

COASTAL CLARION



THE LATEST NEWS FROM BC'S COASTAL FOREST INDUSTRY

Volume 2 • Issue 4 • December 2006

PRESIDENT'S PERSPECTIVE, RICK JEFFERY, RPF

The coastal forest industry is a very busy place these days. Companies have their noses to the grindstone tending to their businesses to increase productivity, reduce costs and improve margins. There are glimpses of payback for this hard work – improved safety, new products, increased product demand and modest reinvestment in the industry. Set against the backdrop of a high Canadian dollar, the Softwood Lumber Agreement and very poor U.S. markets this important work will continue.

It is equally busy on the policy side. Minister Coleman has asked for a work plan to continue rebuilding the coastal business; Ken Dobell has been appointed “coastal czar” to facilitate the Minister’s work plan; the Log Export Review has been released; Eco-Based Management Objectives are being finalized; First Nations Consultation and Accommodation protocols are being discussed; and the federal government is working on a Forestry Competitiveness Program.

In the midst of this busy landscape we strongly advocate that government “stay the course” letting market forces work and continue to extract itself from the business. There are three key themes moving forward: level the playing field; simplify the business; and create a positive investment climate.

Leveling the playing field means ensuring we are on similar competitive footing as our competitors. In the context of softwood lumber, this requires that logs and lumber are treated equally as they cross the border. In terms of taxation, we must look at property taxes, PST taxes on our energy and business inputs and our marginal effective tax rates as they compare to competing jurisdictions. It means we must have a stumpage system that reflects market conditions.

Removing unnecessary regulatory costs, implementing results-based processes and ensuring a business approach to the government-industry interface would simplify our business. These steps are necessary to meet the resource challenges of both government and the industry and to support the emergence of a competitive industry.

To create a positive investment climate we must turn our attention to ensuring that government does a full cost-benefit analysis on its myriad land use decisions and clearly compensate those whose investments are diminished when land withdrawals are made. We need zoning to indicate where we are growing and harvesting trees, and we must explore the transition to second growth and alternative tenure arrangements. And finally we must find a means to work with First Nations to increase their economic opportunity in the forest sector and to ensure that they are adequately consulted and accommodated.

I wish you all a safe and successful New Year!

SAFE COMPANIES

BY TANNER ELTON, BC FOREST SAFETY COUNCIL



A typical West Coast logging show

Photo: BC Forest Safety Council

This fall the BC Forest Safety Council began accepting registrations for its SAFE Companies program. “SAFE” stands for Safety Accord Forestry Enterprise, the most ambitious, comprehensive safety initiative ever undertaken by our industry. Ultimately, it will fundamentally change how British Columbia’s largest industry views and practices safety. (continued on page 4)

LUMBER BUSINESS, CHRISTINE KENNEDY



Nail pulling – the enduring pastime: Premier Gordon Campbell, Ric Slaco of Interfor, Tom Jones of Teal Jones Group and Reynold Hert of Western Forest Products are all believers in hemlock's unique strength properties which result in much higher nail-holding attributes than competitor products.



Premier Campbell and BC Market Outreach Network's Sue McMillan at BCMON's sustainable forest management booth.



Premier Campbell, Rick Jeffery and the Coast Forest delegation with the 2006 Fukui Computer design awards winners.

Fukui computers provides architectural design software for more than 20,000 users in Japan, the first Japanese design software firm to incorporate Canada Tsuga E120 into their design values

JAPAN MISSION In November, Reynold Hert of Western Forest Products, Paul McElligott and John Kelvin of TimberWest, Tom Jones and Mike Friesen of the Teal Jones Group, Ric Slaco of Interfor and Rick Jeffery of Coast Forest joined the Japan component of Premier Campbell's Asia Pacific trade mission. With the primary emphasis on allowing senior industry executives to meet with their key Japanese customers, the mission also provided the opportunity for forest company leaders to attend the Japan Home Show, review the achievements and strategies of the Canada Tsuga promotion program in Japan and attend several functions on Premier Campbell's itinerary. Following the launch of E120-F330 strength-rated hemlock products for Japan, the mission also served to reinforce the importance that B.C. and coastal companies, in particular, place on the Japanese market.

