System is examining the system and associated long-term contracts in relation to provisions of the *Trade Practices Act 1974* targeting anti-competitive practices.

On 30 September 1996, a regulation under the *Competition Policy Reform Act (Queensland) 1996* was enacted to provide short-term authorisation of the current allocation system until 30 September 1998. To address the situation in the longer term, four policy options were identified for sawlog allocation in Queensland in

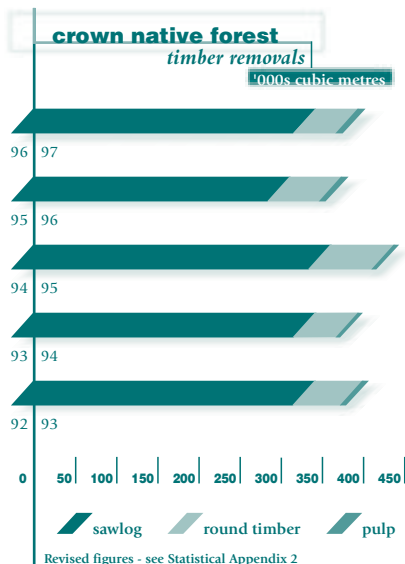
consultation with industry during the year. It is proposed to assess these options as part of the National Competition Policy legislative review of the Forestry Act during 1997-98.

A move to competitive sale of native foliage and wildflowers in south-east Queensland has resulted in DPI Forestry's revenue for these products rising from about \$20 000 in 1994-95 to \$71 000 in 1996-97 with further increases scheduled in 1997-98. Twenty-six areas were sold during the year, with eight harvesters awarded sale areas. Harvesting of native foliage and wildflowers has increased significantly in recent years mainly due to greater domestic and international demand and new post-harvesting treatments that prolong vase life. The competitive process for sale was introduced after industry consultation to ensure management of the resource meets the requirements of the *Native Conservation Act 1992* and the *Wildlife Protection Act (Regulation of Export and Imports)*. It also resolves inequity over demand for areas to harvest and supply, and provides additional resource security.



Following price reviews during the year, the quantity measure for unit pricing of quarry materials under a number of existing sales was converted from cubic metres to tonnes. This change has simplified and improved the efficiency of sale processes and DPI Forestry plans to progressively extend it to all sales.

The High Court's Wik decision on Native Title has led to some restrictions on new sales of quarry materials. However, existing sales were not affected and to date this decision has only impacted on relatively small sales. Depending on the outcome of policy and legislative responses to Native Title, there may be some longer term impact on the development of quarries in new areas. However, it is hoped that the effects can be minimised as new Native Title policies and operational guidelines under development are implemented.



quarries

The commercial performance of DPI Forestry's quarry sales on Crown lands continued to improve with sales revenue increasing by 10% during the year to \$2.9m and the operating surplus increasing 14% to \$2.4m.

On a volume basis, DPI Forestry sold 2.55 million m³ of quarry materials, 32% higher than the previous year. Most of the increase was road material sold to local authorities at concessional rates (in accordance with State Government policy).

IN PROFILE

other *business ventures*

During the year, DPI Forestry continued to expand its marketing of research-based expertise in tropical and subtropical forest management with revenue from this source approaching \$0.5m. Major projects during 1996-97 included a five-year research and development agreement with PT Riau Andulan Pulp and Paper in Indonesia and a four-year AusAID funded project in Vanuatu called the South Pacific Regional Initiative on Genetic Resources. Further details of these projects and other intellectual property based projects can be found in Business Growth (page 28) and Research (page 18).

DPI Forestry continued to provide non-commercial public services associated with management of Crown forests to DNR under service agreements during the year. In addition, forest industry development services were provided to industry and the community under service agreements with DPI Agriculture Industry Development.

Details of achievements can be found in Customer and Community Relations.

Improved quality and *higher growth*

DPI Forestry initiated research programs into slash x Caribbean pine hybrids 15 years ago. Now, innovative breeding and clonal testing programs are being applied in Queensland to enable hybrids to be implemented rapidly.

By 2002, plantings in the coastal exotic pine plantations of south-east Queensland will consist solely of clonal stock that have been skilfully bred to possess the best attributes of slash and Caribbean pine.

In May and June 1997, the first operational scale clonal plantings (119 ha) were made and clonal testing and supportive research programs are now well advanced.

Clonal forestry has the potential to deliver improved log quality and higher growth rates.

The long-term success of the program is being ensured by maintaining dynamic breeding programs which effectively use all available information to identify parents that are most likely to produce superior hybrid families.

As most of the major challenges to clonal forestry have been overcome, future work will focus on integrating clonal forestry with the silvicultural realities of the plantation program.



Hybrids show excellent growth and uniformity

business

G R O W T H

GOAL

Expand the asset and resource base to maximise commercial returns

96 97

P E R F O R M A N C E

targets

Two new commercially viable intellectual property business ventures established and at least three new business ventures evaluated

Capital Investment Strategy developed

O U T C O M E S

Major commercial projects have been established in Australia, Asia and the Pacific, and a draft Capital Investment Strategy has been developed.

new

ventures

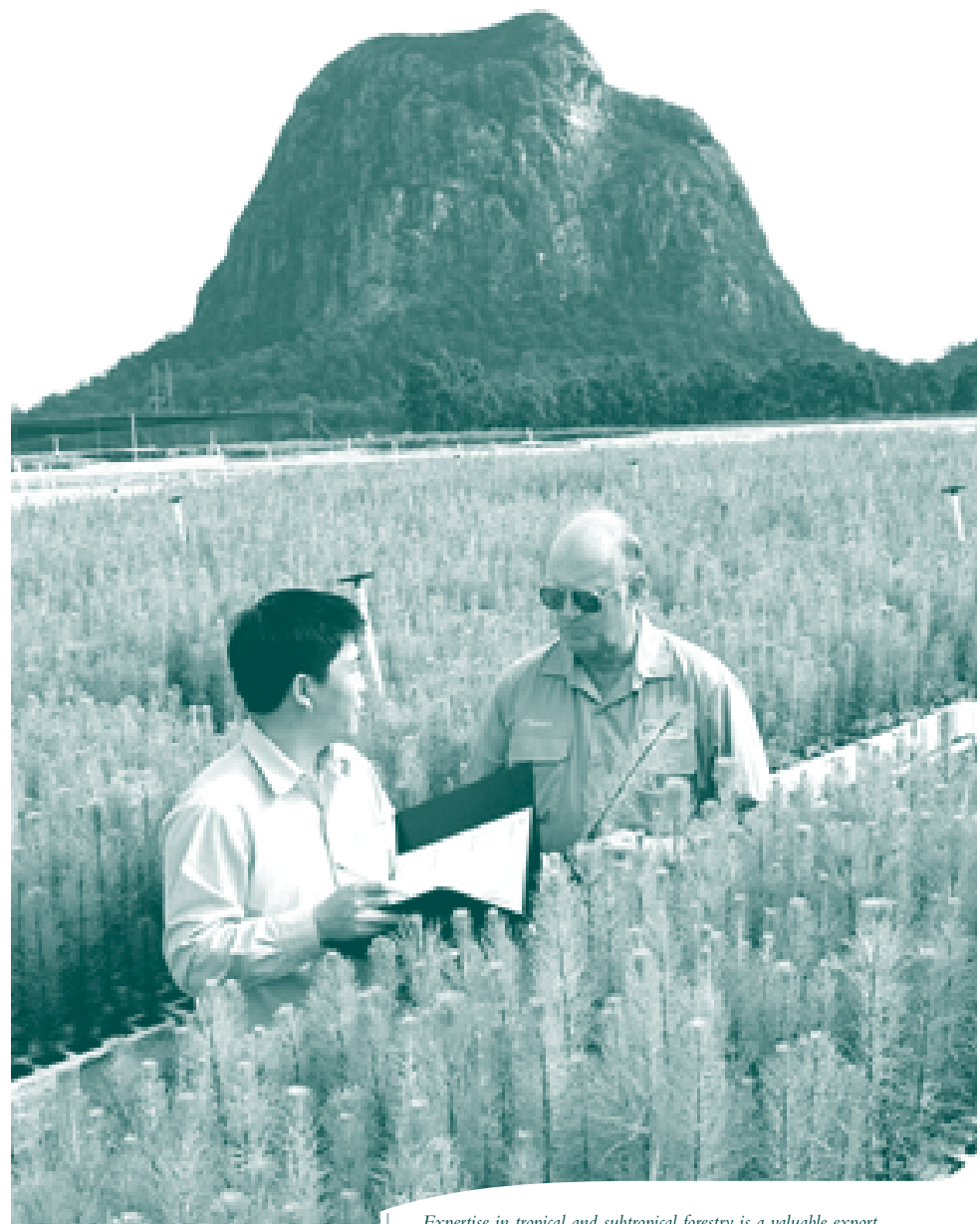
Over many years, DPI Forestry has accumulated a vast resource of scientifically-based knowledge and expertise in tropical and subtropical forestry. This 'intellectual property' is fundamental to the success of DPI Forestry's core business, but is also a valuable resource to help establish and manage forests elsewhere in Australia and overseas.

Increasingly, DPI Forestry is marketing these resources by a variety of means, including sales or licensing of genetic materials and technological systems; consultancies or contracted supply of services; and/or joint venture arrangements.

During 1996-97, commercial ventures developed in three key business directions:

- international projects involving development of forest genetic resources;
- domestic plantation management; and
- joint venture projects aimed at carbon offsets in the Queensland power generation industry.

