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TIMBER LINK

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Company & Industry News

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Over NZ\$4 million to be spent on upgrades at Blenheim this year

Acquiring our New Zealand business represented the first significant step in establishing our Australasian business and becoming more diversified, through an expansion of products, markets and customers.

Continuing to support and grow our business in a competitive global industry, our Blenheim site has commenced a three year NZ\$10 million capital upgrade programme. In November last year the Timberlink Board approved the first phase of this programme, with over NZ\$4 million in capital upgrades to be invested over the balance of this financial year (FY16).

The total investment will be a combination of major capital upgrades, Stay-in-Business (SIB) upgrades for safety and environmental management improvement, and also other general process improvement upgrades.

"One of the site's major bottlenecks currently is drying capacity, and an investment in equipment for this area will help future proof and support upgrade capacities," explained Romon Spiers, General Manager, Blenheim sawmill.

Planning is well underway, with the investment in two Contra Flow Kilns (CFKs) for the site, which will deliver a step-change improvement in the site's manufacturing value and efficiency and remove current bottlenecks related to drying.

A second significant project will be the replacement of the green mill carriage saw scanner, which will remove the risk of an unsupported system, and more importantly will improve green sawn recovery.

The new machinery and technology will lead to better process and machine centre measurement, and aims to increase recoveries achievable in the sawmill, while using a range of modern technologies to optimise the site's capabilities.

The combination of SIB and process improvement will complement the major capital projects to help position the site for future competitiveness and improved reliability.

This capital upgrade programme is key to ensuring our business continues to operate in the down and upcycles of the building industry. We are focussed on being a sustainable business in the Marlborough region, with the support and endorsement of the local community, key suppliers and all of our customers.

"Business re-investment remains key to our ongoing international competitiveness and sustainability as a sawmilling business."



Mitsui to become shareholder in forestry investment manager New Forests

Mitsui & Co., Ltd. one of the most diversified and comprehensive trading, investment and service enterprises in the world, recently announced that it has entered into an agreement to acquire a 22.5% shareholding in Forestry Investment Manager, New Forests Pty Limited.

New Forests Pty Limited offers institutional investors targeted opportunities to invest in sustainable real assets such as sustainable timber plantations, rural land, and conservation investments. Timberlink was the first timber manufacturing asset purchased on behalf of institutional investors to support their existing timber plantation assets.

Mitsui brings to New Forests its expertise in asset management and financing, plus its extensive business network and knowledge in the international forest sector. Although Mitsui will not be a direct shareholder in Timberlink or other assets under the management of New Forests Pty Ltd, it will support the growth of New Forests forestry assets, and support New Forests to enter the Japanese institutional investment market.

Working together, Mitsui and New Forests hope to expand Japanese institutional investment in the forestry sector.

Download the full media release at:
<https://www.newforests.com.au/mitsui-to-become-shareholder-in-forestry-investment-manager-new-forests/>

Timberlink Green 'martian' wows customer events

The first quarter of 2016 saw a number of hardware and building products reseller companies hold their national conferences and trade show events. As a key supplier to many of these companies, Timberlink has invested significantly in these conferences and events and welcomed this opportunity to support some key customers including Bowens, Home Timber and Hardware, K&D, and Mitre 10.

The focus of our attendance, representation and exhibits at these conferences and events has been to ensure our customers are recognised as offering reliable brands such as those offered by Timberlink; also seeking to understand the experiences with our products whether as a stockist, or as our customers' customer. This was particularly invaluable at the K&D homeshow where our representatives spoke to end users about the finishes and fixings of our external decorative range including decking and screening products.

We were also proud to share with many of the conference attendees our new company information booklet.

Another key element of our participation in these sort of events, designed to attract audience attention, was the use of our Green Martian helping take the message of our innovative world first Low Odour Timberlink Green to everyone.



Our people operate with openness, fairness, respect and integrity. Continuous improvement is part of the norm on our journey to become a great timber products manufacturer with a reliable and responsible supply chain.



What's the new mid-rise opportunity got to do with Victoria's Secret & Bonds Underwear?

Timber framing: The Bonds Undies of Mid-Rise

Everyone seems to be getting excited about the National Construction Code changes occurring in May that will make it easier for timber to be used in mid-rise construction.