HOME SHOW Beginning with a program of site tours and customer visits, the delegation joined Premier Campbell's Pacific Gateway Luncheon before attending the unveiling of Forestry Innovation Investment's (FII) renovated trade show pavilion at the Japan Home Show. FII's inventive pavilion features Douglas fir, western red cedar, hemlock and other B.C. and Canadian products in a variety of applications, and is a prominent feature at major international building material trade events. With a showcase "home" that demonstrates structural, finishing and landscape uses of B.C. forest products and a large exhibition area where B.C. trade associations display their products directly to customers, the pavilion is collaborative, highly visible and a significant draw for forest products buyers.

"This joint presence was certainly the most compelling forest sector presence at the Japan Home Show" says Coast Forest's CEO Rick Jeffery. "The pavilion acts as a magnet for trade show attendees, providing a common thread to link B.C.'s exhibitors and messages, and offers a high quality and extremely high profile setting to promote our products to our international customers."

PREMIER'S BREAKFAST During the mission, the Coast Forest delegation had a very successful breakfast meeting with Premier Campbell, providing the opportunity to discuss a range of topics central to coastal forest industry competitiveness, including international marketplace and domestic forest policy issues. Coast Forest and the Province are engaged in several cooperative initiatives, including a comprehensive market strategy project currently underway, designed to shed light on current and future markets for coastal products. Stay tuned!

EMBASSY RECEPTION More than 300 customers attended the Canadian Embassy's annual Japan Home Show reception on November 16, 2006, providing an opportunity for Canadian Ambassador Joseph Caron, Premier Campbell and the Coast Forest delegation to highlight the importance of trade relationships with Japan.

E120 product and the recently introduced E120-F330 product were key discussion topics during the reception, and customers were eager to hear about further innovations in the development of hemlock products. With E120 and E120-F330 enjoying solid and steadily increasing market recognition, Japanese customers are keen to see whether B.C. will also supply hemlock laminates or lamstock, and about other developments in the hemlock product family.

"This is one of the main goals of meeting face-to-face with our customers in Japan," says Interfor's Ric Slaco. "It's invaluable for us to hear directly from our customers about their needs and how our products fit into the mix of products that are available to them."

DESIGN AWARDS Over the last two years the Canada Tsuga Program has collaborated with Japan's Fukui Computers to co-sponsor an architectural design contest. This year's design contest awards were presented by Premier Campbell and Ambassador Caron at the Embassy reception, commemorating the design vision and innovation of the winning entrants.



DEVELOPING KNOWLEDGE, DELIVERING RESULTS

British Columbia is investing over \$16 million in the Forest Investment Account Forest Science Program (FIA-FSP) in 2006/07 to help position the province as a world leader in sustainable forest management.

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The FIA-FSP funds:

- research projects related to sustainability and improving timber growth and value
- a provincial forest extension program to deliver existing and new scientific knowledge to practitioners
- infrastructure maintenance activities on selected long-term research installations that support short- and long-term research projects.

Some 193 research projects, valued at over \$12 million are underway, including topics investigating stand and forest dynamics following mountain pine beetle infestation, riparian ecology and stream management, habitat supply modeling, biodiversity, tree growth and stand development, silvicultural systems, non-timber forest values, and species at risk recovery.

Another \$2.3 million is being invested in extension activities to deliver existing information that is not currently accessible to users, as well as new information resulting from research funded through FIA-FSP and other organizations.

(continued on page 4)

MORE FOREST POLICY, LES KISS, RPF

There is wide recognition that the Province of B.C. is heavily dependent on two distinct forest sectors. Both are experiencing significant challenges: the Interior is being transformed with a focus on pine beetles and the coast is focused on actions to initiate the flow of much needed investment to revitalize the industry and increase competitiveness.