Major commercial business ventures were established in Asia and the Pacific. In Indonesia, a five-year research and development project with PT Riau Andulan Pulp and Paper of Sumatra was implemented. The project centres on the clonal forestry development of *Acacia mangium* and other *Acacia* species. In the South Pacific, DPI Forestry began a partnership with CSIRO and FORTECH on a four-year AusAID



Expertise in tropical and subtropical forestry is a valuable export

funded project (see *Expanding into the South Pacific* for more details).

Meanwhile, three new business ventures were evaluated. DPI Forestry formed an agreement with State Forests of NSW for the supply of genetically improved pine seedlings and technical information. This agreement will see DPI Forestry supply up to 600 000 seedlings per year for five years to plantations in northern New South Wales.

DPI Forestry also undertook a feasibility study for Australian Pines and Products Ltd of New South Wales concerning replanting 2400 ha of former slash pine plantation that are currently being

mined for mineral sands. A five-year replanting program with DPI Forestry supplying technical advice, training and genetically improved slash pine seedlings is proposed.

Additionally, major links were forged during the year with Austa Electric, the Queensland Government electricity generating corporation. DPI Forestry evaluated a joint venture with Stanwell Power Station, involving a seed orchard and native species plantations in the power station's buffer zone. These projects will use waste cooling water from the power station to produce genetically improved seed and native species plantation timber.



Joint venture partner, Stanwell Power Station

Not only will they return a future income to DPI Forestry and Stanwell Power Station, they will significantly address environmental issues associated with electricity generation.

Preliminary discussions and an evaluation of a similar project at Tarong Power Station also began. A project involving a joint venture plantation of hoop pine on power station land and research and development of hardwood plantations on sites with poor soil quality is under consideration.

DPI Forestry also undertook a variety of smaller commercial consultancies during the year, including a land suitability study for the establishment of hardwood plantations in south-east Queensland for Queensland Commodity Exports. A feasibility study was also conducted for Epicorp in Vanuatu to assess establishing high value tropical hardwood plantations. Additionally, over the past two years DPI Forestry has subcontracted four staff through Anutech to provide 'in country' technical training on sustainable management of tropical rainforests to the Papua New Guinea National Forestry Authority.

These new business opportunities demonstrate the organisation's ability to apply its expertise beyond Queensland's Crown forests. They also highlight its international reputation, with many of the ventures resulting from organisations directly approaching DPI Forestry.

capital investment *strategy*

A draft long-term Capital Investment Strategy to grow the business in major product areas was developed during the year. The strategy identifies key investment opportunity areas, programs and targets for the next five years consistent with DPI Forestry's Business Plan and operating environment. The strategy will be refined during 1997-98 to enable necessary consultation with Queensland Treasury.



IN PROFILE

expanding into

the south pacific

DPI Forestry's wide experience in tropical and subtropical forestry enables it to provide valuable forestry services to clients throughout the Asia-Pacific region and beyond. In the South Pacific, for example, it is attracting new business through a joint project with CSIRO and FORTECH. The South Pacific Regional Initiative on Forest Genetic Resources (SPRIG) for AusAID began work in late 1996. Its aim is to conserve and develop genetic resources of key forest tree species in the Pacific and promote gene conservation activities.

Working in Fiji, Vanuatu, Western Samoa and Tonga, the project is also addressing social issues such as uses and values attached to forest products and species preferences. The Queensland Forestry Research Institute is leading the vegetative propagation component of the project. Using the knowledge it has gained from its advanced programs in Queensland, clonal propagation is being conducted in the Pacific as a fast and effective means of selecting improved traits in superior trees.

The technologies and strategies developed will be incorporated into conservation and domestication programs, and training in the techniques will be provided to the countries involved.



Training nursery workers, Vanuatu

environmental

INTEGRITY

GOAL

Conduct all forest product operations in accordance with legislative requirements and codes of practice for ecologically sustainable use

96 97

PERFORMANCE

targets

A code of practice for native forest timber production implemented according to timelines negotiated with DNR

Implementation program for an Environmental Management System commenced

Undertake research into the ecological sustainability of native forest wood production operations

OUTCOMES

Operational trials of a draft code of practice for native forest timber production were finalised enabling further review and redrafting of the code by DNR.

A program to upgrade DPI Forestry's Environmental Management System to a standard suitable for independent certification to international standards by the year 2000 is under way.

A wide range of research, development and assessment activities were undertaken to ensure native forest operations are ecologically sustainable and maintain the biological diversity of Crown native forests.

codes of

practice

As a signatory to the National Forest Policy Statement, Queensland is committed to developing codes of practice for a variety of commercial and non-commercial forest activities. These codes highlight a commitment to ecologically sustainable development. As a major stakeholder, DPI Forestry is providing input to DNR which is responsible for the preparation of codes for timber production, grazing, fire management, harvesting of minor forest products, quarrying and recreation.

In the past financial year, DPI Forestry completed operational trials of a draft code of practice for native forest timber production in collaboration with the timber industry. Reports on these trials have been given to industry and DNR, with the latter now coordinating a review of the code based on these results and information from ongoing consultation.

DPI Forestry also provided input to a code of practice for plantations which, when ratified, will enable Commonwealth export licensing requirements for unprocessed plantation wood to be lifted.

Work is continuing with DNR and the forest industry in the Comprehensive Regional Assessment (CRA) and Regional Forest Agreement (RFA) process with a view to an RFA for south-east Queensland being signed in mid-1998.

In February 1997, the Commonwealth and State Governments signed a Scoping Agreement that set out agreed processes and timetables for

negotiating RFAs in Queensland. It was the first step towards RFAs which aim to ensure forest ecosystems and biodiversity are maintained and community benefits are optimised from all ecologically sustainable forest uses.

As a stakeholder, DPI Forestry is represented on the RFA reference panel, steering committee and one technical committee. It is providing assistance and information for RFA projects, especially economic projects.

As part of the RFA process, Interim Management Arrangements (IMAs), to be implemented for native forest management in the next financial year, are currently being negotiated by the State and Commonwealth Governments

and stakeholders. The Queensland Government is committed to ensuring these IMAs do not result in job losses or forced mill closures. DPI Forestry will continue to maintain supplies to industry while IMAs apply as part of the RFA process. DPI Forestry's contribution to this process during the year totalled \$160 000.

environmental *management system*

During the year, a framework for DPI Forestry's Environmental Management System was drafted. At the same time, a program of internal audits was initiated to assess the status of current systems and identify areas for improvement.



Recording forest data



Monitoring rainfall intensity with a tipping bucket rain gauge

through long-term monitoring and short-term impact studies on levels of disturbance, any changes in soil nutrient levels or 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 which will be useful to develop codes of practice and refine Montreal Process criteria and indicators of sustainable forest management. Meanwhile, a rapid biodiversity assessment is studying ants to gain an indication of the impacts of forest management practices such as controlled burning, cattle grazing and harvesting. Ants are useful early indicators in assessing ecosystem status and the impacts of management on it.

It is intended that the proposed Environmental Management System will streamline licensing under the Environmental Protection Act and ensure compliance with a range of environmental standards, including:

- codes of practice for ecologically sustainable forest use;
- Regional Forest Agreements (when finalised); and
- DPI Forestry's own research-based environmental policies and procedures.

To meet a commitment to timber industry customers, DPI Forestry aims to be in a position where the system can be independently audited and certified to international environmental standards (ISO AS/NZS 14001) by the year 2000. This will then enable DPI Forestry's customers to

seek eco-labelling of products from Crown forests and gain a potentially significant commercial advantage.

sustainability *research*

Through QFRI's Sustainability Program, DPI Forestry is studying the effects of forest management practices on the physical, chemical and biological status of soil; plant-soil interactions; and the maintenance of appropriate levels of biodiversity in native forests. It is also conducting research to minimise the impacts off-site, especially on water quality.

Ongoing projects include studies of native forest soils, vegetation and hydrology, and a rapid biodiversity assessment. The native forest soils project will provide information



IN PROFILE

a tale of two

catchments

Research into the impact of forest management on soil properties and the quality and quantity of run-off water is an integral part of DPI Forestry's commitment to providing products that meet high ecological and environmental standards.

New knowledge of vegetation patterns in relation to soils and topography, and vegetation responses to forest management practices is being gained through a paired catchment study.

This involves catchments that are very similar and is conducted by building weirs across the outflows of each. Instruments on the weirs record integrated descriptions of surface hydrological systems.

After three to five years of baseline monitoring to calibrate the catchments, a management practice, such as harvesting, is introduced into one of the catchments. The post-harvesting changes will then be measured and recorded.

The project, which is just one of several focusing on native forest sustainability, is expected to provide a better understanding of the initial impacts of harvesting by 2002. Undertaken in collaboration with the Department of Environment, it is based at Jimna in the Cononales where aquatic habitats and animal and plant life, and the impacts of soil physical changes caused by logging on soil microarthropods are also being studied.



