Special Species Timber Demand Analysis

November 2016

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1. Executive Summary

Tasmania, like many timbered locations around the globe has a range of "special timbers". These species are often "outside" the more common species in that place and are identified because curious, innovative and skilled people have wondered how they might make something of that timber, or have discovered a timber that could meet a need. This curiosity sated through experimenting, learning and finding specific functional and/or aesthetic use that then creates interest and demand. As an island, Tasmania's European settlement was boat dependent. The need of and production of wooden boats drove much of this curiosity and discovery of what are now termed "special timbers" and is an important component of Tasmania's cultural heritage as is the production of furniture and other objects from Huon Pine and other timbers that display unique physical and aesthetic characteristics.

From the 1970's an increased focus on design and craftsmanship saw non traditional applications and bold designs emerge and the application of traditional materials knowledge and skills to meet new societal demands. The increase in global tourism and in particular events, has provided the impetus for Tasmania's woodcraft sector and its special timber base to play an important role in Tasmania's positioning in this global market.

Tasmania has a suite of these timbers underpinning these opportunities, the primary species include:

- Huon Pine,
- Celery Top Pine,
- Blackwood,
- Myrtle,
- King Billy Pine,
- Black heart Sassafras, and
- Other highly localised timbers that people have transformed into desirable objects.

From a global perspective, very few timbers are totally unique. As Tasmanian producers have found, when you place a timber veneer for example, onto the world market, it competes with near substitutes, often supplied at lower prices. In this veneer and at times in square edged form, some of the most prized Tasmanian Timbers have near substitutes from both aesthetic and technical perspectives.

Outside Tasmania, the majority of our timbers are unknown, apart from specific interest groups, for example wooden boat enthusiast's knowledge of Huon Pine or people exposed to a Tasmanian background or experience to a wider range of these timbers.

"What creates demand for Tasmania's identifiable, relatively unique and limited scale timbers" is the core question. The answer to this is a combination of "push and pull" in the market and associated value chain; a mix of pull from the existing and aware and push in the form of potential new product/market mixes.

The reality is that from a mix of design, skill and appropriate material, objects made from these timbers can and do in many instances achieve very high prices and value add.

In many instances consumers are not just buying "special timbers" they are purchasing an object or a fit-out that represents a specific mix of:

- Design;
- Functionality;
- Craftsmanship; and
- Material.

The weighting applied to individual attributes and the mix, differs between markets.

Overall the respondents paint a picture of a sector surviving, growing, innovating and developing despite the business environment it operates within. The growth in demand predominantly occurs in the higher value sectors that reflect design and craftsmanship, furniture and boat building and with the high interest in food and food preparation, kitchenware. Joinery and woodturning respondents largely indicate a relatively static demand profile.

Commentary provided by respondents identify a sector defined by supply uncertainty, rumour, fragmentation and perceptions of being forgotten, undervalued and to some degree having interests ignored or lost in wider debates.

This is a sector dominated by values. The sector comprises people passionate about design, craftsmanship and the timbers they select for the objects they make. This originates from a respect for the materials and the manner in which they are used, combined and crafted. There is a common in principle connection with the principles of "Chain of Custody" and its link to sustainable harvesting. This does not necessarily convert to a willingness to engage in the current management process because of a perception of lack of final market need and return on investment from membership and an "over bureaucratic" process.

The small products, repetition segment provides the basis for authentic Tasmanian giftware, mementos and practical, utilitarian products with a story. These are some of the few, authentic, Tasmanian Designed and made products available in this market. They also contribute to the high value add of materials that may otherwise not be used, ensuring very high utilisation of the timber resource. Almost half of the giftware respondents indicate increasing product demand, a finding consistent with recent increases in visitor numbers to the State.

The markets serviced by the diverse sector are similarly diverse in their values and purchase considerations. Changes in the markets over the past forty years have opened up new markets for traditional skills, enabled a focus on design and the production of unique high quality products. New generations and values have opened up opportunities to include new materials, timber and composites as well as the use of plantation timbers and associated structural products. New entrants to the sector are exploring these options, experienced players are exploring ways of more productively using the resource in combination with other materials.

These characteristics and trends are leading to activity and revenue growth in the sector, in particular from high end products and services such as fit-out from a market that encompasses the globe. The full-time enterprises consistently demonstrate more grow and drive in demand, achieve increasing prices for their products and the capacity to manage changes in supply characteristics. These characteristics lead to relatively significant demand for timber.

Much of the timber supply utilised in this production and meeting the demand has, over recent times, been drawn from enterprises stocks. This ability has allowed some to weather significant price increases in timber prices, while others are able to pass the increases onto customers.

The ability to pass these increases on is largely limited to producers of bespoke products such as furniture, joinery and boats. This ability is important, as some of these segments do not tend to hold large stocks of timber. While the sector is sensitive to price of timber, a range of strategies are implemented to mitigate this.

Longer term access to timber resources is of critical concern to the sector. This concern arises from three sources:

1. The relatively low volumes of special species timbers available with designated production forests;
2. The ability to source specific purpose sections from mills to suit production variations; and
3. The finite life of producers own and other private timber stockpiles.

Current supply limitations are masked by the use of enterprises own stocks, accessing hoards of timber commonly held over a long period by people who have had links to the industry and/or those stockpiling as in investment. The current harvest volumes are not considered indicative of demand and as a proxy, underestimate significantly the amount of timber utilised.

Holding stock carries a cost. No matter where the stock of timber sits in the supply chain it carries that cost as either a business overhead, or via an increased price to the supplier on purchase if they choose not to hold stocks. This choice is a business decision, those enterprises that hold stocks indicate that the primary reason for holding inventories is to ensure that they can access the specific section and quality they require, overweighing the processing/holding cost by providing improved business certainty.

Longer term supply sustainability is arguably based on more productive utilisation of the traditional timbers, by integrating additional timbers and new technologies into the sectors mix. Innovation within parts of the value chain and across the whole special species and designed timber objects system is considered necessary. This includes processes as elementary as providing approved access to harvesting coupes to ensure logs and timber is as fully recovered as is possible.

Over the past decade enterprises within the sector have experienced significant “sovereign risk” and the associated business uncertainty, through changes to legislation and forest reclassification into the reserve and/or world heritage categories. While the sector is focused on more productively using the resource, long term sources of supply are critical. Access to stocks of timber held within legally accessible harvesting zones is considered critical to enabling long term supply certainty.

The mix of growth and sustainable delivery to meet demand requires a collective voice and positioning narrative for both the market(s) and the Tasmanian community.

The sector has strong parallels with the Tasmanian fine food and beverage sectors and is demonstrating a strong contribution to Tasmania within contemporary market settings. A much more visionary, systemic and integrated approach to its development is arguably necessary if it is to realise this positioning.

Image courtesy of Mark Gilbert Guitars

2. Introduction

This demand analysis was prepared for the Tasmanian Department of State Growth and overseen by the Special Species Sub-Committee of the Tasmanian Ministerial Advisory Council on Forestry and commissioned to provide an insight into demand special species timber and a context for the development of the Special Species Management Plan required by October 2017 for land managed by Forestry Tasmania, Hydro Tasmania and the Department if Primary Industry, Parks, Water and Environment.

The information contained in this report is primarily based on survey input and analysis and reference to previous reports including;

- Market Demand Analysis for Tasmania's Special Species Timbers; Indufor 2015; and
- A Review of the Tasmanian Woodcraft Sector for The Woodcraft Guild & Forestry Tasmania; *creating* Preferred Futures, 2009

The report comprises a number of parts:

- A sector snapshot providing a picture of the industry drawn from the sample of 81 respondents;
- The demand analysis that works back along the value chain from the retail transaction to the demand for timber inputs; and
- A development framework providing a basis for the sector to combine its resources to build on its current success to continue its growth trajectory and contribution to Tasmania.

The report was made possible through input of 81 makers who participated in the telephone interview and 10 other who participated in face to face conversations. Some 160 contacts were activated, 38 were not able to be contacted, 35 were either no longer using SST or in the woodcraft industry, while 6 did not wish to participate. During discussions with the people both not formally participating and also from those with respondents, there was:

- A general feeling of frustration with the progress of the sector;
- Some feelings of abandonment and lack of respect for what the sector contributes;
- A view of "not more consultation";
- A lack of trust in the system; and
- For some a feeling there is little future for it.

Others took the view that by providing input they can get their views included and by providing information they can have some influence; consequently, many of those views that are both representative and/or highlight the diversity are included in the report

Given the nature of growth in demand, this report takes a constructive stance, attempting to analyse the information provided by the respondents and others and draw it together into a development framework that can be used to strategically and systemically build on what has largely been achieved through the efforts of individuals.

3. Sector Snapshot

The survey provides a snapshot of the sector drawn from the respondent enterprise characteristics. It is important to note that this is not a census of the sector, but is related to the survey sample. The information and analysis is however considered to provide a reasonable picture of the key characteristics and issues facing the sector.

It is the capability of the sector and its fit to current and emerging markets that creates demand for natural resource and timber product input.

Respondent Enterprise Profile:

This analysis is based on a survey of 81 enterprises creating objects utilising Tasmanian Special Timbers. The survey has been complemented by face to face discussions with key individuals and briefing sessions.

Enterprise Focus	Number of respondents %
Boatbuilding	8%
Giftware	28%
Furniture	54%
Bowls	6%
Joinery & Cabinet making	19%
Kitchenware	17%
Musical Instruments	6%
Jewellery	2%
Woodturning	20%

Table 1: Respondent Enterprises by Primary Activity (multiple responses allowed due to diverse nature of enterprises).

Employment and Work Patterns

Is this on a full time or part time basis?	Full Time %	Full Time	Part Time %	Part Time
Furniture	78%	25	22%	7
Joinery & Carpentry	78%	7	22%	2
Boat Building	71%	5	29%	2
Kitchenware	67%	6	33%	3
Giftware	43%	10	57%	13
Woodturning	25%	3	75%	9
Musical Instruments	0	0	100%	4

Table 2: Number of full time and part time enterprises in each segment

As with the 2009 cPF report there is a significant theme (particularly within the part time enterprises) of a desire to achieve a balanced business approach to only working and producing enough to maintain their current lifestyle.

"(I do it) to make a living and I love working with wood and working for myself. I enjoy the lifestyle."

54% of the enterprises provide full time employment, with generally high working hours. Even those working part time indicate significant working hours and as required long hours to match workloads.

On average, how many hours make up your working week?	Full Time	Part Time	Total Respondents
Average hours per week	50	19	38
Maximum hours per week	80	50	

Table 3: Average number of hours per week full time and part time

For those operating on a full time basis, approximately 77% work a 40 hour or more week, with 32% working for 60 hours or more.

Of the part time enterprises, approximately 46% work 20 hours or more per week, with 16% working 30 or more hours.

Overall, 22% of total respondent enterprises employ people. This proportion rises to 35% of the full time enterprises providing employment.

Segment Employment	Yes %	Yes	No %	No
Furniture	29%	8	71%	20
Joinery & Carpentry	43%	3	57%	4
Boat Building	40%	2	60%	3
Kitchenware	22%	2	78%	7
Giftware	11%	2	89%	17
Woodturning	0	0	100%	11
Musical Instruments	0	0	100%	4

Table 4: Number of enterprises per segment employing people

"New employee. Nearly ran out of products at the end of last year."

"We're getting busier and are putting on more staff."

Access to skilled employees

The ability to access skilled employees varies. Of the respondents to this question, boat builder respondents indicate skilled employees are available, with joinery/carpentry indicating difficulty in access skilled people.

Can you access skilled employees?	Yes %	Yes	No %	No
Furniture	50%	3	50%	3
Joinery & Carpentry	25%	1	75%	3
Boat Building	100%	2	0	0
Kitchenware	50%	1	50%	1
Giftware	100%	1	0	0

Table 5: Segments ability to access skilled employees

For those in the Joinery & Carpentry and Furniture segments, comments included

"The skill based industry is the thing that will survive. I think the traditional skills are going to be lost, to be honest."

"Because they are not trained properly. The TAFE system is basically 'crap', they are not teaching them the way they should teach them. All they are teaching them is to be kitchen builders."

"I think training is an area that we are really lacking in especially the trade area. Within the designer maker area, we should be concentrating on design and production, more business orientated. A lot of European designers are launching their own product ranges from their manufacturing base. We need to develop entrepreneurs, innovators and designers."

Of those who can access skilled employees it is generally because they are provided with training within the enterprise.

"We train 90% of our employees in-house. (It's) very difficult to try to find someone already skilled in the workplace."

"It comes back to delegating. And it's nice to be able to employ someone who can help me."

The education base to the sector is provided through:

- The Launceston campus of the University of Tasmania – a workshop based program currently in the process of teaching out and subject to review;
- The School of Fine Arts in Hobart with a design focused program;
- TasTAFE providing trade training; and
- The Wooden Boat Centre providing certified training through full time practical programs.

In addition to direct employees, the sector employs sub contractors to meet demand variation or to provide specialist input. However, as Table 6, below indicates, this practice varies across segments.