Ric Sinclair, Managing Director of FWPA recently described the change as the biggest new market opportunity to happen in the timber industry for over 30 years.

And it is exciting. The Australian timber industry now has access to a sizable and growing market that was previously all but closed off due to the costs and bureaucratic headaches involved with building tall with timber. However the majority of the attention and excitement seems to be around fancy heavy mass timber, CLT and EWP solutions, the "Victoria's Secret" fancy undies of the timber industry.



Yet we have an existing, tried and tested product, Australia's housing workhorse, solid plantation pine framing. Pine framing is, the "Bonds undies" of dwelling framework. It is readily available, easy to use and does the job it needs to. It is a perfect fit for the mid-rise opportunity. Like a pair of Bonds undies it's not fancy but pine framing is well designed, well made, comfortable and lasts a long time. Whereas mass timber solutions like fancy undies are good for special occasions but you don't want or need to use them every day.

Pine framing is already stocked by merchants and manufacturers and therefore able to meet this new sector's demand almost instantaneously. Channel sales forces are comfortable talking to specifiers and builders about using pine framing in jobs. Starting with a proven reliable product is always a good way to open up a new market opportunity.

While the sizing requirements for mid-rise may vary from traditional detached construction, with consultation this can be easily accommodated. Interestingly some initial work undertaken by FWPA on Deemed to Satisfy (DTS) solutions in lightweight timber, found the lower storeys may require more 140 & 120 x 45mm rather than the traditional 70 and 90mm sizes.



The Green, Parkville, Victoria
Credit: Frasers Property Australia

Pine framing is the preferred material and construction method for builders. They have years of experience building with it. It's quick to use, fit-for-purpose and an enjoyable product to use with off-site prefabrication saving time and wastage on site. This is why lightweight timber is the back bone of over 90% of Australia's detached houses.

Pine framing is lightweight saving time and money, particularly when compared to the weight of CLTs and EWPs not to mention concrete and steel. Using lighter materials cuts crane costs, scaffolding costs and foundation costs. Lighter products are quicker to build with. The old saying time is money is especially true on building sites.

Pine framing has a very small carbon footprint. Wood offers the builder or designer several environmental advantages over common, alternative building materials:

- It's a renewable resource;
- It's a carbon store, removing carbon dioxide from the atmosphere and locking it up

- Its manufacture requires less energy
- Any manufacturing waste is used as fuel or used in other industries e.g. mulch

Studies have found that building a modest four-storey building from timber would cut carbon emissions to a degree similar to taking 500 cars off the road for a year. The architecture firm responsible for the world's tallest building, have claimed a 125m-high timber skyscraper is not only technically feasible but also economically competitive and could reduce a skyscraper's carbon footprint by up to 75% compared to one traditionally built.



The Green, Parkville, Victoria
Credit: Frasers Property Australia

Why is everyone talking about the mid-rise opportunity?

The increasing urbanisation of Australia's population means more and more Australians are choosing to live in medium density houses and apartments yet currently more than 80% of Australia's current structural pine volumes are used in the detached housing market.

Alongside this growing market, timber will also be an option in commercial buildings and we aren't just talking about building new mid-rise offices and hotel/motels. Lightweight timber structures can be used to grow existing steel and concrete buildings, adding on extra storeys. An exciting opportunity for areas where green space is limited or non-existent.

The code change also opens the market up to medium sized builders and developers as lower cost timber buildings will create viable suburban mid-rise development projects. Timber mid-rise construction is estimated to be around 15% cheaper due to the speed of construction. A recent cost comparison study by the Timber Development Association for an aged care facility in the outer suburbs of Sydney found building in timber was 14% better value than steel. The big boys in town like Lendlease are already leading the way developing their own timber engineering solutions, which suggests they see a significant financial opportunity here.

What is the size of the mid-rise opportunity?

The majority of multi-residential construction in Australia isn't high rise. Across Australia, it is estimated that around 51% of new dwellings in class two buildings are in buildings of eight or fewer storeys (Source: Class Two Buildings & Multi-Storey Construction, ACI, January 2016).

While technically there is no specific limit to the height of lightweight construction, research indicates that mid-rise buildings in the 2-4 storey category are ideal for lightweight pine framing and even 5-6 storeys could be cost effective. Buildings of 7-storeys and above are more suitable to mass timber solutions, due to the larger joist depths these require. Of the 1 to 8 storey residential construction in Australia, almost 60% is 4 storey and below.

