

CAppital Letter

Presidential Address to Appita 58th Annual General Meeting, Canberra, 20 April 2004

Summary:

It is a privilege for a second year to present this address and to report on our last 12 months. It is particularly gratifying being able to give you good news. The highlight was a successful implementation of the Strategic Plan, which has focused Appita on a successful conference formula, a strong education program and senior management involvement

Other points of note were Chuck Green, the Visiting Speaker, who was well received at the mills; Australian Paper joined us as a Company Member; six executive committee meetings were held - two were via videoconference, a new innovation; and a financial surplus was achieved without a subscription increase.

All of these successes were achieved by focussing strongly throughout the year on the Strategic Plan, which was carried through by the talented Executive Committee and Ralph Coghill, our Executive Director. KPI's were used as part of this implementation, to drive planning and decision-making. The three main areas focused on are now discussed.

Conference and Exhibition:

The goal was to broaden the conference and extend its appeal – this has been successfully achieved over the past two years by introducing a wider range of topics, particularly aimed at mill operations staff. Theme days, keynote sessions, forums and smaller workshops all contributed to a lively program for the 470 delegates that attended in Melbourne, and the 400 in Canberra. Special thanks to host companies, Amcor in Melbourne and Visy in Canberra and roll on the Auckland 2005 conference, which will be a large joint event between Appita and the International Symposium on Wood, Fibre and Pulping Chemistry.

Career Development:

The second topic shows the largest change in our strategy - the increased emphasis on career development through the short courses. Appita has always provided these but the activity has stepped up quite significantly.

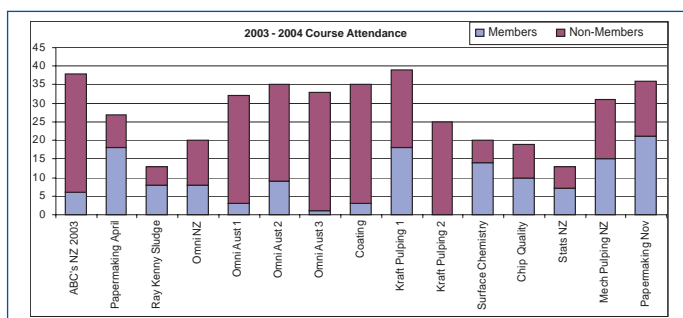


Figure 1: 2003 Courses

Approximately 50% of our courses were re-targeted at the operator level rather than purely technical people. We have run joint courses with OMNI Continental of Vancouver, which have been of excellent quality and attracted good numbers of attendees. Implementation of TAFE Plus Certification has begun, after being requested by many Australian mills to enable operator certification. Eight out of 15 were operator oriented, ten were held in Australia and six in New Zealand. Altogether 372 people attended the courses, which is equivalent to one third of our membership and the number of non-members attending the courses reflects that we are a true industry association. This also is a significant improvement on previous education programs.



Senior Management:

Our goal has been to really connect with senior managers, find out what they expect from Appita and try to deliver. We do not see many senior managers coming to Section Meetings, as they are a busy group, so Ralph and I visited a large majority of Mill Managers over the last two years. It was very beneficial having two terms as President to carry this out – it would have been very difficult to do it over one year. According to *Appita's Guide* there are 26 pulp and paper sites in Australia and New Zealand. We met 47 senior mill staff during 29 visits, sometimes twice to key sites where we feel Appita has a large stake, such as Gippsland where there are 60+ members and they struggle to have meetings.

Mill Managers Feedback:

I want to just touch on some of the insights that we have received from the visits. Each time we went to a mill, we covered certain topics:

- The Strategic Plan and their feedback
- The Mill Managers view of Appita
- Planned courses (particularly those relevant for their staff)
- The conference and exhibition
- Local section support, which was invariably forthcoming

What is the Mill Management view of Appita? They primarily see us as a knowledge provider and secondly as a means for networking. We must add value to their business or they will not support us – they were all very clear about that! The theme that came through repeatedly was to provide more for the operators and operations staff. With industry restructuring which has seen the removal of middle management in many places, responsibility for operations has been delegated down in the organisation and these 'new faces' are the people mill managers want us to connect with.

Future Suggestions:

There were many useful suggestions from Mill Managers for us to consider. In some cases these suggestions have already been implemented:

- Certification of courses
- Networking with line management
- Proactive vertical integration - connecting with converters, raw material suppliers, etc
- Training for leadership, business skills and trouble shooting
- Greater co-operation with kindred associations – engineering, printers, foresters, industrial IT, Quality Control and our sister associations that are part of the Pan Pacific Conference
- Identify future trends and advances in technology, including greater use of suppliers, as much of the knowledge base has shifted to this area of the industry
- Provide site-specific courses where there is a need (already there have been site courses on coating, kraft pulping and winding)
- Cater for newcomers and encourage them to join Appita
- Develop an online, searchable database of past journals and conference pre-prints for operators and members to access
- Consider extending this to other sister associations
- Develop more special interest groups with benchmarking and mill visits. It is very pleasing to report that we have two new special interest groups that have started over the last year – the Industrial IT Group which David Peano is leading and the Management Group (started by Geoff Covey), which has already had several meetings

- Greater use of the Internet with chat rooms by subject
- Mentoring of mill juniors – particularly by retired people
- Develop the popular *Appita Journal* tutorials into flyers for mill use
- Mini Section Conferences much like the annual New Zealand One Day Conference

There have been a huge number of useful suggestions, which is super feedback for us. When you hear it three or four times then you know we should be starting implementation.