Measuring water quality at Jimna

customer

and community RELATIONS

GOAL

Enhance commercial collaboration with the forest industry and other customers; and customer/community appreciation of DPI Forestry as a reliable commercial supplier of quality forest products from sustainably managed forests

96 97

PERFORMANCE

targets

Achieve private forestry and forest industry development targets (in accordance with DPI's Priorities Towards 2000 commitments)

Improve processing technology and value adding for timber products through continued cooperative research projects

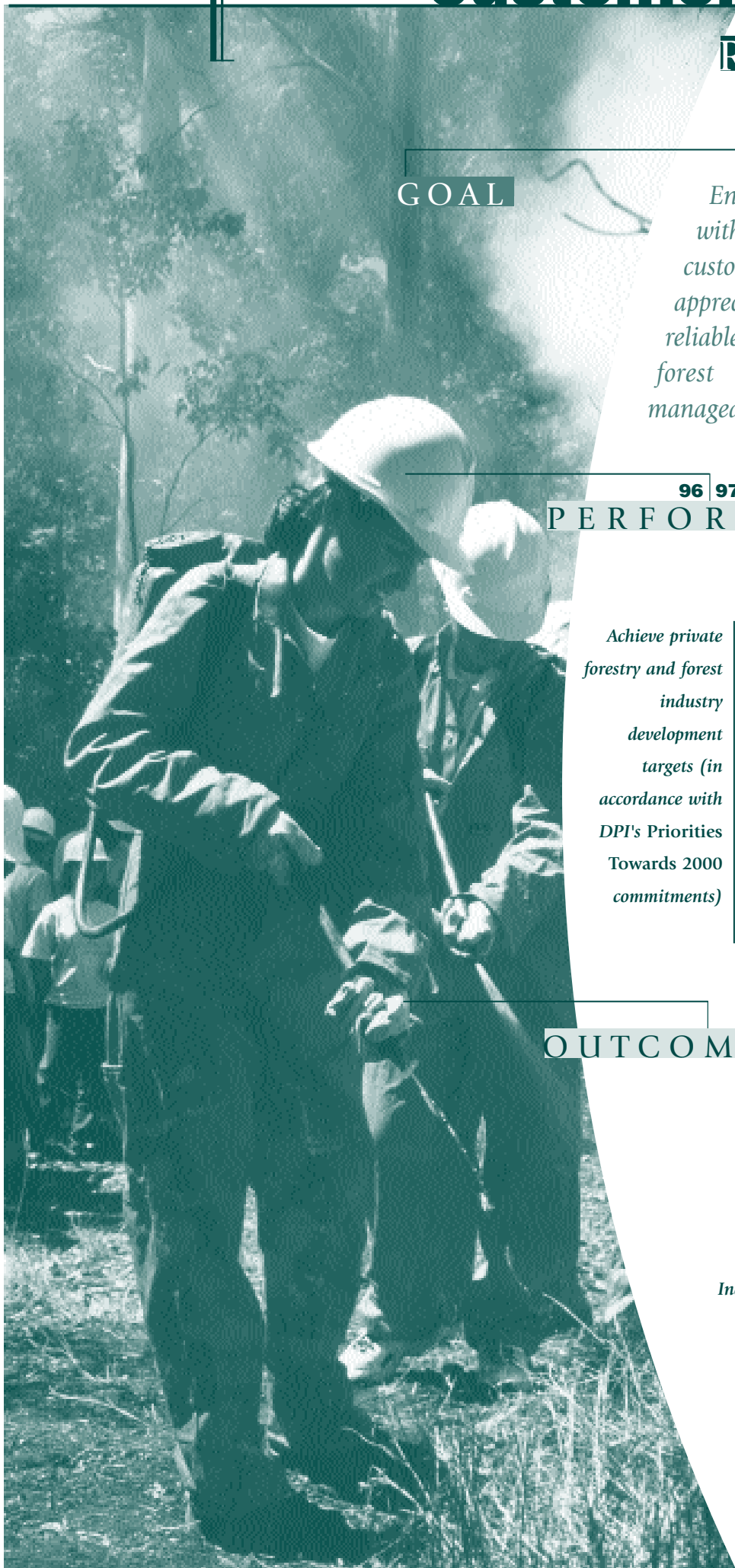
A DPI Forestry communication strategy developed and implemented

OUTCOMES

Good progress on key private forestry and industry development initiatives.

Significant advances in timber processing technology and value-added products.

Increased community awareness of the forest industry through promotional projects.



private forestry and industry development

The Forest Industries Development division, established within DPI Forestry in March 1996, supports private forestry development and addresses key industry issues related to planning certainty, industry competitiveness and sustainable growth. Funded primarily by DPI Agriculture Development, it provides a point of contact and advocacy on industry issues between industry sectors and the Government.

Under the State Government's Private Forestry Plantation Initiative, 214 ha of plantation were established throughout the State on a joint venture basis between 18 land-holders and DPI Forestry during the year. These plantings included 174 ha in south-east Queensland, 20 ha in north Queensland and 20 ha of demonstration plantings in the Mackay/Proserpine area.

The initiative takes advantage of the expanding market for wood, such as Australian hardwood, in light of anticipated long-term increases in demand for timber and timber products and reductions in timber supplied from traditional sources. It attracted wide interest among private landowners with hundreds of enquiries received and a further 600 ha of joint venture plantation establishment planned for 1997-98.

Two private forestry development officers have been appointed to Beerburrum and Atherton to promote this initiative and coordinate DPI Forestry plantation establishment and maintenance activities for joint ventures.



Eighteen land-holders became joint venture partners

Profit a prendre was introduced to the Land Titles Act through amendments supported by DPI Forestry to provide security for joint venture investors. The amendments are an essential element in expanding private forestry in Queensland. *Profit a prendre* protects an investor's interest in a tree crop on someone else's land by allowing registration of the interest against the land title. DPI Forestry aims to test its use to ensure it is suitable and cost effective for registering timber growing agreements.

DPI Forestry also began a consultative process with relevant stakeholders to develop the best mechanism for providing harvest security. The aim is to ensure that land-holders and other potential investors will not be prevented from harvesting a plantation asset by future government action. As a first step in this process, DPI Forestry

released a draft discussion paper to members of the Private Forestry Advisory Committee in June 1997 to promote discussion on options for enhancing security of harvesting rights.

DPI Forestry, major private forest growers and DNR are cooperating to develop plantation codes of practice which will be scientifically assessed by CSIRO in the second half of 1997. If the new environmental codes are assessed favourably, the Commonwealth Government has indicated that it will remove export controls on unprocessed plantation timbers.

In contrast to southern states, Queensland has no established woodchip or log export operations based on native forests. However, significant quantities of harvesting and processing residues are generated by the native forest timber industry in Queensland.



In-kiln moisture meters aid cost efficiency

Currently, most of this material is burnt, buried or left to rot in the forest. As problems with the disposal of sawmill residue increase, the development of markets for this resource is of significant importance to the timber industry. In consultation with industry, DPI Forestry has been pursuing options for use of sawmill residues principally in the domestic market.

During 1996-97, the Commonwealth Government gave undertakings to remove controls over exports of woodchips and other forms of unprocessed wood, such as logs, sourced from native forests once RFAs are in place.

An ongoing review of the Sawmills Licensing Act has been proceeding in consultation with industry. In addition, the National Competition Policy legislative review program negotiated

with the Commonwealth Government has required that potentially anti-competitive provisions of the Sawmills Licensing Act be subjected to a public benefits test to determine whether there are grounds for their retention. A working group was established within DPI to prepare a Public Benefits Test Plan for the legislation. As far as possible, this process is being conducted in concert with the ongoing review of the Act.

The Forest Industries Development division has also undertaken a comprehensive socio-economic study of Queensland's forest industry. This document, due for publication in late 1997, will be a valuable source of information concerning the size and nature of the industry.

Recognising the importance of this \$1.7 billion a year industry, a Forest Industry Strategy will be completed within the next financial year. During

the past year a steering committee was formed to oversee the development of the strategy.

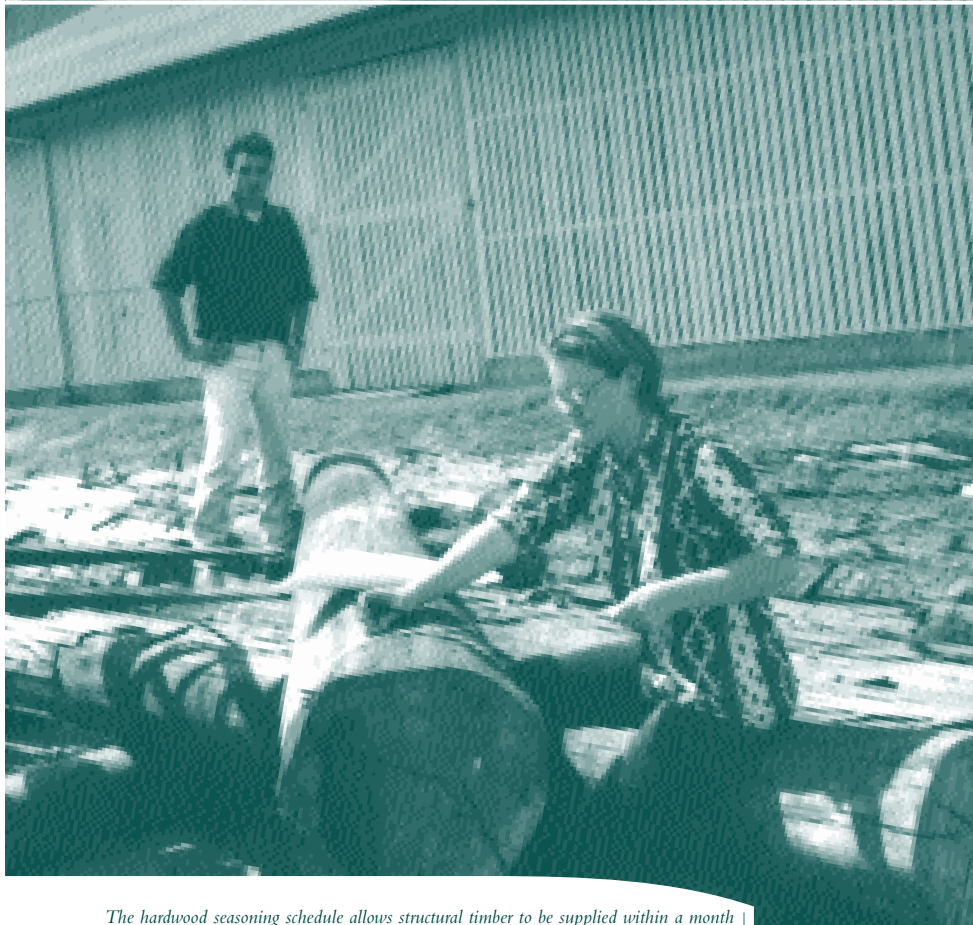
The strategy will be developed in consultation with all key industry stakeholders and will identify a clear long-term vision, strategic objectives, strategies and targets for the industry. It will address private sector investment in plantation forestry, production technology advances, improved use of timber residues, and domestic and international market opportunities. The strategy will also consider economic reforms within the industry and industry options in light of regulatory changes such as RFAs.