Do you use sub-contractors?	Yes %	Yes	No %	No
Furniture	55%	16	45%	13
Joinery & Carpentry	50%	4	50%	4
Boat Building	17%	1	83%	5
Kitchenware	44%	4	56%	5
Giftware	19%	4	81%	17
Woodturning	10%	1	90%	9

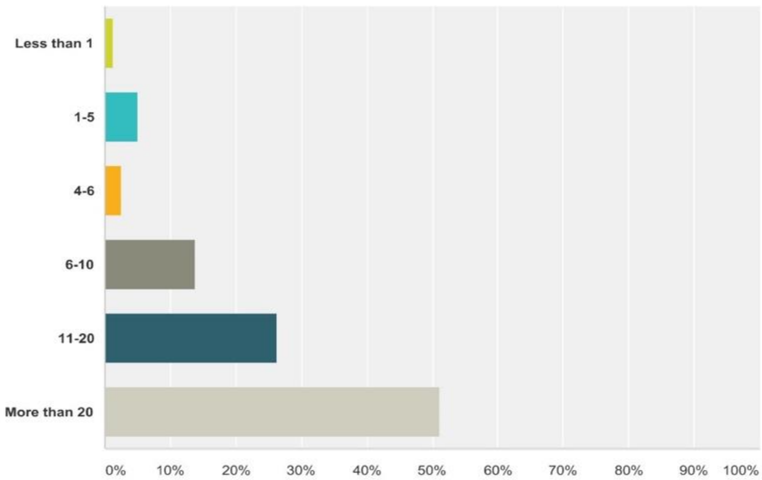
Table 6: Segments who use sub-contractors

Full time operations indicate a higher proportion (46.34%) of sub contractor utilisation than do part time operations (16.1%).

The sector has a diverse and significant enterprise profile, it is a direct employer and provides sub-contract opportunity. Importantly it also provides the opportunity for part-time enterprise meeting the needs of people.

Enterprise experience and durability

The sector is highly experienced with long business life, 50% of the enterprise sample has operated for 20 years or more.



Answer Choices	Responses	
Less than 1	1.25%	1
1-5	5.00%	4
4-6	2.50%	2
6-10	13.75%	11
11-20	26.25%	21
More than 20	51.25%	41

Table 7: Total respondents years involved in the industry

How long have you been involved in the industry?	<1	1-5	4-6	7-10	11-20	>20
Furniture	1	2	1	4	9	15
Joinery & Carpentry	0	0	0	0	1	7
Boat Building	0	0	0	1	2	4
Kitchenware	0	0	1	3	2	3
Giftware	0	1	0	5	7	10
Woodturning	0	0	0	1	4	7
Musical Instruments	0	1	0	1	0	2

Table 8: Years involved in the industry per segment

"Not really interested in it (the industry) anymore. At the end of my business career so I'm probably just going to shut up in a couple of years."

"What's happening is we're slowly losing makers. Our diversity is diminishing."

"I have 20 years of understanding within the industry and I believe we have a head start on new people. I also have a network for timber access, trading with the same people for 20 years."

There is also a new cohort moving into the industry, particularly within the Furniture segment.

There tends to be a more positive outlook from these new entries, however they do indicate:

- A lack of supply chain networks; and
- In some instances, a level of confusion and lack of knowledge and skills in terms of operating the business and in marketing.

The ability to sell the business or to hand-on, is viewed as unlikely by some enterprise operators, even when they are "successful" in the context of the industry.

The majority of larger scale businesses in the industry have closed, rather than been sold. This trend means that the potential wealth generation component of enterprise establishment and operation is lost to the sector. The sector is providing the means to meet a passion, and an income in doing so but given its structure is less likely to generate a stock of wealth in the community.

To ensure a balance of both income and wealth creation, a different intellectual and financial capital investment environment is required within the sector.

While people may enter as a vocation, the business lifecycle leads to a point where the concepts of continuity and asset value arise. If external funds are to be invested in the industry, the opportunity for value to be retained and developed is critical. This is a function of market demand and sector structure.

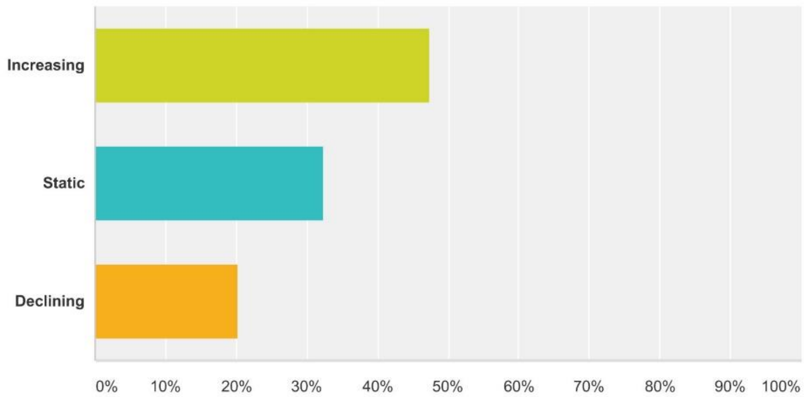
Across the sector as a whole, the 90% business survival rate for Tasmanian businesses operating in the sector over 6 years is the highest in Australia on a state by state comparison (ABS Catalogue 8165.0; Counts of Australian Businesses).

The experience that exists within the industry provides a significant potential to transfer knowledge through mentoring, this includes specific woodcraft expertise, business management in the sector and sector networks and relationships.

Image courtesy of Wilderness Woodworks Strahan

4. Market Demand Trends

Enterprise responses indicate that there is an overall increase in demand for objects made from Tasmania's Special Timbers. Table 9, below indicates that almost half of the enterprises surveyed are experiencing increasing demand for their products.



Answer Choices	Responses	
Increasing	47.30%	35
Static	32.43%	24
Declining	20.27%	15

Table 9: Total respondents demand for products made from SST

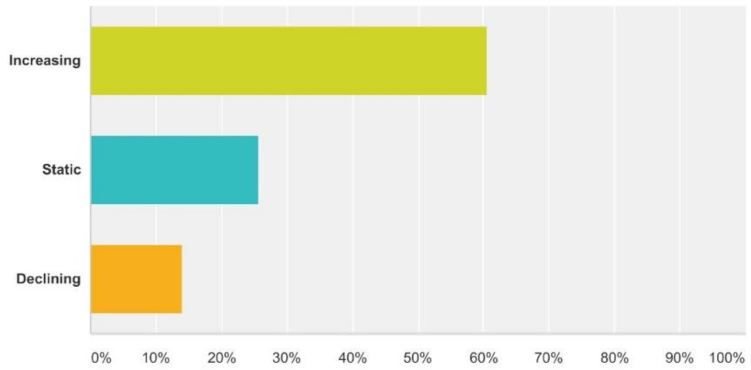
This increase in not universal, while more than half of the furniture, boatbuilding and kitchenware respondents are indicating increasing demand, the remainder of the sector is indicating static or falling demand. The giftware segment demonstrates a clear split, with 45% experiencing increase and the balance either static or decreasing demand.

In relation to demand for your product, is it:	Increasing		Static		Decreasing	
Furniture	57%	16	25%	7	18%	5
Joinery & Carpentry	43%	3	57%	4	0	0
Boat Building	71%	5	14%	1	14%	1
Kitchenware	67%	6	22%	2	11%	1
Giftware	45%	12	36%	8	18%	4
Woodturning	18%	2	55%	6	27%	3
Musical Instruments	33%	1	33%	1	33%	1

Table 10: Demand for products made from SST by segment

This profile suggests that design, craftsmanship and utilitarian application are important. This is consistent with combining strong design, craftsmanship and “fit for purpose” application with special timbers and provides a compelling market proposition, an arena in which Tasmania can demonstrate its capabilities.

The enterprises operating on a full-time basis demonstrate increased demand more so than those operating part-time. 60% of enterprises operating on a fulltime basis are experiencing growing demand compared with 30% of part time enterprises experiencing growth.



Answer Choices	Responses	
Increasing	60.47%	26
Static	25.58%	11
Declining	13.95%	6

Table 11: Full time enterprises demand for products made from SST

“People that we were selling to 10 years ago were older than today's customers. But they have their furniture now. Our average buyer has gotten younger, and have more money. Combination of timber and design. If you don't have the designs right, then the timber only has a certain appeal.”

“In terms of design, people are much more looking at price than ever before and with imports it is very difficult. Our client base is very limited, only a handful of people. Otherwise you use good timber and make shit that you can churn out and I'd rather go and be a plumber than do that.”

“Tourist season is high demand.”

“Moved from wood turning into a new product line. I could not rely upon it as an income that sells all year round.”

“Product ran its course.”

“My dealings with galleries is declining but my dealing with customers directly has increased.”

These comments highlight the challenge in defining the object attributes being sought by market segments and importantly the way the sector and its specific segments are positioned – the market/product mix.

Without diminishing the importance of the source of the timber, discussions across some segments challenge the focus on Tasmanian Timber as the dominant driver of demand. Respondents identify that beyond Tasmania, its “special timbers” are relatively unknown outside of specific interest groups, e.g. the global wooden boat community has a knowledge of Huon Pine, but it is a market where other fine boat building materials have also locally and traditionally been used around the world. Within furniture galleries interstate, the fact that the timber is Tasmanian needs to be identified and explained to the majority of customers.

As a visit "memento or gift" the small products that dominate this segment are expected by the market to be made from Tasmanian timber. These products are relatively unique in this visitor market because they are designed and produced from Tasmanian natural resources. The degree to which visitors are aware of Tasmanian timbers prior to their visit is unknown.

It is rare that the timber as a single attribute sells the object, with the exception of products made for the visitor or gift sector. It is a mix of aesthetic and technical design, craftsmanship and timber (increasingly in conjunction with other materials). The mix will be weighted differently in different markets based on their values and purchase criteria. Tasmanian boats are both constructed in a traditional manner – design, materials and craftsmanship, they are also designed to meet contemporary principles and needs, made of materials from differing sources and technologies with high levels of craftsmanship and use Tasmanian Timbers as aesthetic highlights. Such variation exists across the segments.

The diversity and emerging values and criteria within the market support the potential to highlight other timbers. Figured eucalypt has always been highly valued as a furniture timber, "Blue Gum", for example is prized for boat keels, however these eucalypts are not always recognised as special timbers. Similarly recovered timbers such as those provided by "Hydrowood" fit because of species, characteristic and the story associated with the material. Some younger designers are using TaAnn material, combining their values with the specific market segment values in a different manner to the traditional.

The timber can be classified as special because, with careful design and craftsmanship its aesthetic and technical characteristics can be applied to a non-commodity use, one that is highly valued by the market, resulting in high value adding for the producer and to Tasmania. These are objects that tell a story and display an intelligent, respectful and sustainable use of Tasmania's natural resources in a form that meets the values and purchase criteria of the market.

The sector has this in common with Tasmania's fine food and beverage sectors and yet this commonality has been missed.

The individual enterprises within the sector have largely been able to increase or maintain demand, without an industry focus and without support. The potential to continue this is questioned by respondents.

Demand for designed and crafted objects is arguably the key to sustainable supply. Without demand, the level of innovation in the productive, sustainable use of the traditional and new materials will occur within an "inspired individual" level within the sector and not across the whole system as is required.

The concept of place within the product narrative remains important. It is about how the people who live in the place use and complement the timber that creates a uniquely special characteristic and value.

"Take it out of place and it's just another timber"

Market Geography

The sector supplies to local, interstate and international markets. This relates to both products and services such as high end restaurant fit-outs in major international cities.

There is a strong focus on interstate markets. From a market spread perspective, the sector demonstrates a strong fit to an export oriented island economy and is in some way providing a leading model in how to use local attributes to penetrate global niche markets – a key Tasmanian strategy.

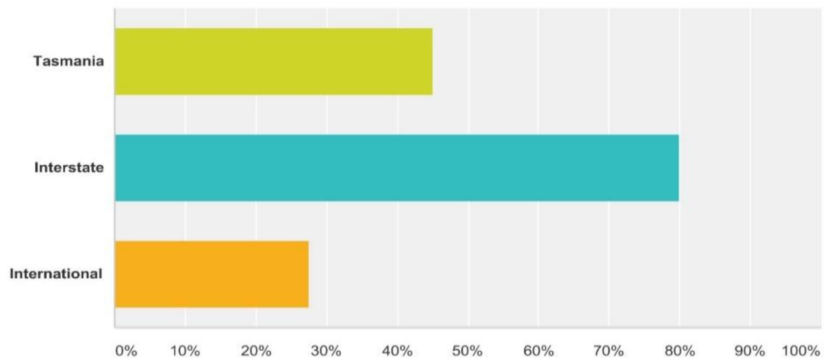
This is a major indicated development since the cPF 2009 report when the major source of demand was indicated as the Tasmanian market.

Table 12, below indicates the degree to which enterprises in the sectors sell into the 3 defined markets. This demonstrates a healthy market balance, effectively harnessing opportunity and spreading risk.

Source of Primary customers	Tasmania		Interstate		International	
Furniture	54%	15	75%	21	21%	6
Joinery & Carpentry	67%	6	56%	5	44%	4
Boat Building	67%	4	83%	5	33%	2
Kitchenware	44%	4	89%	8	33%	3
Giftware	42%	8	100%	19	21%	4
Woodturning	40%	4	90%	9	20%	2
Musical Instruments	100%	2	100%	2	0	0

Table 12: Source of Primary Customers by Segment (multiple responses allowed)

When considered from full-time and part-time perspectives, the full-time enterprise is less dependent on the Tasmanian market.



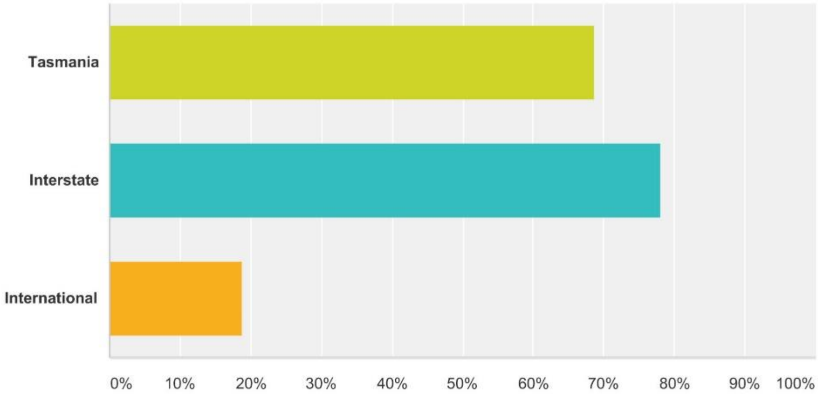
Answer Choices	Responses	
Tasmania	45.00%	18
Interstate	80.00%	32
International	27.50%	11

Table 13: Full time enterprises source of Primary Customers (multiple responses allowed)

The full time enterprises demonstrate a slightly higher focus on interstate and international markets than the part-time enterprises, however both tend to supply a mix of markets.