Over the next three years we estimate that some 60,000 high density dwellings of 4 storeys or less will be constructed in Australia. If pine framing is used for the pre-fab wall frames (excludes any roofing timbers) in 15% of these buildings, that's almost an extra 27,000m³ of pine framing that could be sold. A 15% share of the building activity in this multi-residential sector would look something like:

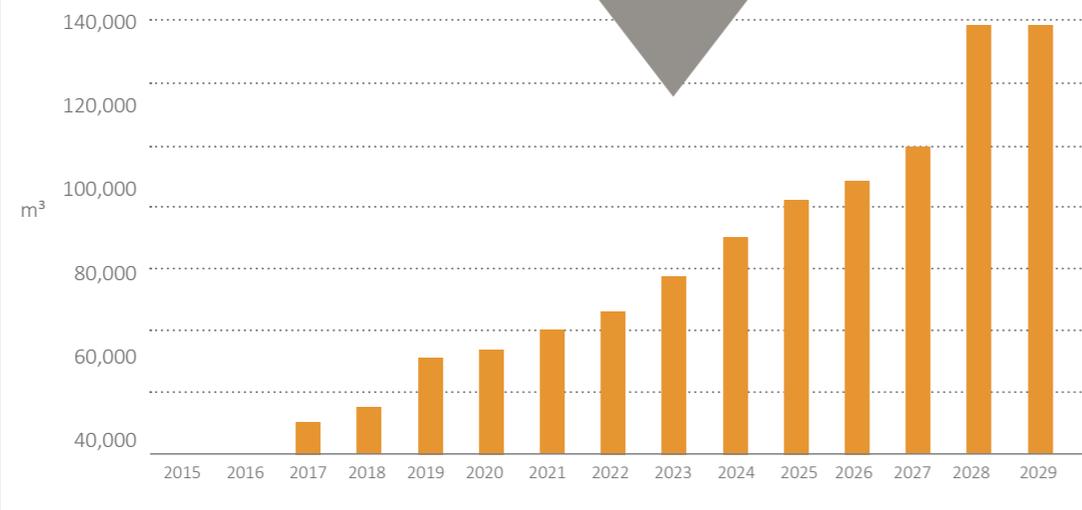
- 2,100 Melbourne apartment buildings in lightweight timber
- 2,040 Sydney apartment buildings in lightweight timber
- 645 Brisbane/ Gold Coast apartment buildings in lightweight timber
- 780 Perth apartment buildings in timber
- 5,565 apartment building nationally in lightweight timber

Plus, the 8-storey commercial extension opportunity could be one-third of that again.

In our opinion, the 15% timber share used here is extremely conservative. Given the compelling case to builders and developers regarding construction time and material savings, we would expect timber's share to grow over time to over 50%. A similar construction code change in Canada resulted in an astounding 80% conversion to timber after only two years.

The graph below illustrates just how much pine wall framing this segment could consume by 2029 assuming a 75% conversion rate by this time.

Australian Mid-Rise Projected Framing Opportunity



Note: Market estimates are from Timberlink's own proprietary modelling and includes wall frame volumes only.

What is Timberlink doing?



We understand how much of an opportunity this is and are keen to see it materialise for us and our customers, so we are currently working on two fronts. On one we will co-fund with FWPA and other industry stakeholders a field technical team for the coming three years in Victoria to call into architecture firms to discuss and assist with designing timber framed mid-rise buildings.

On the other front we are collaborating with channel partners to understand the sizes, volumes and service offers required for this new market. As a founding co-funder of this FWPA initiative, we expect to generate leads for our customers and fast-track our learnings about how to make the most of this new market for framing.

This is also the right business decision to seed the market with this new opportunity and ensure pine framing remains the preferred building material for generations to come in Australia, as more and more Australians choose to live in multi-residential dwellings.

We want to continue supplying Australian plantation pine to support Australian detached homes as well as growing demand in medium density and up to 4-storey apartments. We also want to work with you to open up the mid-rise commercial building market in Australia.