processing technology and value adding

QFRI has made significant contributions in the fields of wood quality improvement, wood use, timber engineering and wood processing during the year.

New drying processes developed for hoop pine and hardwoods promise new markets and greater cost efficiency for the timber industry. A prototype in-kiln moisture meter has been developed to assist hoop pine dry kiln operators. As hoop pine demands the very best drying techniques, the meter will give processors the power to manage drying schedule changes using moisture content as control parameters. It also has the potential to provide complete computerised supervision of drying to greatly improve the cost and efficiency of drying hoop pine for high quality end products.

Additionally, a hardwood seasoning schedule has been developed to allow processors to cut and supply dry hardwood structural timber to order within a month.



The hardwood seasoning schedule allows structural timber to be supplied within a month

Schedules are also being developed for furniture grade or milled products, and for drying plantation grown and regrowth hardwoods, particularly to assist private forestry growers.

Meanwhile, a major project is under way to optimise the process of breeding stock selection based on wood product value. QFRI's Wood Products and Tree Breeding programs are working together on the project in collaboration with Hyne & Son, the Forest and Wood Products Research and Development Corporation, the Australian National University and the CRC for Temperate Hardwood Research. Due for completion in June 1998, the project will focus on maximising the return on plantation investment as well as reducing plantation costs, increasing production and improving standing tree quality.

communication strategy

A draft communication strategy has been developed to refocus the organisation's corporate communication for the commercial era. It is the first communication strategy produced since commercialisation and includes a comprehensive section on supporting the timber industry.

During the year, a wide range of promotional activities have aided community understanding of the forest industry and its products. Promotional activities such as DPI Forestry's participation at trade and industry shows, including the Home Show and Working With Wood exhibition and publications promoting forestry, such as *Between the Leaves* (circ. 15000), are increasing community awareness of the whole forest industry. Ninety-second info-mercials screened

on regional television have also promoted joint ventures on private land and timber as the most environmentally friendly building product.

During the year, a major display was prepared for the Timber Information and Advisory Centre in Brisbane. It was a joint display with DNR, highlighting the environmental and commercial aspects of forest production. The public are invited to 'Remove a weight and disturb the balance'. The needle then points out the consequences of taking away particular policies or products.

DPI Forestry also worked with DNR to provide more than 1000 school students with forest education activities at Mt Mee State Forest on World Forestry Day and teacher education days throughout the year. Research indicates these days are highly effective in improving student and teacher awareness of forests and support of forest management practices.

World Forestry Day 1997 also provided the occasion to officially launch the joint DPI Forestry/DNR *Forestry in Queensland* world wide web site. Recognised by ABC Radio as one of the country's best websites, *Forestry in Queensland* gives web users access to a wealth of information on forestry issues and services provided by both departments, with links to other national and international forestry sites.

Products, such as *LOSP-treated hoop pine* (see *Strong, smooth, even-grained hoop*), have also gained public attention due to support and publicity by DPI Forestry.

IN PROFILE

strong, smooth,
even grained hoop

A range of timber products for external use (solid timber doors and windows), created by Finlayson's Timber and Hardware using LOSP-treated plantation hoop pine, *Araucaria cunninghamii*, was developed with the assistance of DPI Forestry's Queensland Forestry Research Institute.

Treating the hoop with LOSP, or light organic solvent preservative, makes it highly resistant to weathering, decay and termite damage. LOSP has been used by the timber industry for around five years, but this is the first time it has been applied to plantation grown hoop pine for external joinery applications. DPI Forestry studied the dimensional stability of plantation hoop pine when exposed to variable atmospheric conditions and came up with the manufacturing processes that would allow it to be used as an exterior joinery timber.

The products create new markets for Queensland's renewable plantation pines and reduce the reliance on imported rainforest timbers for housing applications.



Processor and grower collaboration

best practice

business MANAGEMENT

GOAL

Pursue best practice standards in all areas of Forestry operations

96 97

PERFORMANCE

targets

Improvement initiatives associated with the plantation benchmarking study introduced

A separate Enterprise Agreement for DPI Forestry affecting employment conditions and remuneration negotiated

Enhanced commercial systems and practices progressively implemented
Risk management plan developed and implemented

OUTCOMES

DPI Forestry has introduced, or is trialing new systems to enhance plantation operations towards best practice. Negotiations have commenced with unions and staff for a new Enterprise Agreement and significant advances have been made in financial and administration practices.

plantation *benchmarking*

In 1995, DPI Forestry participated with all the state forest agencies and seven of Australia's largest private growers in a project facilitated by Price Waterhouse Urwick to benchmark plantation growing costs. With the participants managing over 90% of Australia's current plantations, this exercise was one of the most comprehensive ever undertaken and is believed to be a world first.

The results enabled DPI Forestry to test its performance against other comparable plantation sites for each of the 11 broad activities measured. Weed control costs were a key issue emerging from this study for DPI Forestry. Due to climate and weed spectrum factors, DPI Forestry's weed control costs were higher than other participants. Research and other improvement measures are being pursued to reduce these costs by at least 25%.

The Forest Development Group was enlarged during the year to develop and implement optimum silvicultural systems. This has resulted in significant improvements in plantation establishment and weed control efficiency and further substantial improvements are expected next year.

To ensure long-term site productivity a residue retention plantation establishment system has been introduced with further expansion planned next year. Soil and water degradation in and around plantations are more likely during the inter-rotation period when mechanical activity is greatest and ground cover is disturbed. To minimise this impact,

branches and tree tops combined with understorey are now being retained, rather than burnt, on an increasing number of sites. New management practices, such as the use of a V-shear blade, allow residue to be retained by simply clearing it aside to create a path for planting. The system will also result in significant cost savings in exotic plantations.

The steepness of hoop pine plantation areas creates new challenges for retaining residue on site. However, systems incorporating excavator clearing with or without chopper rolling on sites less than 25 degrees and gravity rolling with manual lane clearing on steeper slopes have been trialed.

enterprise *agreement*

For the first time, DPI Forestry was given the opportunity to develop its own Enterprise Agreement to replace the agreement that concluded in October 1996. Conditions set by State Cabinet for commercialised agencies such as DPI Forestry included: a) no Government supplementation for wage and salary increases arising from the agreement; and b) achievement of productivity savings consistent with the corporate and business plans.

During the first half of 1997, an Enterprise Bargaining 2 (EB2) framework was developed in line with key directions in DPI Forestry's Corporate Plan. It contained proposals for pay increases and enhanced working conditions to suit a commercial environment as well as



Hoop pine residue retention

productivity and performance improvement initiatives to be achieved cooperatively with staff over the life of the agreement. These initiatives have a dual focus:

- to improve efficiency across all functional areas; and
- to improve quality management particularly in areas such as long-term plantation productivity, environmental management and customer service.

Following approval of the framework by Government central agencies in May 1997, negotiations began in early June with the Australian Workers' Union, the State Public Services Federation Queensland and the Construction Forestry Mining and Energy Union. At the same time, a process of staff consultation was initiated to refine proposals for inclusion in the draft agreement.

Staff will vote on the draft agreement once negotiations with unions have been finalised with a majority acceptance necessary for it to be ratified by the Queensland Industrial Relations Commission.



Reducing the risk of wildfires

enhanced commercial systems and practices

During the year, DPI Forestry's *Commercialisation Charter* was ratified by Cabinet. Developed in collaboration with Treasury, it establishes DPI Forestry's commercial goal and core business. It also outlines the mechanisms to protect the public interest through the regulatory functions performed by DNR. The charter will be reviewed within two years as elements of the policy framework are confirmed.

Over the past two years, DPI Forestry has implemented accrual accounting systems with an ongoing program of improvement in finance and administration practices. In the past financial year many significant achievements have been made including refinement of both cash and accrual reporting processes to provide reports to Treasury as well as management. A comprehensive monthly set of management reports are now produced by region. These include profit and loss statements, balance sheets, cash flow statements and capital expenditure reports.

DPI Forestry also introduced absorption costing for nursery and seed inventories and implemented a computerised inventory system for consumable stores in major centres. A system for the recording of private forestry joint venture costs was also developed and implemented. To ensure best practice, an external review of the model used to generate plantation valuations was conducted to confirm the validity of the model.