"(Through) online sales, I have been getting interest from the US."

"'Etsy' gives us great exposure beyond Tasmania."



Answer Choices	Responses	
Tasmania	68.75%	22
Interstate	78.13%	25
International	18.75%	6

Table 14: Part time enterprises source of Primary Customers (multiple responses allowed)

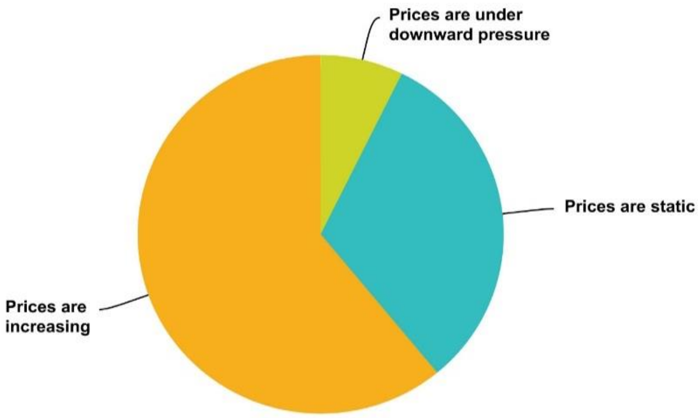
Analysis of the source of demand reinforces that the sector is not just locally focused, it seeks out and meets demand in the national and international market place. The diversity of geographic spread, in conjunction with the product attributes and narrative provide the potential to underpin a viable market positioning and price structure.

Market Price Trend

Final product selling prices, in aggregate across the whole respondent enterprise sample are increasing to reflect:

- Product positioning in the market; and
- the increase in Special Timber supply prices

This trend is not universal. Part time operators and the segments in which they tend to dominate are indicating a higher incidence of downward price pressures. This is also related to their third party distribution chain and lack of direct access to the consumer.



Answer Choices	Responses	
Prices are under downward pressure	7.32%	3
Prices are static	31.71%	13
Prices are increasing	60.98%	25

Table 15: Total Respondents Trend with Market Prices

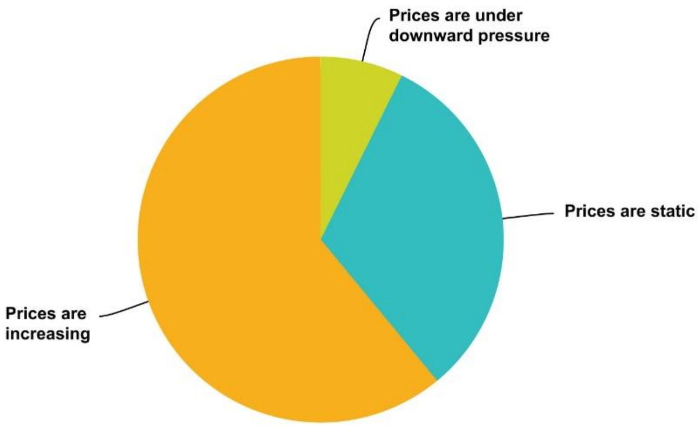
Product Selling Price Trend:	Downward Pressure		Static		Increasing	
Furniture	7%	2	36%	10	57%	16
Joinery & Carpentry	14%	1	57%	4	29%	2
Boat Building	17%	1	17%	1	67%	4
Kitchenware	0	0	29%	2	71%	5
Giftware	16%	3	37%	7	47%	9
Woodturning	30%	3	30%	3	40%	4
Musical Instruments	0	0	0	0	100%	2

Table 16: Trend with Market Prices by Segment

"More realistic pricing structure. I under-priced the product initially, and hidden costs weren't included. I'm still not paying myself an hourly rate but getting better with experience."

"Because we are doing a quality product, customers are smarter about quality, if it is quality they will pay the extra for it. Quality always over rules trash."

Full-time enterprises are indicating a lower proportion of respondents experiencing downwards price pressure.



Answer Choices	Responses	
Prices are under downward pressure	7.32%	3
Prices are static	31.71%	13
Prices are increasing	60.98%	25

Table 17: Full time enterprises product pricing

Achieving a viable pricing structure is not just a technical, accounting exercise, it requires a supporting narrative that ensures the purchaser sees and agrees with the value proposition.

"We try to keep the price reasonable, and be competitive. I can fit within a budget, define the materials and the design."

"According to the cost I have to pay, my customers don't mind paying a bit more. I have a good reputation for quality."

"You have to justify why it's handmade. You have to educate your client. But it hasn't had a big impact."

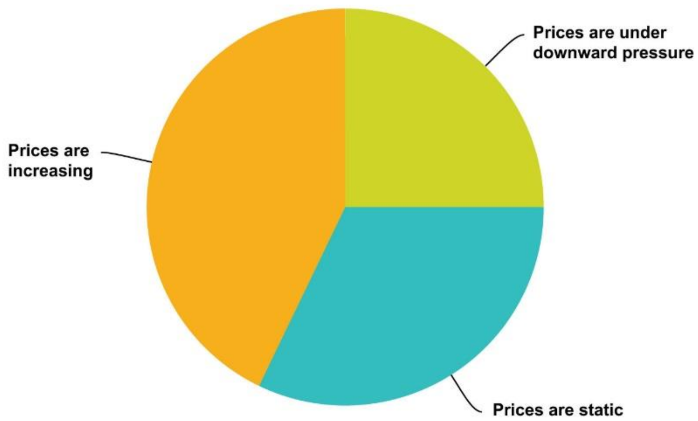
"I make more money. The increase has no impact on customers as it is a unique product and design that they can't find anywhere else."

The ability for the business to turn loss making business away, is important but also a dilemma for businesses facing fixed costs and/or attempting to enter the market.

"Great impact, it's getting to the stage where I can't make furniture for the prices people want. I'm turning work away because I can't make money on it."

"Very fine line between profit and loss. We have to charge what the market is prepared to pay. It is a highly competitive industry."

Part time enterprises are experiencing a higher proportion of downward price pressure and lower proportion of increasing price for their product.



Answer Choices	Responses	
Prices are under downward pressure	25.00%	7
Prices are static	32.14%	9
Prices are increasing	42.86%	12

Table 18: Part time enterprises product pricing

"Gallery's put 100% mark up on your prices, and you are constantly controlled by that. You need to keep an eye on what the final price will be after the gallery marks it up."

"I can't put up the price of my products to match to increase in timber. The shops will put the price up 15% but the timber has gone up by 315%."

"Had to go up to cover the timber but we are going to price ourselves out of the market."

"I always tried to put a price on it, find out what their mark-up was and see what the retail price was. I had to adapt to make the price affordable, the gallery wouldn't budge on their commission (especially consignment)."

The variation in price trends between sectors and between the full and part time enterprise models is important. Australian retail is under price pressure; however, it cannot be assumed that the final price to the consumer is necessarily following the same trend as to the supplying producer.

"(We have a) shop online which has broadened our horizons. We are now just looking to export to Canada."

"We get more than enough work but I'm getting to the end of my working life and it does drives through the person running the business, so whoever takes it over will need to explore some different options."

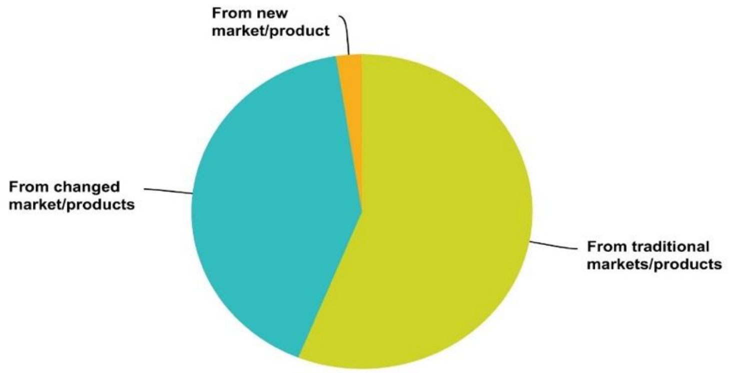
Innovating for new demand and income

This section focuses on innovation to generate new/replacement demand to the sector. The survey focused on proportions of income from:

- traditional markets/products;
- changed markets/products – effectively incremental changes; and
- new markets/products – significant alteration (using MONA as an example and reference point)

as a means of identifying innovation.

This form of innovation varies by segment and associated full time and part time enterprise model split. The part time enterprises are identifying higher levels of new product/market innovation. However, combining changed and new characteristics across both full and part time models shows no significant difference. The responses indicate that around 40% of income is derived from some form of innovation in the market and/or the product.
The sector demonstrates high levels of enterprise adaptability arguably matching the creativity inherent in the sector.



Answer Choices	Responses	
From traditional markets/products	56.10%	23
From changed market/products	41.46%	17
From new market/product	2.44%	1

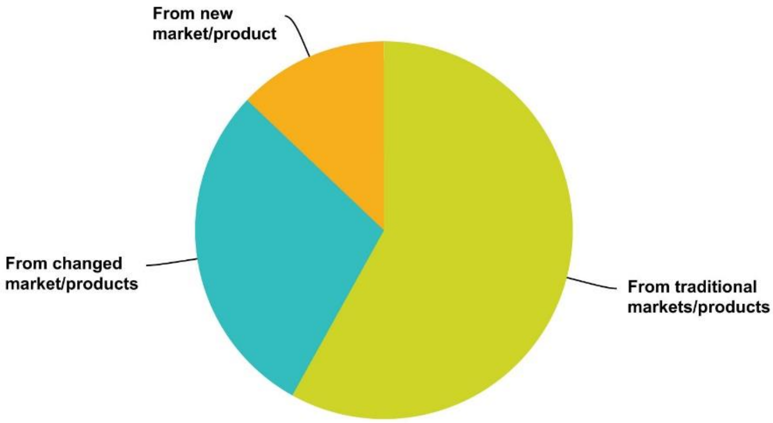
Table 19: Full time enterprises source of Market Demand

This response profile indicates significantly higher levels of market/product innovation has occurred since 2009, when respondents to that survey indicated product longevity.

Image courtesy of Wilderness Woodworks Strahan

What is the Source of Market Demand?	Traditional Market		Changing Market		New Market	
Furniture	38%	11	52%	15	10%	3
Joinery & Carpentry	71%	5	29%	2	0	0
Boat Building	60%	3	40%	2	0	0
Kitchenware	44%	4	44%	4	11%	1
Giftware	64%	14	36%	8	0	0
Woodturning	82%	9	9%	1	9%	1
Musical Instruments	100%	3	0	0	0	0

Table 20: Source of Market Demand by segment



Answer Choices	Responses	
From traditional markets/products	58.06%	18
From changed market/products	29.03%	9
From new market/product	12.90%	4

Table 21: Part time enterprises source of Market Demand

"Supply tourist outlets. Wholesale."

"I show in a gallery in New Norfolk, I need to have people with a disposable income. I have a job outside of woodcraft, otherwise I would have to do bread and butter jobs, like salt and pepper grinders."

"We're on Facebook and looking for a more modern edge in our designs, away from the more traditional woodcraft furniture."

The geographic diversity and potential to capitalise on quality attributes and innovation is also linked to the use of specific interest capture and conversion channels.

5. Distribution Channels

Channels

A critical contributor to both strong demand and price is the manner in which the enterprise connects to its market.

The sector demonstrates the use of a wide range of channels, physical and digital. The following table indicates the proportion of the survey sample using identified channels. The full time enterprises use wholesale less, but galleries more, while there is a higher proportion of full time enterprises utilising a website and shopfronts.

Sales Channels	From Production Location		Alternate Shop front		Markets		Commissions		Galleries		Website		Retail		Whole-sale	
Furniture	56%	18	9%	3	3%	1	56%	18	44%	14	38%	12	38%	12	6%	2
Joinery & Carpentry	38%	3	0	0	13%	1	63%	5	25%	2	12%	1	25%	2	13%	1
Boat Building	80%	4	0	0	0	0	40%	2	20%	1	20%	1	0	0	0	0
Kitchenware	25%	2	13%	1	38%	3	0	0	13%	1	25%	2	25%	2	63%	5
Giftware	30%	6	5%	1	30%	6	25%	5	40%	8	35%	7	50%	10	50%	10
Woodturning	20%	2	10%	1	30%	3	40%	4	70%	7	10%	1	50%	5	50%	5
Musical Instruments	100%	2	0	0	0	0	100%	2	0	0	50%	1	50%	1	0	0

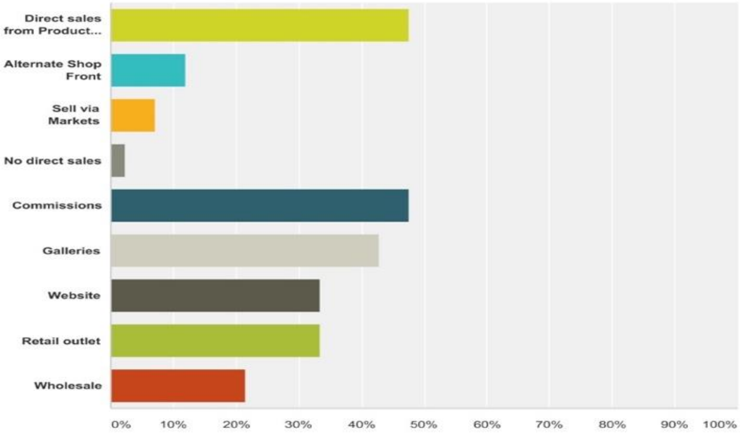
Table 22: Sales Channels per segment (multiple answers permitted)

Production locations as a sales location, are very important for the higher value and bespoke segments. This is an indicator of the client engagement with the product, its specific attributes and the maker/designer and the commissioning process.