The less cyclical our businesses are, the better our long-term returns will be allowing us to invest in our businesses and grow the industry overall. Mid-rise is an excellent opportunity to diversify our businesses and spread risk by adding the multi-residential and commercial sectors to our already well-established detached housing market. We just need to remember our everyday Bonds undies aka pine framing, when considering the possibilities.

National Construction Code Changes

From 1 May, changes to the National Construction Code (NCC) will allow timber framing to be used in buildings up to 25 metres high in Class 2 (apartments), Class 3 (hotels) and Class 5 (offices). This change will bring Australia more in line with building codes used in New Zealand, North America and Europe.

The new code creates a voluntary deemed-to-satisfy solution and is based on incorporating fire-resistant plasterboard, sprinklers and other detailing requirements into designs. Timber framing can then be used to construct buildings up to 25m high (approximately eight storeys) across the following building classes:

- Multi-residential (class 2)
- Hotels and motels (class 3)
- Office buildings (class 5)

Currently, timber building systems are restricted to 3 storeys or 4 storeys over a concrete/masonry ground floor. Buildings higher than this can be constructed (e.g. Melbourne's 10-storey Forte building) but are required to be assessed under an 'alternative solution' approach. Costly and time consuming has resulted in the easier options of concrete and steel being used.

The benefits of taller timber buildings not only include lower costs, but also increased opportunities for innovative design and construction, faster build times leading to reduced truck movements and local disruption as well as improved environmental outcomes and increased volumes for the timber industry.



Download your copy of Wood Solutions 2016 National Construction Code changes at woodsolutions.com.au

Can timber learn from Nokia's mistakes?



In 2007 Nokia had a 50% share of the world's smartphone market. Five years later they had less than 3%. When announcing their acquisition by Microsoft in 2013, Nokia's CEO reflected "we didn't do anything wrong, but somehow, we lost".

Journalist Ziyad Jawabra claims it was Nokia's refusal to change and learn new things that led to their downfall. "The advantage you have yesterday, will be replaced by the trends of tomorrow. You don't have to do anything wrong, as long as your competitors catch the wave and do it RIGHT, you can lose out and fail."

Parallels can be drawn between the enormous changes the smartphone industry went through and what is about to happen to Australia's housing industry. Australia's population is forecast to grow by 36.5% over the next 20 years. Clearly detached housing alone is not the solution for this kind of population growth particularly as 75% of this growth is projected to occur in our capital cities.

Currently 80% of the structural pine framing produced in Australia is used for detached housing construction. While there will always be a demand for detached housing in Australia which we are proud to supply framing to, this segment will reduce over time so we need to be looking for new markets and opportunities now.

As Jawabra observed "To change and improve yourself is giving yourself a second chance. To be forced by others to change, is like being discarded. Those who refuse to learn & improve, will definitely one day become redundant & not relevant to the industry. They will learn the lesson in a hard & expensive way."

As an industry we need to work together to develop pre-fab commercial solutions for this new mid-rise segment otherwise we may find other products "catch the wave" and it will be the Australian pine framing industry left with a dwindling detached housing market and wondering why they lost when they did nothing wrong.

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Our product range is not complicated; we make quality plantation pine products suitable for building and manufacturing applications.

Safety- making it personal

As an Australasian manufacturer with multiple sites and processes, Timberlink's company safety procedures vary across the business, however, it is critical that the business shares a 'safety first' culture on Workplace Health & Safety (WHS). We believe there is a strong social responsibility, as well as the required legal license to operate a business sustainably. To do this you have to put safety first.



When we heard Corrie Shipton, Timberlink's Bell Bay WHS and Compliance Co-ordinator's personal story of passion and process for safety management we were inspired to share.

Predominately, seeing the effects of a family member's workplace injury, is what drove Corrie to develop a career within the field of WHS. "As I developed working relationships, and ultimately work friendships, my interest in safety became personal. I've worked with many businesses and organisations, but the industry that has allowed my passion for safety to become contagious is the timber industry," said Corrie, who commenced her career in the industry at age 17.

Corrie works alongside colleagues at Timberlink's Bell Bay manufacturing facility to ensure that safety is consistent in our approach, and remains a key focus across all Timberlink sites, as we aim for zero harm and a safety first culture, one where we 'look out for our mates.'