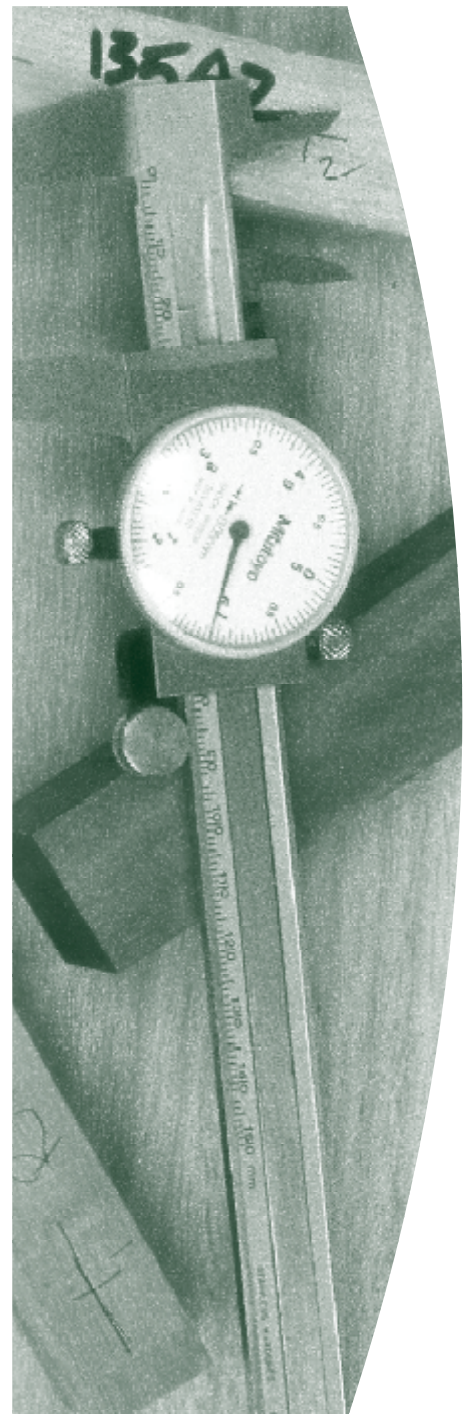
DPI Forestry also developed two commercially focused strategic documents (the Corporate Plan and a draft Business Plan), improved the physical working area and reviewed the organisational structure of the Finance Unit, and implemented a process for monitoring incorrect costing allocations.

risk management strategy

In late 1996, DPI Forestry developed a Risk Management Strategy to manage all the risks that threaten its ability to achieve its corporate and financial goals. The strategy adopts risk management processes stipulated in AS/NZS 4360: 1995 Risk Management. It ensures DPI Forestry formally considers the risk management implications of all significant capital investment projects, considers environmental management issues in all projects and complies with relevant legislation, standards and codes of practice. It also provides for training of staff in managing risk.

During the year, DPI Forestry hosted a major inter-agency exercise, 'Brumby '97', aimed at reducing the impact of wildfire by ensuring effective cooperation between all fire agencies.

About 100 firefighters from DPI Forestry, DNR, the Department of Emergency Services, National Parks and Wildlife Service and rural firefighting agencies attended. The exercise, which included a staged wildfire, tested a variety of fire control practices and equipment.



IN PROFILE

the critical link

The Forest Development Group was established during 1996-97 as a critical link in underpinning DPI Forestry's commitment to environmentally sustainable, high quality plantation establishment and maintenance.

The group's mandate is to transfer new technology resulting from QFRI's research to the field. This will be achieved by developing systems to ensure best practices are adopted for site preparation, weed management, harvesting, roading, propagation, nurseries and soils-based silviculture and design.

It aims to assist in the implementation of research and development findings and reduce

any productivity differences between research and operational systems (ie minimising 'operational slippage'). It is also providing support for technical management systems, enhancing sustainable forest management and reducing operational costs.

During the past year, the Forest Development Group has focussed on developing and implementing residue retention systems for plantation establishment together with assessment of the operational opportunities for use of granular residual herbicides and large scale nursery multiplication and stock handling systems.



financial

STATEMENTS

financial year ended 30 June 1997

Profit and Loss Statement

Balance Sheet

Statement of Cash Flows

Notes to and forming part of the financial statements

1. Constitution
2. Statement of Significant Accounting Policies
3. Operating Profit
4. Income Tax
5. Cash
6. Receivables
7. Inventories
8. Property, Plant and Equipment
9. Plantation Growing Timber
10. Creditors
11. Borrowings
12. Provisions
13. Movement in Capital and Reserves
14. Dividend
15. Reconciliation of Net Cash Provided by Operating Activities to Operating Profit after Income Tax
16. Financing Facilities
17. Interests in Joint Ventures
18. Contingent Liabilities
19. Commitments for Capital Expenditure
20. Deposits Held in Trust
21. Events Subsequent to Balance Date

Certificate of DPI Forestry

Audit Certificate

financial statements

PROFIT AND LOSS STATEMENT (for financial year ended 30 June 1997)

	*NOTES	96-97 \$'000	95-96 \$'000
Operating profit before income tax	3	7 847	9 346
Income tax attributable to operating profit	4	-	-
OPERATING PROFIT AFTER INCOME TAX		7 847	9 346
Retained profits at the beginning of the financial year		368	-
Total available for appropriation		8 215	9 346
Dividend provided for	12, 14	(5 060)	(8 978)
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR		3 155	368

* The accompanying notes on pages 50-56 form an integral part of the Financial Statements.

BALANCE SHEET (as at 30 June 1997)

	*NOTES	96-97 \$'000	95-96 \$'000
CURRENT ASSETS			
Cash	5	9 958	16 641
Receivables	6	10 814	9 937
Inventories	7	2 698	2 378
TOTAL CURRENT ASSETS		23 470	28,956
NON-CURRENT ASSETS			
Receivables	6	805	999
Property, plant and equipment	8	73 806	74 814
TOTAL NON-CURRENT ASSETS		74 611	75 813
SELF GENERATING AND REGENERATING ASSETS			
Plantation growing timber	9	1 090 873	1 033 590
TOTAL ASSETS		1 188 954	1 138 359
CURRENT LIABILITIES			
Creditors	10	5 673	4 760
Borrowings	11	4 871	3 606
Provisions	12	10 145	13 688
TOTAL CURRENT LIABILITIES		20 689	22 054
NON-CURRENT LIABILITIES			
Creditors	10	700	1 400
Borrowings	11	80 089	74 803
Provisions	12	7 545	7 505
TOTAL NON-CURRENT LIABILITIES		88 334	83 708
TOTAL LIABILITIES		109 023	105 762
NET ASSETS		1 079 931	1 032 597
EQUITY			
Capital	13	928 167	945 055
Retained profits		3 155	368
Reserves			
- Asset revaluation	13	4 229	77
- Plantation growing timber revaluation	13	144 380	87 097
TOTAL EQUITY		1 079 931	1 032 597

* The accompanying notes on pages 50-56 form an integral part of the Financial Statements.

financial statements

STATEMENTS OF CASH FLOWS (for financial year ended 30 June 1997)

	NOTES	\$'000 96-97 INFLOWS (OUTFLOWS)	\$'000 95-96 INFLOWS (OUTFLOWS)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		84 304	84 557
Payments to suppliers and employees		(62 688)	(59 262)
Interest received		826	726
Interest and loan guarantee fees paid on borrowings		(7 825)	(6 117)
Sales taxation equivalents paid		(349)	-
Grants and subsidies paid		(501)	(182)
Grants and subsidies received		421	61
NET CASH PROVIDED BY OPERATING ACTIVITIES	15	14 188	19 783
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(8 363)	(8 248)
Proceeds from sale of property, plant and equipment		690	1 156
NET CASH USED IN INVESTING ACTIVITIES		(7 673)	(7 092)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(4 220)	(3 237)
Funds relating to non-commercial activities paid to the Consolidated Fund			
- Department of Primary Industries, Fisheries and Forestry		-	(1 183)
Dividends paid		(8 978)	-
NET CASH USED IN FINANCING ACTIVITIES		(13 198)	(4 420)
NET INCREASE/(DECREASE) IN CASH HELD		(6 683)	8 271
CASH AT THE BEGINNING OF THE FINANCIAL YEAR		16 641	8 370
CASH AT THE END OF THE FINANCIAL YEAR	5	9 958	16 641

* The accompanying notes on pages 50-56 form an integral part of the Financial Statements.

financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(for financial year ended 30 June 1997)

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, Fisheries and Forestry.

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 Public Finance Standards, 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 INVENTORIES

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

Change in Accounting Policy

The policy in relation to the recognition of seedlings and consumable stores as inventories was amended during the year.

- Seedlings used in plantation production are prepared on a seasonal basis for use in the plantation establishment process. Plantation timber is not valued until it reaches merchantable age and accordingly, seedlings produced for DPI Forestry's plantation production are no longer recognised as inventory.
- Also, minor stores held at certain sites and nursery consumables purchased for immediate use are no longer recognised as inventory.

Refer also to note 3(b).

2.5 LIBRARY ASSETS

Purchase of library materials are expensed as incurred.

2.6 LEASEHOLD IMPROVEMENTS

Leasehold improvements are expensed as incurred.

2.7 COMPUTER SOFTWARE

Acquisition costs of computer software are expensed as incurred.