As a principle, it demonstrates the importance of combining elements of the value chain to deliver both an exceptional client outcome and to deliver value back through the chain. This principle is further explored in Section 10 of the report.

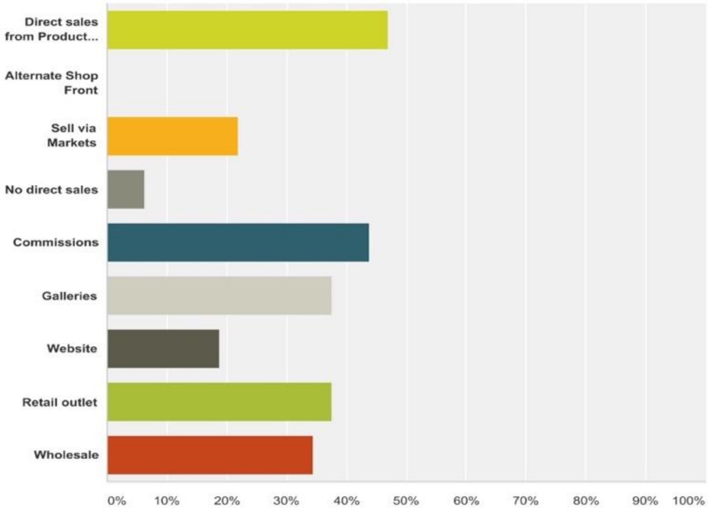
The variation between the full-time and part-time enterprises is demonstrated in Tables 23 & 24, below. The major difference is the increased dependence on wholesale in the part-time respondent group.

Galleries are differentiated from wholesale on the basis of the common gallery practice to use the "consignment" model.



Answer Choices	Responses	
Direct sales from Production Location	47.62%	20
Alternate Shop Front	11.90%	5
Sell via Markets	7.14%	3
No direct sales	2.38%	1
Commissions	47.62%	20
Galleries	42.86%	18
Website	33.33%	14
Retail outlet	33.33%	14
Wholesale	21.43%	9

Table 23: Full time Sales Channels (multiple answers permitted)



Answer Choices	Responses	
Direct sales from Production Location	46.88%	15
Alternate Shop Front	0.00%	0
Sell via Markets	21.88%	7
No direct sales	6.25%	2
Commissions	43.75%	14
Galleries	37.50%	12
Website	18.75%	6
Retail outlet	37.50%	12
Wholesale	34.38%	11

Table 24: Part time Sales Channels (multiple answers permitted)

Promotional Tools

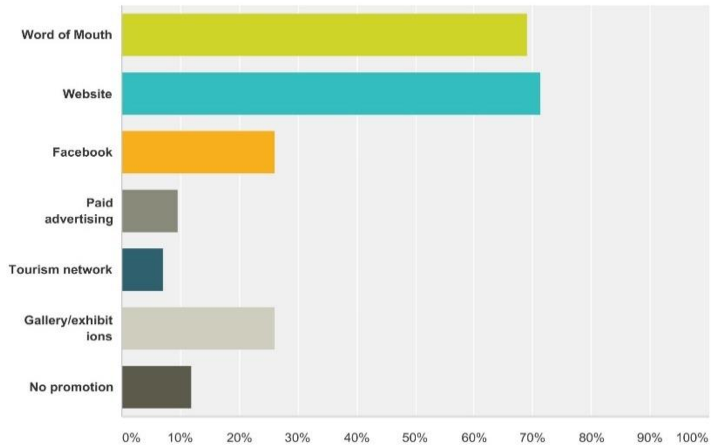
The respondent sample indicates that more specialised the product, the narrower is the range of promotional tools. Respondents primarily use word of mouth and web site to connect to their markets.

The responses indicate that there is a much higher utilisation of digital media than was evident from respondents to the cPF 2009 woodcraft survey.

Promotion Medium	Word of mouth		Website		Social Media		Paid Advert		Tourism Network		Gallery		No Promotion	
Furniture	77%	23	80%	24	23%	7	7%	2	0	0	37%	11	10%	3
Joinery & Carpentry	83%	5	33%	2	0	0	0	0	0	0	17%	1	17%	1
Boat Building	57%	4	71%	5	29%	2	14%	1	14%	1	0	0	0	0
Kitchenware	56%	5	44%	4	33%	3	11%	1	22%	2	22%	2	11%	1
Giftware	55%	12	36%	8	18%	4	9%	2	14%	3	27%	6	23%	5
Woodturning	56%	6	18%	2	0	0	0	0	0	0	27%	3	45%	5
Musical Instruments	67%	2	33%	1	33%	1	0	0	0	0	33%	1	33%	1

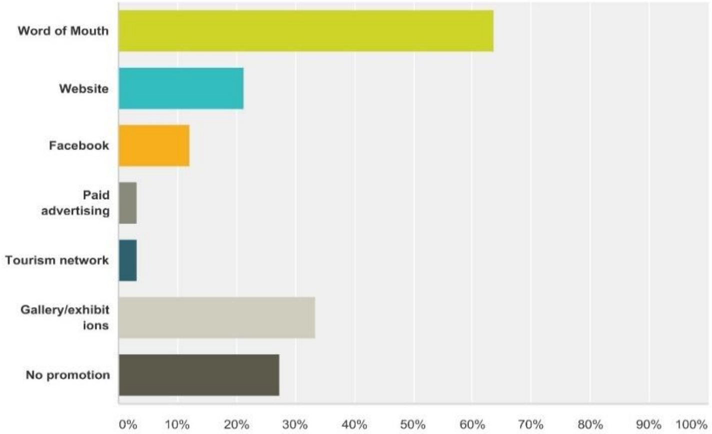
Table 25: Promotion Channels per segment (multiple answers permitted)

Full time enterprises utilise web sites with much more frequency than do part time enterprises.



Answer Choices	Responses	
Word of Mouth	69.05%	29
Website	71.43%	30
Facebook	26.19%	11
Paid advertising	9.52%	4
Tourism network	7.14%	3
Gallery/exhibitions	26.19%	11
No promotion	11.90%	5

Table 26: Full time Promotion Channels (multiple answers permitted)



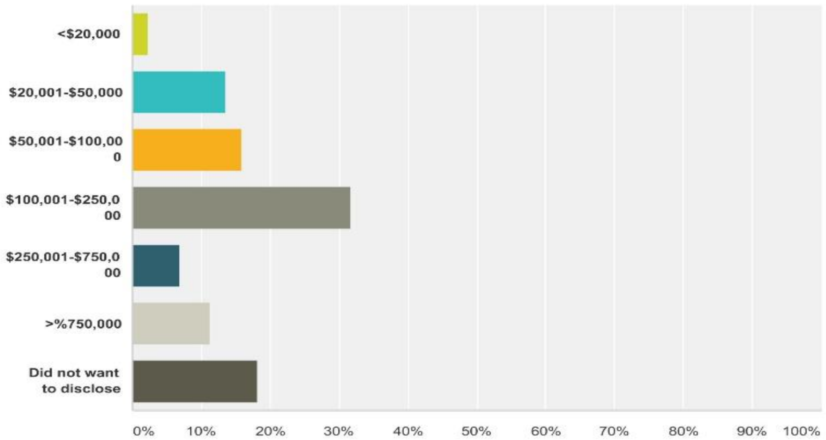
Answer Choices	Responses	
Word of Mouth	63.64%	21
Website	21.21%	7
Facebook	12.12%	4
Paid advertising	3.03%	1
Tourism network	3.03%	1
Gallery/exhibitions	33.33%	11
No promotion	27.27%	9

Table 27: Part time Promotion Channels (multiple answers permitted)

Image courtesy of Mark Gilbert Guitars

6. Revenue Profile

The combination of sector enterprise structure, product, market positioning and price results in the following revenue profile across the sample enterprises.



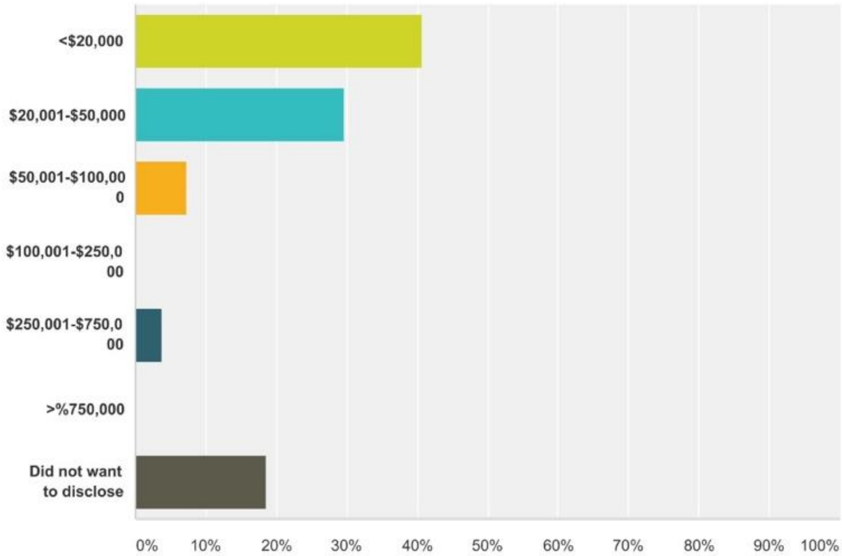
Answer Choices	Responses	
<$20,000	2.27%	1
$20,001-$50,000	13.64%	6
$50,001-$100,000	15.91%	7
$100,001-$250,000	31.82%	14
$250,001-$750,000	6.82%	3
>%750,000	11.36%	5
Did not want to disclose	18.18%	8

Table 28: Full time Revenue Stream

Approximate annual turnover	<20,000		20,001 – 50,000		50,001 – 100,000		100,001– 250,000		250,001 – 750,000		>750,000		Undisclosed	
Furniture	10%	3	13%	4	10%	3	33%	10	3%	1	10%	3	20%	6
Joinery & Carpentry	13%	1	0	0	13%	1	25%	2	0	0	25%	2	25%	2
Boat Building	0	0	17%	1	0	0	33%	2	17%	1	17%	1	17%	1
Kitchenware	11%	1	11%	1	22%	2	33%	3	11%	1	0	0	11%	1
Giftware	24%	5	33%	7	14%	3	10%	2	5%	1	5%	1	10%	2
Woodturning	25%	2	25%	2	25%	2	0	0	0	0	0	0	25%	2
Musical Instruments	0	0	50%	1	50%	1	0	0	0	0	0	0	25%	2

Table 29: Income Stream per segment

The part time enterprise income profile is skewed to lower income levels.



Answer Choices	Responses	
<$20,000	40.74%	11
$20,001-$50,000	29.63%	8
$50,001-$100,000	7.41%	2
$100,001-$250,000	0.00%	0
$250,001-$750,000	3.70%	1
>%750,000	0.00%	0
Did not want to disclose	18.52%	5

Table 30: Part time Revenue Stream

This income profile is also influenced by the respondent's desire to only work part time or to limit work to the products, commissions that they choose.

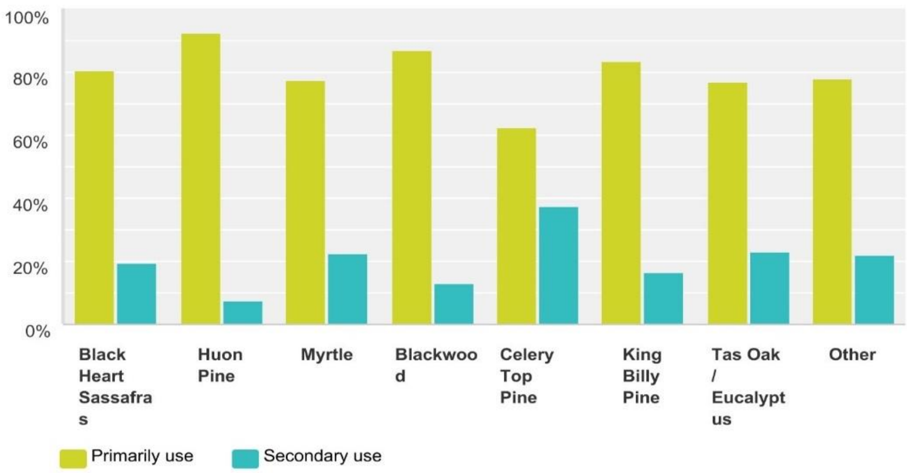
The profile, while skewed to lower income bands, also indicates that there is the potential to develop a business that enjoys a stronger revenue stream in the context of small business, labour intensity and overall quite low material input costs.

7. Timber Utilisation, Demand and Supply

The respondents indicate a diversity of species chosen to make the objects/products on which the sector is based. Blackwood, Huon Pine, Myrtle and Blackheart Sassafras are the most widely selected as the respondent's primary species

Of the sample of enterprises, 27 (33%) indicate that they use either eucalypt or other timber (including engineered products) as their primary stock with another 8 indicating these as their secondary species. This provides some indication of the potential to widen the timber species considered as "special timbers" and applied to high value add timber objects.

Table 31, following, was not constructed on an "either/or" but "this/and" as a general response to timber species used, respondents could respond "I mainly use x and y, with some of z". This diversity of species use across all segments is highly consistent with that identified in detail in the cPF 2009 report (p65).