"Making safety 'visual', is just one way Bell Bay is evolving its safety culture. The establishment of a green room, a communal area for employees to reflect on safety visually is used daily by site teams. It's here where the site's motto stands tall 'well trained people operating well maintained equipment in a safe environment'. The green room has really brought the two hundred odd of us together," continued Corrie.

Our business remains committed to continuous improvement and ongoing review of workplace hazards, to ensure a high standard of occupational Health and Safety for all. We thank Corrie for sharing her insights. The more we share our experiences, more awareness is brought to timber workplaces.

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The next stage of Tarpeena's reinvestment

Since Timberlink Australia was formed in early 2013, we have been on a committed program of reinvesting in our business. Our upgrades at our Tarpeena mill in Mt Gambier have been key to this and to date have included a new heat plant, new planer mill and new kiln drying with the longest Contra Flow Kiln installation in Australia to date.

Now, we have commenced a first stage of upgrades in our Tarpeena green mill with equipment specifications and engineering works having been scoped to date for increased capacity in our green mill's sorter. Updating the sorting and handling equipment will significantly benefit our fibre and value recovery, giving us increased flexibility with log diet and optimal cutting patterns.



The plan is that this next stage of reinvestment will again benefit from some government grant co-funding under the third phase of the South East Forestry Partnership Program (SEFPP3), a programme designed to encourage a viable and competitive timber sawmilling industry.

The new sorter project will dovetail into the current upgrade works our Tarpeena site are making over three years, where more than \$31 million dollars will be spent on upgrading equipment and improving internal efficiencies.

The capital improvements are part of a long-term plan to ensure our business continues to operate competitively and sustainably. Not only are these funds being invested back into the business, but a significant proportion have benefited the local Green Triangle region where an estimated 47% of the total capital expenditure has been spent to date.

More timber framing to find its place in Perth homes

Western Australia is well known for its tradition of double brick detached house construction. However, there's now a good reason for lightweight timber frame construction to grow its popularity in this part of Australia. A combination of reactive clay soil types and the available land in Perth metropolitan area has reinvigorated the local building professionals to consider timber framing.

A timber development project managed by Timber Insight Pty Ltd, and co-funded by FWPA and industry is exploiting this new market opportunity. Timberlink is proud to be one of two local Australian producers (ourselves and Wespine) co-funding this project alongside FWPA and other building



manufacturing companies including CSR Gyprock, ITW Australia (Pryda) and James Hardie.

Currently a small portion of 500 homes (2.5%) are built in the Perth metropolitan area using lightweight framed building systems. The shift in demand to frame houses is an exciting and realistic opportunity for light-weight framing to become the preferred solution for some building conditions in the Perth market. With the emerging trend to develop smaller house packages in Perth, builder interest and consideration of lightweight benefits for construction systems is turning around. Some of the most compelling benefits of using lightweight timber framing compared to brick structures

can be the additional floor space (up to 9m²) it offers for an average home, the speed of construction, ease of access in narrow entry ways, and the use of engineered systems.

The primary objective of the project is to develop a technical transfer package, targeting the WA design and construction community, identifying innovative technical solutions for construction of lightweight residential housing on non-standard reactive soils. The project aims to deliver hands-on advice at building sites as well as comprehensive technical resources to help builders and trades deal with the realities of the changes on site and see how timber really can be the solution.



Did you know the world's largest tree is a giant sequoia called The General Sherman and is 83.8m high with a 7.7m diameter?

Gottstein course is gold

This year The Joseph William Gottstein Trust Memorial Fund hosted their 22nd Wood Science Course. Gottstein Trust is one of several industry associations aimed to promote the knowledge of forest and wood products. The week's 'Understanding Wood Science' course aims to engage people across the industry to understand wood as a biological material in all its diversities as different species, and to provide an appreciation of environmental issues.

Timberlink values the course as a sound introduction to the science behind our industry and invests in our people to attend the biennial course, with our employees in varied roles across the Australian business participating. This introduces a better understanding of the dynamics, terminology and issues of forest management and how it impacts on wood products manufacturing.

This year Michael Tsoutsouvas, Timberlink's new Marketing Analyst attended. "New to the Timberlink business and industry, the Gottstein Course provided insights across all functions of timber processing, as well as a valuable introduction to some industry colleagues and an ongoing network. Most exciting were the topics of new products and recent market developments such as the code-change to mid-rise developments," concluded Michael.



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