2.8 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.

Profit and Loss on Disposal of Assets

Any gain or loss on the sale 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.

2.9 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; and
- changes in realisation costs.

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

financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(for financial year ended 30 June 1997)

realisable value from the beginning to the end of the year is not shown as revenue in the Profit and Loss Statement. It is treated as an adjustment to the Plantation Growing Timber Revaluation Reserve. 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.

2.10 NATIVE FORESTS

The management and marketing of timber from specified Crown native forests is part of the core business of DPI Forestry. 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 there are still unresolved issues associated with the Regional Forest Agreement process in native forests, with this agreement not scheduled for signing prior to June 1998. Both of these factors raise reliability problems for any native forest valuation approach and have resulted in native forest property rights not being valued in the financial statements for the year ended 30 June 1997. 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.

2.11 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 leasehold land parcels held for operational purposes as at 1 July 1995 plus freehold land purchased since that date.

2.12 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.

2.13 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.

2.14 RESEARCH AND DEVELOPMENT

Research and development costs are charged to operating profit before income tax 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.

2.15 TAXATION

DPI Forestry is subject to the payment of Income Tax Equivalents and Sales Tax Equivalents under the Queensland Tax Equivalents Regime. Income tax expense, assets and liabilities arising from the levying of Income Tax Equivalents including Capital Gains Tax (refer Note 4), have been calculated using the liability method of tax effect accounting in accordance with Australian Accounting Standard AAS 3 "Accounting for Income Tax (Tax-effect Accounting)".

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.

2.16 INSURANCE

In accordance with Government policy, assets are not insured, and losses are treated as an expense as they are incurred, except for workers' compensation insurance for which premiums are paid to Workcover Queensland.

2.17 FINANCIAL REPORTING BY SEGMENTS

DPI Forestry operates principally in the forestry industry within Queensland.

2.18 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 2.9). Details of DPI Forestry's interests are disclosed at note 17.

2.19 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 20.

2.20 COMPARATIVE FIGURES

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

2.21 ROUNDING

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

3. OPERATING PROFIT

		96-97	95-96
		\$'000	\$'000
Revenue - Sales	3(a)	75 139	74 615
- Other	3(a)	10 895	10 398
		86 034	85 013
Operating expense	3(b)	78 187	75 667
OPERATING PROFIT BEFORE INCOME TAX		7 847	9 346

financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(for financial year ended 30 June 1997)

Operating profit before income tax has been determined after:

3(A) CREDITING AS REVENUE

	96-97	95-96
	\$'000	\$'000
SALES REVENUE		
Plantations		
- Native pine	21 756	22 661
- Exotic pine	38 774	36 110
- Hardwood	258	114
Native Forests		
- Cypress	2 847	2 980
- Hardwood	6 363	5 733
- Sandalwood	338	1 447
Quarries	2 827	2 637
Seeds and seedlings	1 089	1 256
Freehold selections - timber revenue	117	905
Fees and permits	266	292
Other sales revenue	504	480
TOTAL SALES REVENUE	75 139	74 615

OTHER REVENUE

Interest	769	828
Specialised forest industry services	6 868	6 527
External workshop charges	907	1 036
External plant hire	615	319
Profit on disposals of non-current assets	203	374
Miscellaneous	1 533	1 314
TOTAL OTHER REVENUE	10 895	10 398

3(B) CHARGING AS AN OPERATING EXPENSE

	96-97	95-96
	\$'000	\$'000
Salaries, wages and related costs	29 763	29 825
Interest and loan guarantee fee		
- Queensland Treasury Corporation Loan	5 397	4 682
- Commonwealth Softwood Loans	3 641	3 574
Contracted forestry, professional, technical and other services	9 534	8 153
Depreciation on property, plant and equipment	5 717	5 636
Hire of plant and equipment	2 210	2 007
Superannuation contributions	3 331	3 116
Provision for employee entitlements	4 090	3 742
Motor vehicle expenses	2 709	2 993
Occupancy costs	2 532	2 809
Forest maintenance expenses (1), (2)	2 031	1 710
Materials (1)	1 505	1 991
Travel expenses	1 199	1 045
Workers' compensation costs	949	1 061
Postage, printing and stationery	641	424
Computer operating expenses	610	844

Auditor's remuneration (3)	185	90
Doubtful debts expense	8	16
Bad debts written off	1	2
Other operating expenses	2 134	1 947

TOTAL OPERATING EXPENSES **78 187** **75 667**

1) As a result of changes in inventory accounting policy (note 2.4) the following adjustments are included within the operating expenses for 1996-97.

- Materials: Balances at 1 July 1996 of stores no longer designated as inventory and expensed were \$380 035.
- Forest Maintenance Expenses: Balances at 1 July 1996 of nursery seedlings and consumables no longer designated as inventory and expensed were \$574 621.

2) The inventory balance for seeds was written up by \$582 443 as at 1 July 1996 following a re-assessment of costs included in the inventory valuation. This adjustment has resulted in an equivalent amount being credited against Forest Maintenance Expenses for 1996-97.

3) 1996-97 expense includes \$60 200 on account of 1995-96 which was under accrued at 30 June 1996.

4. INCOME TAX

	96-97	95-96
	\$'000	\$'000
Operating profit	7 847	9 346
The prima facie income tax expense (calculated at 36% of operating profit)	2 825	3 365

TAX EFFECT OF PERMANENT DIFFERENCES WHICH INCREASE/ (DECREASE) INCOME TAX EXPENSE:

Acquired timber felled		
- Queensland Income Tax Equivalents Ruling 95/4	(14 751)	(10 056)
Research and development concession	(272)	(587)
Entertainment - non-deductible	6	3
Diesel fuel rebate	-	26
Prepayments	-	21
Capital gains tax	148	-
Other	(71)	-
TOTAL INCOME TAX BENEFIT	(12 115)	(7 228)

	96-97	95-96
	\$'000	\$'000
Net income tax benefit	(13 002)	(6 934)
Deferred income tax liability	941	66
Future income tax benefit	(54)	(360)
TOTAL INCOME TAX BENEFIT	(12 115)	(7 228)

A future income tax benefit has not been brought to account as an asset of DPI Forestry as realisation of the benefit cannot be regarded as being assured beyond any reasonable doubt. Accumulated future income tax benefits amounting to \$19 342 550 as at 30 June 1997 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 loss 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 loss.

financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(for financial year ended 30 June 1997)

5. CASH

	96-97	95-96
	\$'000	\$'000
Cash on hand	30	29
Cash at bank	517	37
Cash other - Forestry Fund	9 411	16 575
TOTAL CASH	9 958	16 641

6. RECEIVABLES

	96-97	95-96
	\$'000	\$'000
CURRENT		
Trade debtors	10 255	9 357
Freehold selection debtors (1)	349	385
	10 604	9 742
Less - Provision for doubtful debts (1)	(24)	(16)
	10 580	9 726
Interest receivable	45	103
Other debtors	189	108
	10 814	9 937
NON-CURRENT		
Freehold selection debtors (1)	805	999
TOTAL RECEIVABLES	11 619	10 936

1) 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 \$8 075 (\$nil, 1995-96) for freehold selection debtors. The freehold selection debtors are managed by the Department of Natural Resources.

7. INVENTORIES

	96-97	95-96
	\$'000	\$'000
FINISHED GOODS:		
Seeds and seedlings	1 199	1 214
Harvested timber on hand	64	67
	1 263	1 281
WORK IN PROGRESS		
Seedlings	124	-
RAW MATERIALS AND STORES:		
Fertilisers, chemicals and herbicides	391	491
Saleable publications	180	259
Fuel	63	92
Miscellaneous	677	255
	1 311	1 097
TOTAL INVENTORIES	2 698	2 378

The basis for valuation of inventories and details of changes in accounting policy are set out in notes 2.4 and 3(b) respectively.

8. PROPERTY, PLANT AND EQUIPMENT

	96-97	95-96
	\$'000	\$'000
LAND		
At cost	3 209	3 200
At valuation (1)	1 088	-
	4 297	3 200
BUILDINGS		
At cost	431	353
At valuation (2)	18 117	19 542
Accumulated depreciation	(1 601)	(1 028)
	16 947	18 867
LAND IMPROVEMENTS		
At cost	531	122
At valuation (2)	6 112	6 777
Accumulated depreciation	(940)	(640)
	5 703	6 259
ACCESS ROADS		
At cost	908	232
At valuation (2)	25 889	32 057
Accumulated depreciation	(2 149)	(1 561)
	24 648	30 728
PLANT AND EQUIPMENT (3)		
At cost	17 174	23 931
At valuation	16 570	3 239
Accumulated depreciation	(12 601)	(12 136)
	21 143	15 034
CAPITAL WORKS IN PROGRESS		
At cost	1 068	726
PROPERTY PLANT AND EQUIPMENT		
At cost	23 321	28 564
At valuation	67 776	61 615
Accumulated depreciation	(17 291)	(15 365)
TOTAL PROPERTY, PLANT AND EQUIPMENT - NET BOOK VALUE	73 806	74 814

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

financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(for financial year ended 30 June 1997)

- 3) Plant and Equipment with an historical cost or current replacement cost over \$50 000 was revalued by the following independent expert valuer to \$15 599 180 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 2.8) were carried out as at 30 June 1996 and 1 January 1997.