	Primarily use	Secondary use	Total
Black Heart Sassafras	**80.39%** 41	**19.61%** 10	51
Huon Pine	**92.73%** 51	**7.27%** 4	55
Myrtle	**77.36%** 41	**22.64%** 12	53
Blackwood	**86.89%** 53	**13.11%** 8	61
Celery Top Pine	**62.50%** 15	**37.50%** 9	24
King Billy Pine	**83.33%** 5	**16.67%** 1	6
Tas Oak / Eucalyptus	**76.92%** 20	**23.08%** 6	26
Other	**77.78%** 7	**22.22%** 2	9

Table 31: Total respondents SST used (Primary & secondary use)

It should be noted that this table relates to "timber used for production" not necessarily "timber purchased" over the period.

The above table and graph demonstrates the diversity of species used by producers. The use profile by sectors is provided in Table 32, below. While it is of interest when considered by segment, it is equally so when considered from a species perspective, the column comparison; this demonstrates the productive use of both high quality and larger sections by boat builders and furniture makers and of smaller sections by giftware producers and wood-turners, for example.

This productive use of the whole log sets the special species sector apart as a sector that uses expertise to value add from even the smallest and "imperfect" pieces of timber, or in the case of instrument makers, very small volumes of timber that is transformed into a highly valuable and valued object.

Sector SST usage by species (in total)	Black Heart Sassafras	Huon Pine	Myrtle	Black-Wood	Celery Top Pine	King Billy Pine	Tas Oak/ Eucalypt	Other
Furniture	15	18	19	23	2	1	19	2
Carpentry & Joinery	3	2	3	4	3	0	2	0
Boat Building	0	3	0	2	4	2	0	0
Kitchenware	7	8	7	9	5	1	1	2
Giftware	25	27	25	25	6	2	2	5
Woodturning	15	17	13	15	3	0	1	3
Musical Instruments	3	1	2	4	0	1	2	0

Table 32: Sector respondents SST use profile

Access to Timber Resources

Enterprises are generally able to access the supply of the timber required to support their business; however, it is important to note that half of the sample indicate a level of difficulty in doing so.

A significant proportion of the sample group utilise material from their own stockpiles and/or from other private stockpiles. Not all species have been subject to a combination of risk management and speculative hoarding and as such some, such as Blackheart Sassafras, have been subject to rapidly increasing raw material price increases.

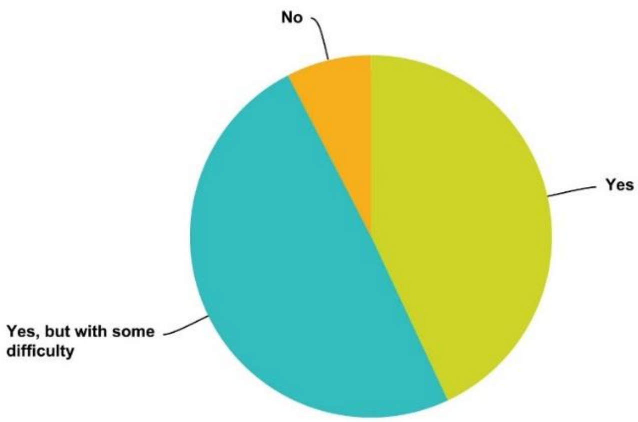
There is no data available to establish the volume and species of timber that has been speculatively hoarded. Anecdotal information indicates a wide availability, however, respondents indicate that quality varies.

The utilisation of these stocks masks the actual demand for special timbers. There is no relationship between timber used and timber harvested (recognising the time lag between harvest and use), apart from species not traditionally hoarded.

The stockpiles, and other woodbank mechanisms, have provided a buffer and in the case of the "boat board bank" a stock of specific product to suit the variation in boat construction methods utilised in the market. The recent harvest volumes cannot be used as a proxy for the volume of timber required to meet market demand, particularly in the face of growing demand across segments within the sector. It should be noted that this is drawing down on static stocks, a finite strategy.

Structural changes to the milling sector is having an impact. Some respondents indicate that the closure of the mill supplying them has led to increased challenges and choice in accessing material to suit their needs.

Ability to Access Material



Answer Choices	Responses	
Yes	43.04%	34
Yes, but with some difficulty	49.37%	39
No	7.59%	6

Table 33: Total respondents ability to access reliable supplies

Apart from the joinery sector, half or greater than half of the respondents indicated difficulty in accessing the required timber supplies.

Are you generally able to access the materials/ resources that you need?	Yes		Yes, but with difficulty		No	
Furniture	47%	15	58%	7	0	0
Joinery & Carpentry	67%	6	33%	3	0	0
Boat Building	50%	3	50%	3	0	0
Kitchenware	14%	1	57%	4	29%	2
Giftware	43%	9	52%	11	5%	1
Woodturning	42%	5	58%	7	0	0
Musical Instruments	25%	1	75%	3	0	0

Table 34: Access to reliable supplies per segment

The following commentary is indicative of the level of frustration felt by respondents who do not have easy access to their own supplies, strong relationships into the supply chain or broad supply networks.

"I can't get access to the resource and the people I buy from can't get to the resource."

"It's getting harder. Especially for a job that needs to be done straight away."

"If you can even get sassafras nowadays you get what you're given. Some of it is crap but it's what's available and that's the biggest problem. 30 years ago it was beautiful. Blackwood and Celery Top is good, I only buy select grade though I make certain items to suit the lower grades."

"Take what I can get. Because I'm new to the scene I don't have the knowledge to hunt out and source better materials. It seems to be primarily word of mouth. I see pieces of timber and wonder where do they go to get the beautiful big pieces? It seems to be who you know - a closed market."

"The quality and source of it is unreliable. Hard to get the consistency. Which is why I primarily use Tas Oak."

"Because the logs aren't available. Some are still easy to access but others are getting harder. Blackheart sassafras is one of the hardest but that's what people want. The stupid system that you have to buy timber under these days is ridiculous and is not conducive to the Tasmanian climate. The size that we buy (logs) is also an issue."

"I can't afford to hold inventory. We have to proceed with marketing cautiously as we don't know if we can deliver on the product. Can't promote without guaranteed supply."

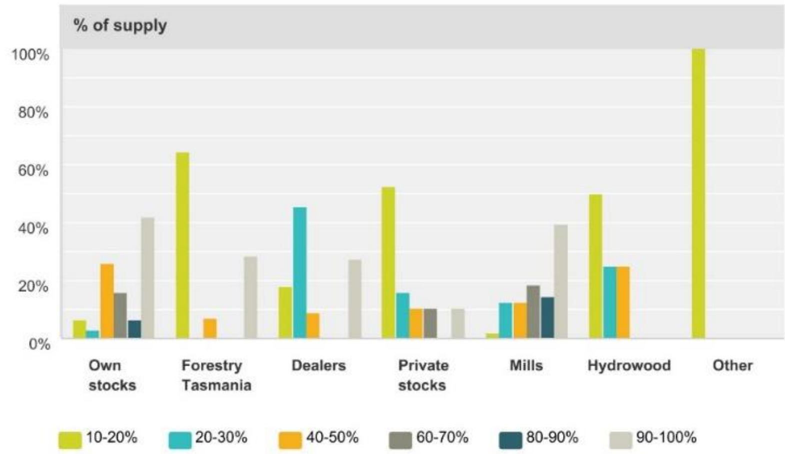
"Having to start looking for it now and am getting quite panicky. If I can't source the timber, I stop making things."

Defining the source of supply is important to understanding the stock and flow of timber supply.

The majority of respondents source their timber from mills; 65% of the sample using mills for over 50% of their material supply. Where the sections are specific to purpose, a strong relationship between the mill and the producer is identified as necessary to ensure supply certainty.

Over 38% of respondents indicate that they draw part of their stock from their own supplies, with 40% of these providing almost all of their stock internally. In conjunction with 23% of enterprises sourcing material from private stocks, a significant proportion of the timber utilised is sourced from private holdings.

Table 35 following, provides an indication of the respondent's dependence on specific supply sources. For example, of those who utilise their own stocks, over 40% of them use this to supply between 90 & 100% of their needs; of those who source from Forestry Tasmania around 65% of them use this source to supply between 10 & 20% of their needs.



% of supply	10-20%	20-30%	40-50%	60-70%	80-90%	90-100%	Total
Own stocks	6.45% 2	3.23% 1	25.81% 8	16.13% 5	6.45% 2	41.94% 13	31
Forestry Tasmania	64.29% 9	0.00% 0	7.14% 1	0.00% 0	0.00% 0	28.57% 4	14
Dealers	18.18% 2	45.45% 5	9.09% 1	0.00% 0	0.00% 0	27.27% 3	11
Private stocks	52.63% 10	15.79% 3	10.53% 2	10.53% 2	0.00% 0	10.53% 2	19
Mills	2.08% 1	12.50% 6	12.50% 6	18.75% 9	14.58% 7	39.58% 19	48
Hydrowood	50.00% 2	25.00% 1	25.00% 1	0.00% 0	0.00% 0	0.00% 0	4
Other	100.00% 1	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	1

Table 35: Total respondents SST supply sources

"(Local supply) Doesn't matter otherwise I'll import from Europe and France if necessary. Our timbers are too expensive. The only reason that people are buying it is for inherited reasons."

"I buy from private stocks, using ads in the paper, it's the only affordable way you can do it."

"I think it's important to have a network. I have a reliable source who goes in before they burn the wastes from logging and salvages the timber out. He finds very rare fiddle back black wood and tiger myrtle from these waste piles, which are the timbers you are looking for when making guitars and the like."

The source of supply varies by segment, boat builders indicating the least use of their own supplies and highest reliance on mills. This highlights the difference between repetition based activity and bespoke activity. Different clients may require boat-builders to apply different construction techniques, consequently 2 vessels of similar size, for example, will use quite different timber sections. The builders utilise mills, or the previously noted boat board bank as the source of such air dried material. This negates the need to hold large stocks of varying sections, but requires an efficient supply chain and is demonstrated in the following table.

Where do you source your resources/ materials?	Own supply		Forestry Tasmania		Dealers		Private sources		Mills		Hydro-wood		Other	
Furniture	38%	11	17%	5	14%	4	21%	6	72%	21	10%	3	3%	1
Joinery & Carpentry	33%	3	0	0	11%	1	22%	2	78%	7	0	0	0	0
Boat Building	17%	1	0	0	34%	2	17%	1	83%	5	17%	1	0	0
Kitchenware	50%	3	33%	2	0	0	50%	3	50%	3	0	0	0	0
Giftware	63%	12	37%	7	11%	2	32%	6	58%	11	0	0	0	0
Woodturning	50%	6	8%	1	16%	2	32%	4	58%	7	0	0	0	0
Musical Instruments	75%	3	25%	1	25%	1	25%	1	25%	1	0	0	0	0

Table 36: SST supply sources per segment

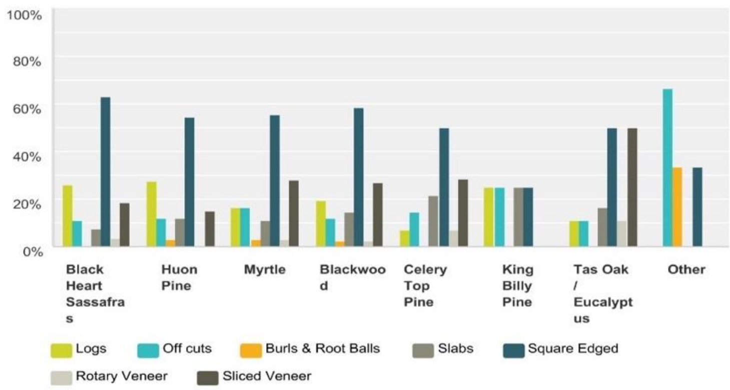
The reliance on previously purchased stocks of timber is evident across all sectors in the above table. The exception to this is the boatbuilding sectors which has a much higher reliance on mills and timber dealers.

The responses indicate a mix of choice and necessity in the mix of final supply sources utilised by enterprises.

Image courtesy of Matt Prince Design

Timber Use Profile

The enterprise respondent timber use profile is provided below. Square edged and veneers are most utilised. There is however a significant proportion of logs purchased by producers, discussions indicate that this strategy is adopted to ensure recovery of suitable elements and quality and in response to reduced confidence in the milling sector to be able to supply to specific needs.



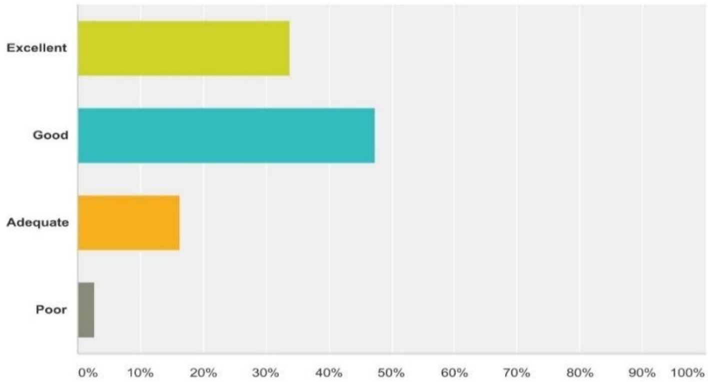
	Logs	Off cuts	Burls & Root Balls	Slabs	Square Edged	Rotary Veneer	Sliced Veneer	Total Respondents
Black Heart Sassafras	25.93% 7	11.11% 3	0.00% 0	7.41% 2	62.96% 17	3.70% 1	18.52% 5	27
Huon Pine	27.27% 9	12.12% 4	3.03% 1	12.12% 4	54.55% 18	0.00% 0	15.15% 5	33
Myrtle	16.67% 6	16.67% 6	2.78% 1	11.11% 4	55.56% 20	2.78% 1	27.78% 10	36
Blackwood	19.51% 8	12.20% 5	2.44% 1	14.63% 6	58.54% 24	2.44% 1	26.83% 11	41
Celery Top Pine	7.14% 1	14.29% 2	0.00% 0	21.43% 3	50.00% 7	7.14% 1	28.57% 4	14
King Billy Pine	25.00% 1	25.00% 1	0.00% 0	25.00% 1	25.00% 1	0.00% 0	0.00% 0	4
Tas Oak / Eucalyptus	11.11% 2	11.11% 2	0.00% 0	16.67% 3	50.00% 9	11.11% 2	50.00% 9	18
Other	0.00% 0	66.67% 2	33.33% 1	0.00% 0	33.33% 1	0.00% 0	0.00% 0	3

Table 37: Total Respondents timber purchase profile

"(Supplies were) Very unreliable, I would often go to a sawmill and find they have nothing that I wanted. I used to deal with a small mill in Geeveston which closed down and I could just get craft wood. The stock sizes are large these days, too large for turning sizes and the like are hard to get hold of. I built up my own sawmill to buy logs directly."