So what are we delivering for the Senior Management Group?

Relevant Courses, some with TAFE Plus Certification. This year's Principles of Papermaking Course was the first with certification. 17 out of the 24 attendees wanted certification. Many of the courses now have an operations focus. For Senior Managers themselves there is the Appita Asia Symposium, which ran at the Canberra conference—and was a huge success.

We are delivering to this group and in turn we are seeing a good response to many of the things we are doing. Membership is steady at 1200, the *Appita Journal* continues to rate very highly and the sections are rejuvenating in Northern Tasmania and Gippsland –there's a long way to go yet, but we've made a good start.

Financials:

This is only an overview; details are in the annual accounts.

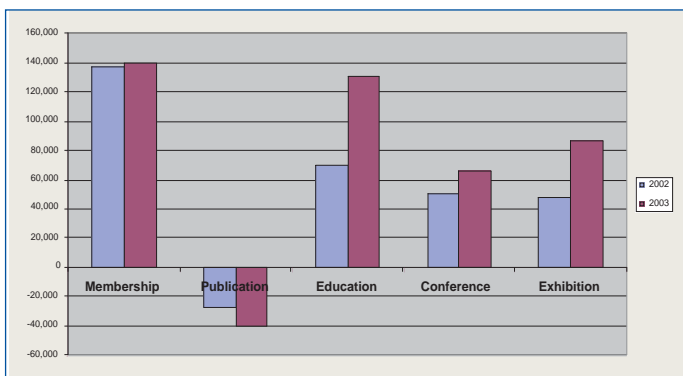


Figure 2: Financial Performance - December 2002 versus December 2003

Figure 2 compares the net revenue from December 2002 with December 2003 and you can clearly see the shift that has taken place. The biggest change has been a 48% increase in net income from the education courses. Other increases are from the conference (31%), exhibition (79%), which compares the smaller Rotorua conference with Melbourne. The net increase over the last year was 17% which resulted in an AUD 111 000 surplus - a very pleasing result.

Appita's Heritage:

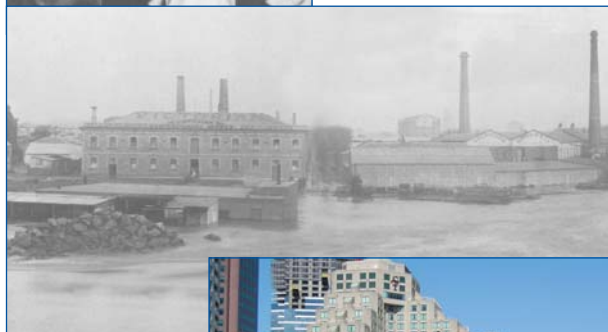
I would like to touch on my pet topic - our heritage - which I spoke about at the New Zealand One-Day Conference last year. We are very good at acknowledging our people, including recognition of Ron Bain, through this year's Oertel Nadebaum Award. We also have our 25 and 40 year Membership Certificates, our Young Speaker's Contest, and our awards. While we have many mechanisms to recognise our people and we do that quite well, we do a very mediocre job recognising our heritage and where our industry came from.

In Australia, the first mill struggled into existence on the banks of the Yarra and started up in 1868. There was an earlier mill, but Samuel Ramsden's South Melbourne mill continued to operate and grow as the forerunner of what became Amcor. The mill initially made coarse board grades and was beset by many difficulties, including a major flood of the Yarra River in 1891. When you go walking around today, there is no sign at all of our proud beginnings. I walked up and down Southbank and could find no evidence at all of the fact that this was the site of the birth of Australia's papermaking. Walter's Wine Bar may contain memories (Ian Dench says this is where the No.2 paper machine headbox was located) but there is no evidence that there was a paper industry started here.



Left: Samuel Ramsden, Founder of Victoria's first paper mill.

Below: Melbourne Paper Mills...then, 1891.



Bottom;and now, Southbank, 2004.



In New Zealand the paper mills came along about 10 years later. There was a Provincial Government incentive of £1500 and a further £1500 Central Government bonus for the first mill to produce and sell 50 tons of paper sparking strong competition between Edward McGlashan in Dunedin and James Bain further south in Matura. They both managed to start up a mill, but McGlashan (in 1878) was first by about six months.

McGlashan's mill made a similar product to Ramsden in Melbourne - a coarse board grade that was used for wrapping and shopping bags. A converting plant was later added on the site. I went looking for it because I am from Dunedin and have a particular interest. I lived there all my life and never knew about the paper mill up the Leith Stream. When you look in the valley now there is no sign whatsoever that there was ever a paper mill there. Nothing! So I think we have a duty to recognise our heritage a little better and maybe try to lift the profile of the industry in the communities we live in. A challenge for Section Committees!

Summary:

In summary, I think the implementation of the Strategic Plan has been a sound move for us. It has given us results. We have a successful formula for the conference and we feel confident for going into the future. We have confidence in the exhibition. We have a strong education program that is helping us in terms of revenue and income diversification, and we have improved senior management involvement, both through the Symposium activities and through the mill visits. So, I think we can look to continue serving the industry, maintaining our membership, and having financial viability.

Acknowledgements:

My term at the helm has been as part of a team. I would like to acknowledge key team members – Ralph Coghill and the Secretariat, the Executive Committee particularly Noel Clark, Ron Dawson and Bob Johnston, all Appita's volunteers, support from my employer Beca AMEC especially our MD Pat Fail, and my wife Barbara for her understanding of the time away from home on Appita business.

*Tony Johnson
President 2003-4*