9. PLANTATION GROWING TIMBER

	Notes	96-97 \$'000	95-96 \$'000
Balance as at 1 July		1 033 590	946 493
Net increment for the year	13	57 283	87 097
BALANCE AS AT 30 JUNE		1 090 873	1 033 590

10. CREDITORS

	96-97 \$'000	95-96 \$'000
CURRENT		
Trade creditors	1 253	874
Amount owing to the Department of Primary Industries, Fisheries and Forestry - Consolidated Fund	-	19
Accrued interest		
- Commonwealth Softwood Loans	1 482	1 077
Accrued loan guarantee fee		
- Commonwealth Softwood Loans	150	151
- Queensland Treasury Corporation Loan	283	246
Tax payable - Payroll	125	109
- Sales	307	349
Land purchase (1)	700	700
Accrued expenses	303	418
Prepaid royalties, grants & other revenue received in advance	766	391
Miscellaneous	304	426
	5 673	4 760
NON-CURRENT		
Land purchase (1)	700	1 400
TOTAL CREDITORS	6 373	6 160

- 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 second payment of \$700 000 due in the 1997-98 financial year, and the non-current amount represents the final payment due in 1998-99.

11. BORROWINGS

	96-97 \$'000	95-96 \$'000
CURRENT		
Commonwealth Softwood Loans	1 708	1 366
Queensland Treasury Corporation Loan (market value at 30 June: \$3.390 million)	3 163	2 240
	4 871	3 606
NON-CURRENT		
Commonwealth Softwood Loans	28 071	29 008
Queensland Treasury Corporation Loan (market value at 30 June: \$55.748 million)	52 018	45 795
	80 089	74 803
TOTAL BORROWINGS AS AT 30 JUNE	84 960	78 409

12. PROVISIONS

	Notes	96-97 \$'000	95-96 \$'000
CURRENT			
Provision for dividend	14	5 060	8 978
Employee entitlements (1)	12(a)(i)	5 085	4 710
		10 145	13 688
NON-CURRENT			
Employee entitlements (1)	12(a)(ii)	7 545	7 505
TOTAL PROVISIONS		17 690	21 193

- 1) The aggregate employee entitlement liability includes an amount for long service leave which, as explained in note 2.13, 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 4% pa;
- weighted average discount rate of 6.5% pa; and
- weighted average term to settlement of the liabilities at 14 years.

12 (A) EMPLOYEE ENTITLEMENTS

	96-97 \$'000	95-96 \$'000
(I) CURRENT		
Annual leave	3 341	3 162
Long service leave	838	834
Other - Salaries and wages	817	644
- Superannuation	89	70
TOTAL CURRENT	5 085	4 710
(II) NON-CURRENT		
Long service leave	7 545	7 505
TOTAL NON-CURRENT	7 545	7 505
TOTAL EMPLOYEE ENTITLEMENTS	12 630	12 215

financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(for financial year ended 30 June 1997)

13. MOVEMENT IN CAPITAL AND RESERVES

	Capital		Asset Revaluation Reserve		Plantation Growing Timber Revaluation Reserve	
	96-97 \$'000	95-96 \$'000	96-97 \$'000	95-96 \$'000	96-97 \$'000	95-96 \$'000
Balance as at 1 July	945 055	945 055	77	-	87 097	-
Increment on revaluation						
- Land improvements and buildings	-	-	70	77	-	-
- Plant and equipment	-	-	4 082	-	-	-
- Plantation Growing Timber	-	-	-	-	57 283	87 097
Conversion of Equity into QTC borrowing (1)	(10 000)	-	-	-	-	-
(Prior period) Adjustment to non-current assets (2)	(6 888)	-	-	-	-	-
BALANCE AS AT 30 JUNE	928 167	945 055	4 229	77	144 380	87 097

1) Under the terms of DPI Forestry's debt restructuring agreement with Queensland Treasury Department an amount of \$10 000 000 was converted from equity to debt on 1 July 1996. A further conversion occurred on 1 July 1997, refer note 21. The debt will be repaid to Queensland Treasury Corporation on a commercial basis.

2) Represents adjustments processed during 1996-97 to correct opening asset balances taken up as at 1 July 1995 when DPI Forestry commenced operations as a Commercial Business Group.

14. DIVIDEND

The dividend of \$5 060 000 (\$8 978 336, 1995-96) provided for is payable to the Queensland Government.

15. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO OPERATING PROFIT AFTER INCOME TAX

	96-97 \$'000	95-96 \$'000
Operating profit after income tax	7 847	9 346
Depreciation on property, plant and equipment	5 717	5 636
Diminution in value of assets	-	47
Non-Current assets written off	28	152
Inventories written down	372	-
Provision for doubtful debts	8	16
Bad debts written off	1	2
Internal transfer of costs for assets constructed	(284)	-
Profit on disposal of non-current assets	(203)	(374)
Capitalised interest	771	1 448
Increase/(decrease) in employee entitlements	415	1 193
(Increase)/decrease in inventories	(692)	(53)
(Increase)/decrease in receivables	(692)	727
Increase/(decrease) in creditors	900	1 643
NET CASH PROVIDED BY OPERATING ACTIVITIES	14 188	19 783

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 5.

16. FINANCING FACILITIES

STANDBY ARRANGEMENTS TO PROVIDE FUNDS AND SUPPORT FACILITIES

	96-97 \$'000	95-96 \$'000
Credit facility	3 000	3 000
Amount utilised	-	-

UNUSED CREDIT FACILITY

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.

17. INTERESTS IN JOINT VENTURES

DPI Forestry holds an interest in a number of joint ventures. Refer note 2.18.

- As at 30 June 1997 amounts contributed to joint venture operations totalled \$197 170 (\$nil, 1995-96)
- No output was derived from the joint venture operations during 1996-97.

financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (for financial year ended 30 June 1997)

18. CONTINGENT LIABILITIES

DPI Forestry was self-insured for workers' compensation prior to 1 July 1995. Nine 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 (previously Workers' Compensation Board of Queensland).

There are seven other matters (such as property damage claims and 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 the matters is as follows:-

Supreme Court	8
District Court	3
Other Jurisdictions including anticipated matters	5

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.

19. COMMITMENTS FOR CAPITAL EXPENDITURE

Commitments for capital expenditure - plant and equipment payable within one year: \$399 200 (\$182 000, 1995-96).

20. 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 1997 amounted to \$682 254 (\$832 920, 30 June 1996). 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.

21. EVENTS SUBSEQUENT TO BALANCE DATE

Under the terms of DPI Forestry's debt restructuring agreement with Queensland Treasury Department an amount of \$10 000 000 was converted from equity to debt on 1 July 1997.

C E R T I F I C A T E of DPI Forestry

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 1997 and of the financial position as at the end of that year.*

R E NIEPER
Director-General

G J BACON
*Executive Director
(Forestry)*

10 October 1997

financial statements

audit CERTIFICATE

SCOPE

I have audited the financial statements of DPI Forestry for the year ended 30 June 1997 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 1997 and of the financial position as at the end of that year.*

B M ROLLASON

Auditor-General



statistical

APPENDICES

financial year ended 30 June 1997

DPI Forestry Plantation Timber Removals

1

DPI Forestry Native Forest Timber Removals

2

Queensland Milling Timber Removals from Private Forests

3

DPI Forestry Quarry Materials & Minor Forest Product Removals

4

DPI Forestry Area of Plantation Established

5

DPI Forestry Area of Plantation

6

DPI Forestry Operational Statistics

7

statistical appendix 1

DPI FORESTRY PLANTATION TIMBER REMOVALS 1996-97 (cubic metres)

product/district	ATHERTON	*BEERBURRUM	DALBY	IMBIL	INGHAM	MARYBOROUGH	MONTO	ROCKHAMPTON	ROMA	YARRAMAN	TOTAL 96-97	TOTAL 95-96
SAWLOG												
Native pine	22 865	535	-	197 903	-	293	10 463	118	-	86 818	318 995	295 648
Exotic pine	-	241 774	25 759	12 290	1 963	389 973	-	9 845	-	17 633	699 238	686 692
Non-conifers	25	413	-	-	-	5 673	-	-	-	-	6 111	4 015
TOTAL SAWLOG	22 890	242 722	25 759	210 193	1 963	395 939	10 463	9 963	-	104 451	1 024 344	986 355
PULPWOOD	-	29 118	-	121	-	313 539	-	241	-	-	343 019	313 658
MISCELLANEOUS												
Plantation roundwood	-	4 042	-	-	-	66 932	-	1 268	-	-	72 242	62 490
Plantation poles	-	-	-	-	-	830	-	3 949	-	-	4 779	8 912
TOTAL 96-97	22 890	275 883	25 759	210 314	1 963	777 240	10 463	15 421	-	104 451	1 444 384	
TOTAL 95-96	24 009	394 401	20 440	173 991	4 020	638 447	23 903	1 584	-	90 620	-	1 371 415