Quality

The dominant classification of the timber purchased is "good", followed by "excellent", these categories correspond with 80% of the sample respondents.



Answer Choices	Responses	
Excellent	33.78%	25
Good	47.30%	35
Adequate	16.22%	12
Poor	2.70%	2

Table 38: Total respondents Quality of materials sources

There is however, significant variation when the response is analysed by sector. Boat builders and wood turners express the highest incidence of dissatisfaction with the timber available. The commentary again reinforces the importance of supply networks and relationships and the variation in use as the basis of defining quality.

Is the quality you receive consistent with the qualities you seek?	Excellent		Good		Average		Poor	
Furniture	41%	12	48%	14	7%	2	3%	1
Joinery & Carpentry	33%	3	56%	5	11%	1	0	0
Boat Building	33%	2	33%	2	33%	3	0	0
Kitchenware	14%	1	71%	5	0	0	14%	1
Giftware	32%	6	53%	10	16%	3	0	0
Woodturning	9%	1	36%	4	55%	6	0	0
Musical Instruments	75%	3	0	0	25%	1	0	0

Table 39: Quality of materials sourced per segment

"It's what you make of it. I go in and select the timber that I need. I am largely responsible for the timber that I end up with."

"You get what you pay for. I can buy Blackwood craft packs as I'm looking for small pieces and can cut around the faults."

"If I pick the log it is excellent. Now I pick, strap it and bring it home because I know what I want. Sometimes, earlier on in my career I would just ring up and get the boys to pick and deliver but when I went through it all the

quality wasn't there. There's still good cuts out there, but there's probably not much nice stuff left once the craftsmen have picked it over."

"Don't buy it if it's not the quality I need. A lot of the mills that are left don't cut to the smaller sizes that craftspeople need."

"Huon Pine supply's I'm 90% happy. Our recovery rate is 100-110% on investment (including the shavings) Other timbers (Blackwood, Myrtle) our recovery rate is 60% good and the rest ends up on the fire. I try to save as much of the timber as we can. Our total recovery rate out of investment dollars maxes out at 75% only because it's that hard to get hold of the quality, and what is available is crap to what it was 10 years ago. The locking up of the forest and the demand for the timber has lessened the quality."

"Quality of timber has been dropping off. If I'm buying it, I will go through the entire stack to find the right timber. They will charge you the same regardless of the quality of the timber. It seems to be a lot of checking and splits in the timbers these days."

"King Billy is getting difficult. Huon Pine is easily available, but getting boat grade is getting difficult."

"I look for the ugly bits, the bits that everyone else probably think are rubbish. You can make something really nice out it and if it has an interesting character you can keep the shape really simple."

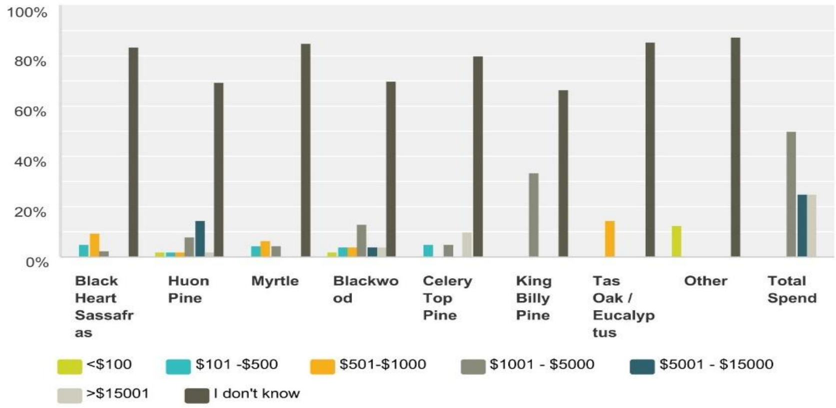
The responses reinforce that "fit for purpose" is the key parameter that defines quality. This has historically been evident in:

- The identification and harvesting of both logs and other material from coupes. Some harvesters demonstrate much greater recovery rates of material suitable for the woodcraft sector, logs, burls, root balls etc.;
- The enhanced levels and quality recovery that can be achieved by people with milling and production experience when provided with access to coupes; and
- Integration of production and milling skills to ensure best value recovery from logs or other harvest materials.

For the value chain to productively perform, the interdependency needs to be understood and exploited.

Annual Timber Material Spend

Table 40, below, provides and indicator of the levels of annual materials spend across the sector. This profile is distorted by the proportion of "own stocks" utilised by the sector to meet demand and replenished opportunistically, rather than as an ongoing business process.



	<$100	$101 - $500	$501- $1000	$1001 - $5000	$5001 - $15000	>$15001	I don't know	Total
Black Heart Sassafras	0.00% 0	4.76% 2	9.52% 4	2.38% 1	0.00% 0	0.00% 0	83.33% 35	42
Huon Pine	2.04% 1	2.04% 1	2.04% 1	8.16% 4	14.29% 7	2.04% 1	69.39% 34	49
Myrtle	0.00% 0	4.35% 2	6.52% 3	4.35% 2	0.00% 0	0.00% 0	84.78% 39	46
Blackwood	1.89% 1	3.77% 2	3.77% 2	13.21% 7	3.77% 2	3.77% 2	69.81% 37	53
Celery Top Pine	0.00% 0	5.00% 1	0.00% 0	5.00% 1	0.00% 0	10.00% 2	80.00% 16	20
King Billy Pine	0.00% 0	0.00% 0	0.00% 0	33.33% 1	0.00% 0	0.00% 0	66.67% 2	3
Tas Oak / Eucalyptus	0.00% 0	0.00% 0	14.29% 3	0.00% 0	0.00% 0	0.00% 0	85.71% 18	21
Other	12.50% 1	0.00% 0	0.00% 0	0.00% 0	0.00% 0	0.00% 0	87.50% 7	8
Total Spend	0.00% 0	0.00% 0	0.00% 0	50.00% 4	25.00% 2	25.00% 2	0.00% 0	8

Table 40: Total respondents total annual material spend

The vast majority of enterprises indicate lack of knowledge in relation to their annual material spend. Much of this is derived from their mix of supply source and drawing from internal stocks.

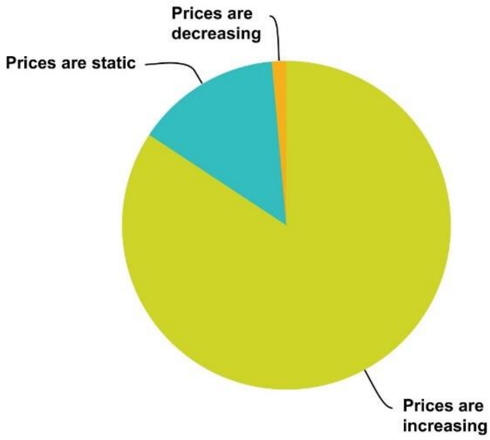
The relatively small identified spend reinforces that for much of the sector, the timber usage is also relatively small.

There is however greater clarity around material costs as a proportion of price, for example:

- furniture - bespoke – 15-20% of product price
- furniture - production – 30% of product price
- Huon Pine Dinghy – 15-20% of product price

Other small products and musical instruments production reflect a much lower cost of materials to final product price ratios.

These ratios are important, in conjunction with the market positioning of the product when prices increase. The range also reflects the sector as a high value add sector within the economy, in particular regional economies.



Answer Choices	Responses	
Prices are increasing	84.29%	59
Prices are static	14.29%	10
Prices are decreasing	1.43%	1

Table 41: Total respondents material price trend

Table 42 data indicates that there is little variation in this across the segments apart from those producing small products who may be able to access “offcut” materials.

What is the current trend with prices for materials?	Increasing		Static		Decreasing	
Furniture	71%	20	25%	7	4%	1
Joinery & Carpentry	71%	5	29%	2	0	0
Boat Building	100%	6	0	0	0	0
Kitchenware	86%	6	14%	1	0	0
Giftware	95%	19	5%	1	0	0
Woodturning	100%	10	0	0	0	0
Musical Instruments	100%	1	0	0	0	0

Table 42: Trend with prices for materials per segment

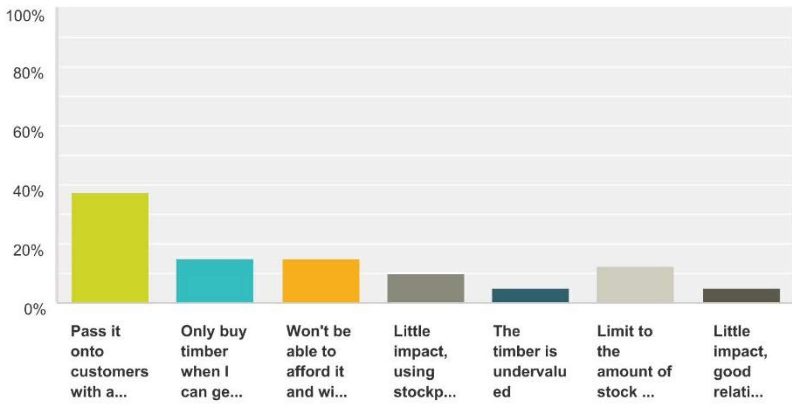
“Sassafras is definitely increasing. After the agreement, everyone became a dealer in timber - because of the scarcity of it. More timber than ever on the market to make money. More of a hidden industry”.

“Astronomically. Celery Top used to be $2000 a cubic metre now it's about $8000 for furniture grade. We just don't get a look in.”

“Huge impact. we can't afford to buy timber. We can't afford to spend $10,000 on a cube of sassafras. We are just going to use up what we have and probably close up shop. Ever since they locked up the forests in 2009, we have lost 11 of our retailers. We used to employ wood turners but now it is just my husband and I. Some products have had to be taken off our lists because we just don't have the timber to product them.”

“We had a price rise in January and it has affected business this year. People seem to not be able to justify spending the money. I employ 6-7 and I have to pay them legal wage regardless. People won't spend on quality these days. We live in a throwaway society where people buy cheap items and simply throw it away when it doesn't work or breaks.”

Enterprises adopt a range of strategies to attempt to limit the impact of general price increases, the largest proportion pass it on, while others use strategy to control the costs or by-pass the broad market increases.



Answer Choices	Responses	
Pass it onto customers with a price increase	37.50%	15
Only buy timber when I can get it cheap	15.00%	6
Won't be able to afford it and will stop making things	15.00%	6
Little impact, using stockpile of timber	10.00%	4
The timber is undervalued	5.00%	2
Limit to the amount of stock I can buy or stockpile	12.50%	5
Little impact, good relationship with mills	5.00%	2

Table 43: Total Respondents Response to Impact of Price Rise

“Timber (can) come from everywhere. Looked at importing veneers from China, depressing but the cost is so much cheaper. I can mark up by 500%.”

“Buy it back from Melbourne for cheaper.”

“Not an exaggerated increase. I think timber is undervalued in Tasmania.”

For others, price increase is a factor that is addressed within the product positioning and narrative through an ability to pass it on or provide more expensive materials as part of the purchase choice.

"Always increasing but not significantly. If the cost of materials costs more I charge more, but as I'm using my own stock I don't see it as much."

"I don't have a problem paying more for a timber if the supply is stable. I don't want to design something where within a year or two I can't get the timber or the price has increased. Quote everything in Tas oak but then re quote if people want a different timber."

The price of timber is clearly a contentious issue. The price a producer is willing or able to pay, is a function of how much value can be derived from the timber (or log). This, and scarcity, is why a boat keel quality section or a highly figured veneer reflects a high input price, driven by both limited supply compared to demand and the ability to pass the additional cost on to the purchaser without destroying margins. The challenge on utilisation and pricing is that the proportion of a log suitable for these "high value" applications may be very low.

As available log quality decreases, the milling margin also decreases, potentially increasing the cost of material for lower value uses. It is important that the high price of "high value" sections does not distort the value of "low value use" sections where the ability to pass on input price increase does not exist.

These are some of the factors influencing some producers to become "in-house millers". Holding stock carries a cost. No matter where the stock of timber sits in the supply chain, the enterprise that transforms it carries that cost as either a business overhead, or via an increased price to the supplier on purchase if they choose not to hold stocks. This choice is a business decision, those enterprises that hold stocks indicate that the primary reason for holding inventories is to ensure that they can access the specific section and quality they require, overweighing the processing/holding cost by providing improved business certainty.

Image courtesy of Axiom Lighting

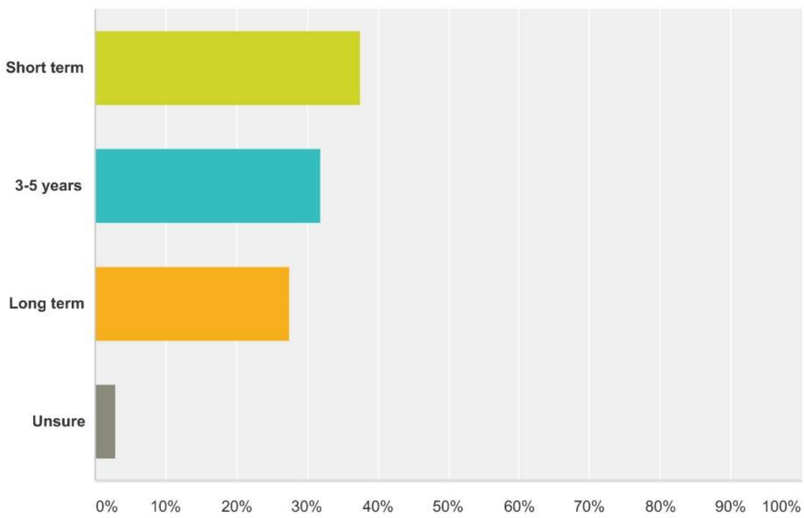
Future Supply

The future of the sector is linked to future timber supply. Uncertainty over the past 5 years has weighed heavily on the sector respondents a whole.

The following responses are influenced by the ability to continue to draw down on the stocks that enterprises and others hold. Again, the exception to this is the boat building sector.

Only a small proportion of the respondent enterprises had confidence in long term supply capability. The graph and table below indicates the sectors risk mitigation strategy of using their own stockpiles of timber and when possible replenishing from logs available for tender and materials from private supplies. These are viewed as short to medium term interventions. At some (unknown) stage, stockpiles will no longer be able to support demand.

At this future point a viable supply model that matches demand and innovation in the use of timber within the product mix will be required.



Answer Choices	Responses	
Short term	37.68%	26
3-5 years	31.88%	22
Long term	27.54%	19
Unsure	2.90%	2

Table 44: Total respondents own stockpile longevity

"Tended to be a bit of a timber hoarder so I've collected timber and kept it. I use fairly small amounts of timber that I've bought through various people, garage sales and back-yarders. Top it up when the opportunity arises."

"You've got to keep a bit of stock in front of yourself."

"Given up. Over the years I have gathered up a huge supply of timber and made own personal supply. Prices are so high it is just not worth it and I can't afford it. If I want Huon Pine, I just go around the west coast and grab it."

"When we were starting out we used to buy from people getting out of it or died who advertised in the classifieds. Then it was an old persons thing and not a lot of young people get into it. I stockpiled early on in my business because of the rumours flying about. Timber is mainly the problem."

Table 45, following, demonstrates that the respondents have carefully considered this question. No respondent was "unsure" all had views of the potential life of their supply stocks.

If you obtain from private stocks, how long will this last you into the future?	Short term		3-5 years		Long term		Unsure	
Furniture	46%	12	35%	9	19%	5	0	0
Joinery & Carpentry	33%	3	33%	3	33%	3	0	0
Boat Building	0	0	0	0	33%	1	67%	2
Kitchenware	83%	5	17%	1	0	0	0	0
Giftware	32%	6	32%	6	37%	7	0	0
Woodturning	17%	2	33%	4	50%	6	0	0
Musical Instruments	25%	1	50%	2	25%	1	0	0

Table 45: Longevity of Private Stocks per segment

There is significant interest in Hydrowood and its potential but also caution until it is proven as providing the required characteristics.

There is a high level of awareness that significant volumes of special timber species exist in areas, including stream side reserves that are legally and technically able to be harvested using non intrusive harvesting techniques.

Some are experimenting with alternate timbers, that while not traditionally used, also tell a story of Tasmania in a contemporary setting reflecting values of other segments of society. These can blend traditional skills with a new material to the sector.

The ability to use smaller quantities of the traditional timber in combination with other natural and man made substrates and structural elements provides opportunities to optimise use, demonstrate innovation and also match specific market needs.

These supply opportunities, application and technical innovations in combination provide the platform for sustainable future supply.

Demand Volumes

The volume of special timbers produced from Tasmanian Forests, measured in any short time period, does not balance with the volume utilised by the woodcraft sector to meet its growing demand. This imbalance has a number of causes:

- Reduction in special timber supply as a consequence of transferring traditional special timber log resource into the reserve system, reducing harvesting volumes and leading the industry to adopt short term, finite risk mitigations strategies to ensure supply;
- The remaining open production forest zones do not contain a significant proportion of mature special species timber stock and are generally viewed by respondents as being inadequate as a source on which to attempt to meet demand;
- Indufor identified that 55% of the special species timber recovered by mills is sold to interstate markets and a further 20% to overseas markets (recognising this includes Blackwood);
- Woodcraft enterprises indicate significant use of their own and other (non mill) privately held stocks of special timbers. This applies in particular to furniture and giftware producers but less so to boat builders and specialty bespoke furniture producers;
- The introduction of "Hydrowood" into the market has generated what is an additional but finite supply of timber that provides both a buffer and and the opportunity for new products;
- Demand for high quality timber, such as boat boards can result in large quantities of lower quality product suitable for other segments but not necessarily in current demand.

It can be argued that, in a general sense, redirection of flows can be used to ensure the Tasmanian Woodcraft Sector should be able to be confident in regard to supply.

However, this cannot be applied to each species or each segment within the sector. The higher value product segments such as bespoke furniture and boats vary their timber purchase to reflect the specific commission whereas the repetition segments tend to be more constant in demand.

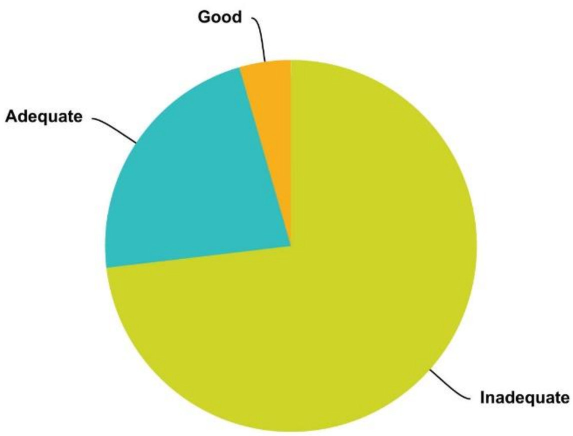
The sector is experiencing a growth trajectory, a large proportion of this relates to higher value and value add outputs such as furniture and boats that also reflect strong design and high quality craftsmanship. Enterprises are discovering new markets and innovating in terms of product and use of materials as the pathway to increased value add. Some form of structured integration between the "market end" and the forest management sectors is considered essential to achieve the balance of sustainable harvest, market positioning and material supply certainty for enterprises.

Image courtesy of Wilderness Woodworks Strahan

8. Sector Promotion

While clearly involved in enterprise level promotion, the majority of respondents consider sector promotion to be inadequate. The basis for this is quite disparate, there are three key themes that emerge:

1. The perceived lack of awareness of the timbers, the sector and its approach and contribution
2. The contested nature of the sector arising from its perceived relationship to industrial level forest harvesting management, the timber industry and to continued negative views.
3. Lack of a coordinated, positive voice



Answer Choices	Responses	
Inadequate	73.13%	49
Adequate	22.39%	15
Good	4.48%	3

Table 46: Total Respondents Description of the Promotion of SST

The comments below highlight that sector promotion has 2 broad targets:

1. The market for products; and
2. The Tasmanian community.

Marketing to the community is considered critical to reinforcing sector legitimacy and value as a means of ensuring that it can work and build on the foundations established, in particular over the past forty years with the emergence of the design sector and the levels of income that enable people to pursue their passions for high value items such as fine furniture and wooden boats.

This has provided the basis for the sector to move from utilitarian to high value but discretionary provision of bespoke and designed production pieces.

Such transitions are highly consistent with Tasmania's positioning in fine food and beverage.

"Don't see any. It's a bit contentious - do you start promoting and then what happens if you can't get the product?"

“People do seem to know quite a lot about it. The material that is put out is quite good (FT and IST). Perception of certain groups, there is nothing you can do to change their mind. A lot of what people say to you is information that is correct 30-40 years ago of mismanagement, the details are incorrect but they don't believe you.”

“I know a lot of people who were making but don't make anymore, it is a fickle market and hard for people to stay in it. The industry as broad thing is unsatisfactory. It is nowhere near as much as the food and wine.”

“Schizophrenic, because you are dealing with so many vested interests from practical people through to idealists. Plenty of people are uniformed and it is not monitored as to who gets the most airplay.”

“Describe it as uncoordinated. They probably need to highlight the diverse number of small manufacturers who are doing special things with the timber. Unfortunately, a lot of decisions are made around high volume users that have a lot of financial benefit into the system but I think Tasmania probably benefits just as much from the interest that the smaller producers create. They create the aura and story around the product.”

“Very poor because I don't think that it really happens. If Tasmania wants to build a valuable specialty timber industry, it needs to do something about rebuilding its reputation. and then promote that fact to the mainland. Needs to be done to salvage our reputation.”

“The way we're looking at things, the ideas that we've got about the small products. The promotion of this is not sustainable. Change the consumer mentality to promote that if you buy something made by hand you only have to buy it once rather than 3-4 times a lifetime. Calculate the cost and the savings. This should be part of the promotion. Change people’s ideas behind the products and this unsustainable consumption.”

“There are strong voices saying it’s bad for Tasmania, but overall the crafts people in SST don't use a great deal at all. We get jumped on about locking it up but it's not a big industry really but it is an important one for Tasmania.”

“Other Tasmanian industries such as wine and food get much more promotion. It seems that our industry is too controversial to promote. But we are creating something that is a piece of beauty.”

“They live on the reputation of the timber and not the craftsmanship that has gone into it. The amount of poor quality products that leave the state is embarrassing. And then other people are not prepared to pay the prices for the quality craftsmanship.”

The major challenge is to establish a mechanism and level of performance that encourages the sector to invest in a collaborative promotion and market positioning.

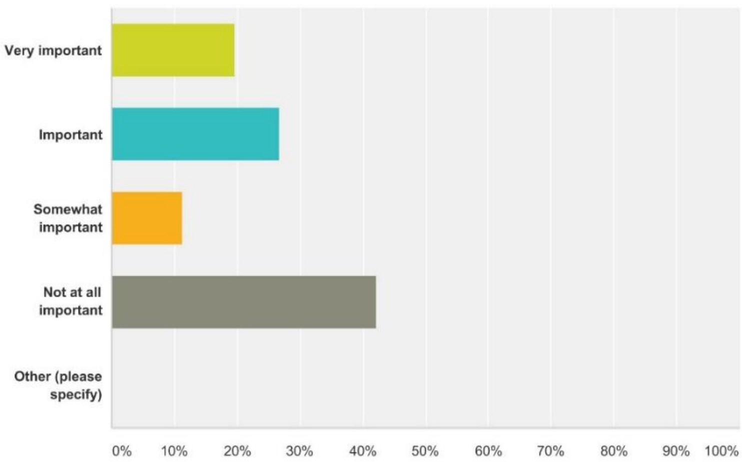
9. Chain of custody as part of the story

The respondent sample overwhelmingly indicated a strong commitment to sustainability in terms of both the forest ecosystem and the harvest/use of timber from these ecosystems. A significant proportion had little awareness and knowledge of certification systems that are premised on these objectives, these are represented below as not important on the premise that their client base does not require it as a pre-requisite.

There is a general view within the respondent group that the sector is required to participate in mechanisms that are important to the sawlog and commodity segments of the forest industry, while having their own interests ignored or overweighted by the larger scale segments. The "value add" contribution overweighted by turn-over. This overlooks the fact that "Chain of Custody" predates the FSC system in Tasmania and has a different but complementary focus.

While there is a strong philosophical support for the "Fine Timber Tasmania" chain of custody model there is not universal membership. Larger enterprises and those requiring such accreditation for specific markets comprise the majority of members.

This is reflected in the spread of responses to its importance below.



Answer Choices	Responses	
Very important	19.72%	14
Important	26.76%	19
Somewhat important	11.27%	8
Not at all important	42.25%	30
Other (please specify)	0.00%	0

Table 47: Total Respondents Importance of Chain of Custody

The comments below indicate the variation of perception and understanding that exists within the respondent sample.

"Probably a good thing for a unique market. A good selling and marketing thing."

"It is incredibly important and is necessary and I applaud it."

"It is important and I am always conscious of the certification when buying timber. I would love to say my timber is FSC that we can't have that certification. It's slightly embarrassing for a place that is known for its timber. It would be a big deal if I could label my work FSC."

"Excellent concept. Difficult to govern and get producers to align and promote"

"Business had Chain of Custody when I bought it but I let it lapse and it made no difference to the business at all. Not one person has asked about it."

"I don't like that we have to pay for every single little label and emblem that you have. We can't possibly be involved in every little fad that comes along. They change all the time, I've seen so many over time. There has been so much in the press about the timber industry in Tasmania about it being locked up and to being able to send it off for wood chips. But we use such a small amount of timber that much more is replanted. They see a 5-minute clip on a current affair and they are an expert."

"I don't really buy it. I think it is a bit of a scam. At the end of the day, I don't get it and am suspicious about the whole thing. What does it really mean?"

"I can see what's it's trying to do but I think it complicates the whole process and cuts off other avenues. Cuts out supply from other sources, I mill some timber and doesn't allow for me to sell. I think it is up to people to be responsible and that starts with bigger guys."

"The system is totally irrelevant because the end user is totally ignorant of it."