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

Sawlog:	203 605
Pulpwood:	91 490
Roundwood:	4 658
TOTAL:	299 753

statistical appendix 2

DPI FORESTRY NATIVE FOREST TIMBER REMOVALS 1996-97 (cubic metres)

product/district	ATHERTON	BEERBERRUM	DALBY	IMBIL	INGHAM	MARYBOROUGH	MONTO	ROCKHAMPTON	ROMA	YARRAMAN	TOTAL 96-97	***TOTAL 95-96
SAWLOG												
Hardwoods	3 865	29 842	13 927	24 326	3 403	23 719	44 582	43 306	5 755	14 903	207 626	186 152
Cypress	-	15	45 268	-	-	-	1 187	4 997	80 187	-	131 654	120 919
Other pine	-	-	-	-	-	-	-	-	-	-	-	435
TOTAL SAWLOG	3 865	29 857	59 194	24 326	3 403	23 719	45 769	48 303	85 941	14 903	339 280	307 506
PULPWOOD*	-	-	-	-	-	-	-	-	-	3 541	3 541	2 722
MISCELLANEOUS **												
Railway sleepers and like timber	319	-	3 594	-	1 420	-	662	111	-	-	6 107	10 890
Landscaping and fencing timber	1 506	298	1 237	3 515	316	3 495	3 791	3 033	135	398	17 724	24 585
Mining timber	-	-	-	-	-	-	-	97	-	-	97	3 542
Girders, corbels, piles and sills	1 306	621	37	1 207	81	2 446	211	1 510	15	484	7 918	7 226
Hardwood poles	-	1 088	112	975	-	2 935	1 080	65	-	1 556	7 810	6 792
Other hardwood round timber	623	298	1 401	116	107	1 119	49	7 538	136	551	11 939	14 214
Sandalwood	-	-	-	-	278	-	-	-	-	-	278	574
TOTALS	7 619	32 162	65 575	30 140	5 604	33 714	51 563	60 658	86 228	21 432	394 694	378 051

* 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

*** Revised figures.

statistical appendix 3

QUEENSLAND MILLING TIMBER REMOVALS

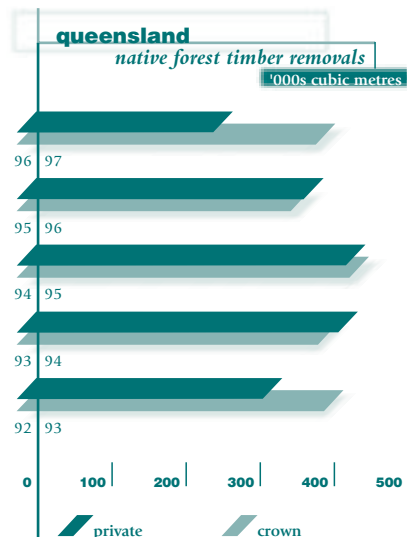
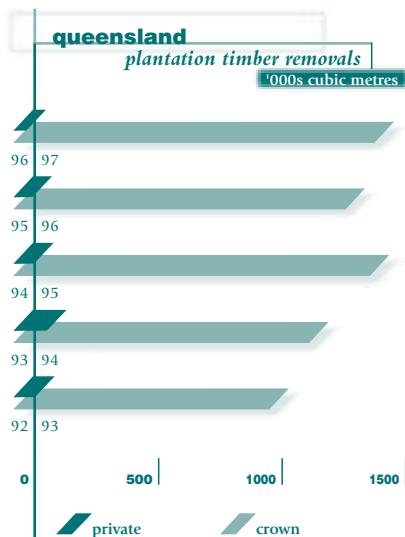
FROM PRIVATE FORESTS (cubic metres)

product/district	ATHERTON	BEERBURRUM	DALBY	IMBIL	INGHAM	MARYBOROUGH	MONTO	ROCKHAMPTON	ROMA	YARRAMAN	TOTAL 96-97	* TOTAL 95-96
PRIVATE NATIVE FORESTS												
Hardwoods and scrubwoods	6 236	49 211	23 404	6 023	7 395	39 447	33 281	35 169	1 075	18 080	219 321	310 740
Cypress	-	8	19 753	-	-	-	78	495	18 404	25	38 763	57 768
Other pine	8	1 252	678	-	382	404	-	4	-	1 346	4 074	15 695
TOTAL 96-97	6 244	50 471	43 835	6 023	7 777	39 851	33 359	35 668	19 479	19 451	262 158	
TOTAL 95-96*	23 676	79 005	49 078	4 872	26 265	50 037	62 924	29 450	27 764	31 132		384 203
PRIVATE PLANTATIONS												
Native pine	13	2 220	-	-	931	-	3	5	-	1 263	4 435	1 613
Exotic pine	5	23 403	9 284	1 934	-	2 244	12	120	-	12 320	49 322	103 663
Broadleaf	-	5	-	-	-	-	-	-	-	-	5	352
TOTAL 96-97	18	25 628	9 284	1 934	931	2 244	15	125	-	13 583	53 762	
TOTAL 95-96*	375	83 034	10 189	600	101	4 472	18	-	-	6 839		105 628

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 PRODUCTS REMOVALS 1996-97

product/district	ATHERTON	BEERBURRUM	DALBY	IMBIL	INGHAM	MARYBOROUGH	MONTO	ROCKHAMPTON	ROMA	YARRAMAN	TOTAL 96-97	* TOTAL 95-96
QUARRY MATERIALS (cubic metres)**	74 045	783 854	34 476	190	981 016	64 798	13 768	576 781	18 704	2 633	2 550 264	1 924 932
MINOR FOREST PRODUCTS (\$) ***	15 037	65 822	2 427	6 769	351	31 259	234	36 144	1 074	1 161	160 278	171 261

* Revised figures. ** 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 1996-97

type/district	ATHERTON	BEERBURRUM	DALBY	IMBIL	INGHAM	MARYBOROUGH	MONTO	ROCKHAMPTON	ROMA	YARRAMAN	TOTAL 96-97	TOTAL 95-96
NATIVE PINE												
First rotation	-	-	-	-	-	-	-	-	-	17	17	15
Second rotation	18	38	-	308	-	-	27	-	-	149	540	559
TOTAL	18	38	-	308	-	-	27	-	-	166	557	574
EXOTIC PINE												
First rotation	-	-	-	-	132	-	-	-	-	-	132	398
Second rotation	-	1 519	107	-	20	1 665	-	81	-	87	3 479	2 526
TOTAL	-	1 519	107	-	152	1 665	-	81	-	87	3 611	2 924
HARDWOODS												
	-	-	-	-	6	41	-	-	-	-	47	33
TOTAL 96-97	18	1 557	107	308	158	1 706	27	81	-	253	4 215	
Total 95-96	19	1 245	72	290	202	1 307	38	129	-	229		3 531

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

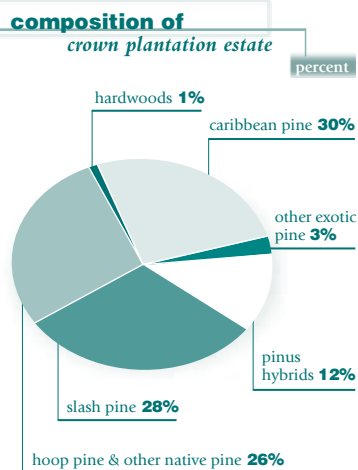
statistical appendix 6

AREA OF CROWN PLANTATION AT 30 JUNE 1997 (hectares)

type/district	ATHERTON	BEERBURRUM	DALBY	IMBIL	INGHAM	MARYBOROUGH	MONTO	ROCKHAMPTON	ROMA	YARRAMAN	TOTAL 96-97	TOTAL 95-96
NATIVE PINE												
Hoop pine	1 017	1 599	5	20 959	4	910	4 060	267	-	15 895	44 716	44 902
Other native pine	106	8	-	297	1	24	5	3	-	112	556	560
TOTAL NATIVE PINE	1 123	1 607	5	21 256	5	934	4 065	270	-	16 007	45 272	45 462
EXOTIC PINE												
Slash pine	2	6 860	179	11	-	41 587	13	649	-	386	49 687	52 895
Caribbean pine	2 259	2 989	-	102	9 893	31 994	3	6 495	-	394	54 129	54 594
Pinus hybrids	-	5 960	1	-	53	14 252	-	245	-	-	20 511	17 166
Other exotic pine	39	318	2 152	225	96	165	9	55	-	1 483	4 542	4 680
TOTAL EXOTIC PINE	2 300	16 127	2 332	338	10 042	87 998	25	7 444	-	2 263	128 869	129 335
HARDWOODS*	190	227	-	113	23	753	1	2	-	50	1 359	1 359
MISCELLANEOUS**	11	25	2	9	29	100	-	6	-	22	204	208
TOTAL 96-97	3 624	17 986	2 339	21 716	10 099	89 785	4 091	7 722	-	18 342	175 704	
TOTAL 95-96	3 633	16 896	2 373	21 952	10 131	91 209	4 109	7 702	-	18 359		176 364

* Mostly eucalypt and native rainforest species.

** Mostly small research plantings.



statistical appendix 7

DPI FORESTRY OPERATIONAL STATISTICS 1996-97

operation

	TOTAL 96-97	TOTAL 95-96
PLANTATION ESTABLISHMENT/RE-ESTABLISHMENT (HA)		
Native pine	557	574
Exotic pine	3 611	2 924
Hardwoods	47	33
PLANTATION WEED CONTROL (HA)		
Native pine	13 051	13 363
Exotic pine	20 279	15 837
FERTILISING (HA)		
Established	2 704	2 099
Maintenance	1 154	1 903
PRUNING (HA)		
Low	2 349	3 379
High	2 023	1 607
NATIVE FOREST TREATED (HA)		
Eucalypt	470	-
Cypress	527	406
WILDFIRES ON STATE FORESTS (HA BURNT)		
Native forest	47 471	20 678
Plantation	290	166
PRESCRIBED BURNING (HA)		
Native forest - eucalypt	76 146	47 890
Native forest - cypress	16 373	10 465
Plantation - exotic pine	11 131	2 712

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.