"Watched it come and go. I don't think it means anything. The first step in the chain was it came from a forest and the definition was what forestry thought was a forest. So then how is that chain of Custody was worth anything? It was just concocted as a Forestry farce. It probably is important in the world market but it is not necessarily the case with Mum and Dad customers. It could be a limb of a marketing campaign but it needs to start with something credible."

"Absolute nightmare. I wanted to be part of it but they have this rule you have to show proof where your timber comes from originally. Now the sub-contractor I get my timber from is a private person and doesn't appreciate them telling him what he should be doing so no Chain of Custody for me. It has affected my business overseas as people wanted that proof of originality. Because of the bureaucracy I'm against it totally. People in the woodcraft industry who are craftspeople and the like want the industry to be sustainable. I would always source responsibly harvested timber because I want the industry to go on regardless of Chain of Custody."

Discussions within the sector have also indicated that the value proposition for the chain of custody is too narrow. The ability to use membership as a means of preferential access to timber and/or combining market effort to the membership have been noted and meets with some level of agreement.

An increase in scope could also potentially increase the viability of the "auditing" body.

In some ways, the previous establishment of a new entity to establish and operate the chain of custody reflects the history of the sector. Each interest establishes its own entity or centre, even if recognising the interdependency of the value chain in that specific element, choosing to focus on their specific interest.

This is an observation rather than a criticism, however to build on the basis of the sector, new thinking, in particular in recognising and integrating the value chain elements is arguably required.

10. Sector Development Framework

The sector has arguably developed in a piecemeal and unstructured, disconnected manner.

It has not been at "front of mind" in the restructuring of the forest industry and yet, although a small sector, it provides a high degree of value add to products sold to the visitor and discerning markets.

The sector demonstrates Tasmania's positioning as a place for high quality design and production from productive, ongoing use of its natural resource base. It is a demonstration of Tasmania's human, cultural and natural capital combining to produce a wide range of objects and products that people value highly for many reasons.

The natural resource base used for these objects and products is slowly complementing the traditional species classification, with increased weighting on design, mixed materials and technologies.

The sections and conditions identified in the preceding parts of this report are interconnected and interdependent elements of the sector, in effect a combination of value chain and strategies.

The following diagram "maps" the context within which the sector (potentially) operates. It provides a means of mapping and understanding condition and connections/patterns across the critical operational and strategic elements of the industry and designing strategic and operational interventions to improve performance and productivity.

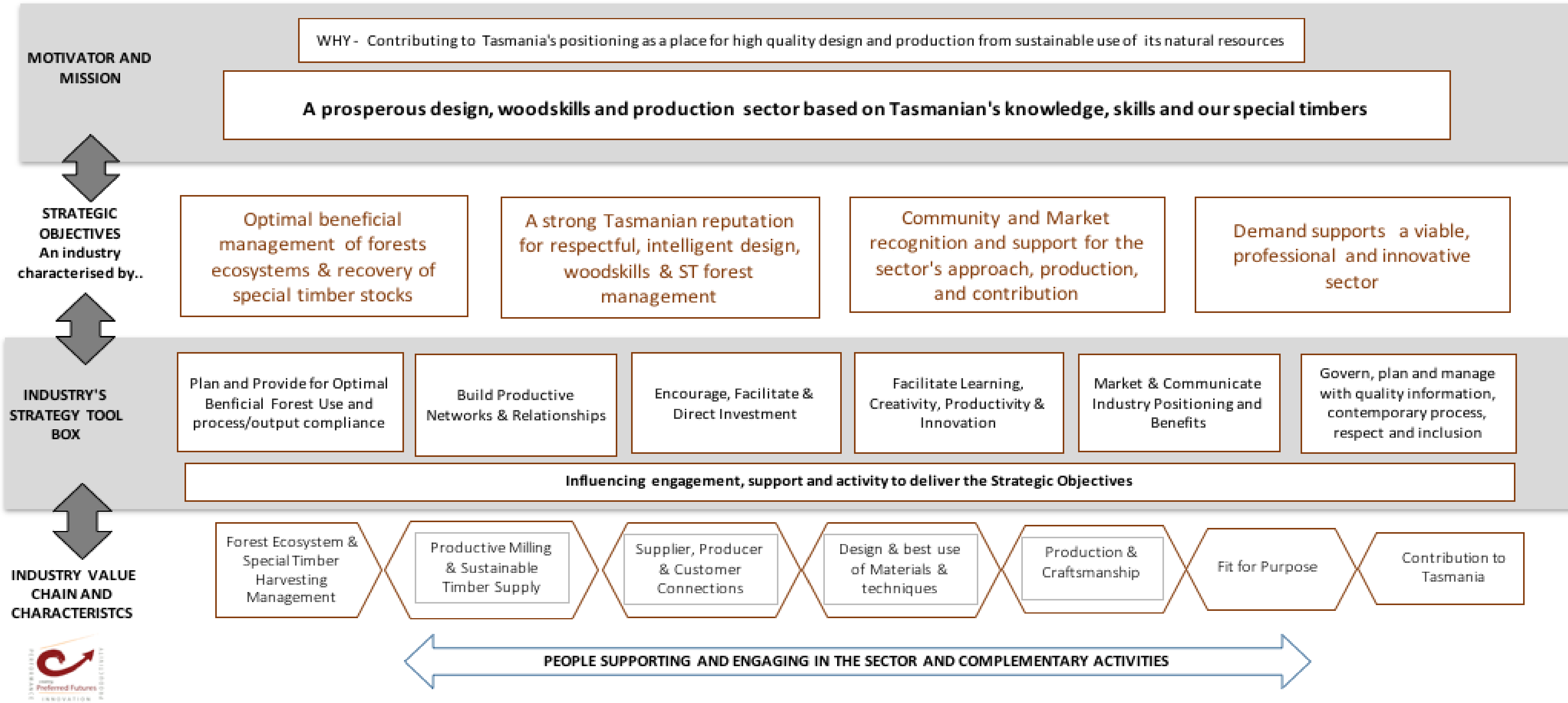
The "top half" of the framework articulates the strategic intent as a vision and strategic objectives that together contribute to that vision. Together they address the strategy question of "why we have a woodcraft sector based on our special species timber". This strategic intent (or further development of it) provides the basis of the industry narrative and consideration of how it is achieved by applying the strategies available to the value chain that comprise the "bottom half" of the framework.

The approach is designed to ensure the elements of the system are working together to achieve performance and productivity in the short run and are also contributing to the medium and longer term outcomes sought.

The framework is provided to start the conversation about how to effectively build on the information provided by respondents participating in the survey and discussions and the sector base that exists from the commitment, passion and effort of individual enterprises.

This is designed to assist the sector to move in a structured manner to systematically design and implement sector development pathways focused on achieving its objectives by applying the best mix of strategy to the elements of the value chain.

Tasmania's Special Timber Governance and Development Framework



The condition of the system

Industry Value Chain and Characteristics

People supporting and engaging in the sector

The sector is populated by people who have largely been involved for a long period of time. There is much experience but also a pool of new entrants to ensure that critical skills can be transferred and combined with emerging values and practices.

It is not just small enterprises that are at risk, owners of larger scale operations also express concern over the likelihood of on-selling the enterprises if the challenges of resource certainty cannot be addressed.

There is a view that the community undervalues the contribution of the sector and do not recognise the respect for the timber and forest from which it is drawn.

People tend to work in one of the elements of the value chain and while recognising the interdependency of the value chain elements there is no mechanism to enable the value chain as a whole to be connected and managed to achieve improved performance and productivity through innovation.

Forest Ecosystem and Special Timber Harvesting Management

The harvest of special characteristic timber species does not match utilisation of the timber supply.

Alternate sources such as Hydrowood provide a “woodbank” that is subject to finite supply and determination of the technical and aesthetic characteristics of the timber recovered.

Respondents indicate approaches from people illegally sourcing timber from public forests.

Investors purchase timber from auction and other sources with no plans to utilise for other than direct on-sale at an opportune time.

The forest legislation and associated harvesting regulation provides for the harvesting small numbers of specifically classified trees from areas holding significant quantities of special characteristic timbers subject to rigorous conditions. The challenge with this and other zone options would be to achieve community support, notwithstanding legality.

Productive Milling and Sustainable Timber Supply

A significant flow of material to support the sector comes from stockpiles of material held by makers, producers and private sources. The current harvest level cannot be considered a match for the volume of timber used by the industry to meet demand. In a market with growing demand, the shortages experienced in some species will likely extend to others.

Some enterprises, in particular furniture/product producers purchase logs to mill within the enterprise that is the final user of the products to ensure quantity and quality recovery is optimised.

Those enterprises that use larger volumes and specific sections or qualities of timber, such as boat builders are more vulnerable to immediate supply constraints.

The extent to which private stock holdings will support the continuity and potential growth of the sector is unknown. It is important to note that these stocks will still require replenishment and depending on the timber and its use, a lead time is required to reflect the time lag between harvest and final use.

Supplier, Producer and Customer Connections

Networks and relationships have been identified as critical in matching timber supply volume and characteristics with product characteristics demand.

Enterprises often work in isolation to each other.

Across the cross section of micro enterprises there appears to exist mistrust in others and the system

Enterprises that productively connect along the value chain from customer to timber supply tend to perform well

The industry has a number of discrete connecting mechanisms (associations, cooperatives, process) that while effective for members do not extend across the sector as a whole.

The channels to market are diverse, some tend to bias "power" towards the retailer at the cost of the producer.

Design and Best Use of Materials and Techniques

There is a strong design and education in design presence in the sector

This element is identified as a marketable positioning for much of the sector

The mix of product made across the sector enables a very high proportion of a log to be transformed into product

Challenges in sourcing materials and changes in values has seen the introduction of new approaches and techniques in material usage and in combining traditional approaches with new.

Production and craftsmanship

There is significant and high quality production capacity and underlying skills base within the sector.

This ranges from exhibition quality to repetition process skills

Craftsmanship, fit and finish are identified as key determinants of demand.

Some of the traditional harvest recovery and milling knowledge and skills is at risk of being lost.

Fit for Purpose

This element of the value chain reflects more that technical capability, it includes the wider range of values that underpin the object – customer needs.

There is strong evidence to suggest that the enterprises within the sector are able to match the technical, aesthetic and other values of the client.

Contribution to Tasmania

The sector makes a strong contribution to Tasmania given its small scale. It is a reflection of the principles of Attachment 12 of the Regional Forest Agreement by virtue of its primary focus on value adding. It provides significant cultural capital and is an example of cultural heritage as defined by UNESCO. The Wilderness Society in its report of 2004 identified its strong contribution and proposed a specific sector development strategy. This institutional support is also reflected in the overall increases in demand experienced. There is expanding demand, the potential for increased contribution and yet there is overarching strategic level uncertainty on timber supply.

Visitors often leave with a timber product, a reminder of the Tasmanian experience. While some challenge the validity and quality of the memento segment, it provides a Tasmanian made product and makes a strong contribution to the full utilisation of the timber resource.

The high quality production and bespoke segments provide examples of high quality design, craftsmanship and practicality that Tasmania has historically had but often hidden.

It combines advanced knowledge, skills and increasingly new materials with traditional and new products and approaches in a manner unlike most sectors

The contribution to Tasmania is generally not recognised, its role is often distorted and yet it has many similarities to and is arguable complementary to the fine food and beverage sectors.

Status of Strategies

Build partnerships, Networks and Relationships

Networks and relationships are the basis of the sector; however, they tend to be relatively personal. The partnerships that occur through organisations relate to elements of the system rather than the system overall.

The relatively singular focus of organisations works against consideration and management of the system as a whole.

This ensures there is a lack of collective voice and positioning of the sector with the market, community and political dimensions of society.

Encourage, Facilitate and Directly Invest

The investment within the industry is largely based on either historic involvement or passion.

It is not an industry that is front of mind to investors – this relates not just to relative rates of return but also to perceptions, or lack of awareness of the sector.

The loss of assets and wealth over the coming years is a real possibility.

Facilitate Learning, Creativity, Productivity and Innovation

The 2 schools within the University of Tasmania and the Wooden Boat Centre provide a strong platform. Organisations such as Designed Objects Tasmania provide a localised basis for support for new industry entrants, while for employees, enterprises provide training and mentoring.

The condition of the sector has forced creativity and innovation in search of productivity. There is no systemic support for this necessity beyond formal training courses.

The level of experience and enterprise longevity provides a potential mentoring resource to ensure that key knowledge and skills along the value chain and its critical interdependencies are not lost, but passed on to new entrants

Market & Communicate Industry Positioning and Benefits

Respondents indicate that while specific enterprises market effectively, there is no umbrella positioning for the sector – this relates to consumers, the Tasmanian community and government decision makers

Governance

Enterprises operate their businesses within normal regulatory requirements, the point of difference is the way in which the design and production segments connect to the timber supply segment – to some degree this connection to the resource distorts and overweighs the balance of the support and compliance structures and mechanisms within the sector.

Entities have been developed in isolation, a focus on parts of the system or value chain. In this structure, people interested in a range of elements in the value chain need to be involved in multiple entities, usually paying multiple fees and not achieving economies and benefits of scope. An example is "Chain of Custody" and while supported by a range of segments and enterprises there are other that, despite being philosophically supportive, view the investment as not providing value and its process as bureaucratic – a further cost. The ability to combine Chain of Custody with sector marketing and potentially access to timber supply could provide the basis for a more viable organisation and increased industry benefit/performance. Again this is an example of governing the system and the value chain, rather than governing by discrete elements which can potentially increasing tensions within the system as an unforseen consequence.

There is no leadership focus. The reason for and contribution of the sector is neither defined, promoted or used as the reference point to create a strong narrative. The discourse, and therefore the political and policy framing is driven by others to the detriment of the sector and the people and communities who are engaged in it.