COMPETITION COUNCIL The Competition Council recommended a number of significant changes required to get the coastal forest sector into a position to once again attract this much needed capital. Some of the proposed changes, including a market study initiated by Coast Forest, are premised on a longer-term strategy so the coast can move from “this” and get to “that”. The approach to use a longer-term strategy to build a sound economic foundation is prudent, but the process cannot ignore the sector’s ability and need to continue to operate in the here and now.

Events outside of our control, including lower prices for softwood lumber, the sharp drop in the U.S. housing market, the negative affects of a strong Canadian dollar and November storms that lashed the coast, have all conspired to seriously impact log availability, including pulp. If we collectively fail to deal with issues affecting delivered log costs and log supply, then Industry Analyst Paul Quinn’s recent comment could foreshadow a potential string of logging and mill closures: “If you thought last year was difficult for coastal producers, get ready for a second helping of hurt.”

TIME TO BE BOLD Despite the ravaging November storms, the coast has an opportunity to grab hold of the odd rainbow in the short term. The premier has recently appointed Ken Dobell to work with the Coast Steering Committee to revitalize the coastal forest industry. In addition, we have a minister that is willing to make decisions on some required short-term solutions. In a recent speech to hundreds of constituents Minister Coleman indicated that he does not want to hold up needed change and that “it is a time to be bold”. He called for “immediate deliverables” and said he would be announcing policy changes for the coast within 90 days.

Coast Forest is heartened by the minister’s comments that he’s not only looking to set a policy table that will attract investment back to the coast, but is also attentive to some short-term fixes to keep the coast moving in the right direction. However, we need to keep this momentum going to ensure we meet some tangible short-term deliverables so the process doesn’t simply slow to a crawl and eventually stall.

POLICY CHANGE Non-legislative policy changes could go a long way in reducing delivered log costs, allowing the full harvest of the timber profile. First and foremost, the return to a policy framework that provides flexibility in the grouping of cut blocks in cutting permits is required. While some positive change has occurred in the scaling of timber, further opportunities could be provided by implementing alternative scaling methods and timber marking procedures. A number of other proposed changes for consideration are being included in work plans for both the Coast Recovery Group and the Coast Steering Committee.

Through the Coast Steering Committee and Coast Recovery Group, Coast Forest has committed its resources to working with the Ministry of Forests and Range to meet the minister’s timeline for short-term deliverables.

CLARION CORNER

SAFE COMPANIES (CONT'D FROM PAGE 1) The SAFE Companies launch is a clear signal that the forest sector is shouldering responsibility for worker safety in all of its forestry operations. "As I travel around the province it is impossible not to notice the increased focus on safety," says Keith Rush, Coast Forest's safety consultant. "Associations, licencees, contractors and government agencies are having meetings, sending their workers to training, conducting safety audits and generally building and improving their safety programs to meet the requirements of the SAFE Companies program."

The SAFE Companies goal is straight-forward. Every forestry operation will put in place all required safety programs and procedures, and demonstrate through an annual audit, that they are in place and working. Further, by adopting the Forest Safety Accord, companies agree to make safety an over-riding priority and to participate in sector-wide safety initiatives.

This direct and simple approach means significant challenges.

As an industry, we must track and register companies, conduct and verify audits, develop sector-wide standards and guidelines, and much more. This requires significant and enduring effort by everyone — from the worker in the bush to the CEO in the boardroom. And, yes, it will require financial resources and time.

Can we afford to do it? In fact, we can't afford not to. Our current unsafe performance not only traumatizes workers and their families and disrupts individual companies, it burdens the entire industry with major, unnecessary costs that sap our competitiveness.

Protecting our workers and making our companies safer, is more than worth all the effort and money. The pay-off will be a healthier industry with far fewer injuries and fatalities — and higher morale, greater productivity and a new positive image.

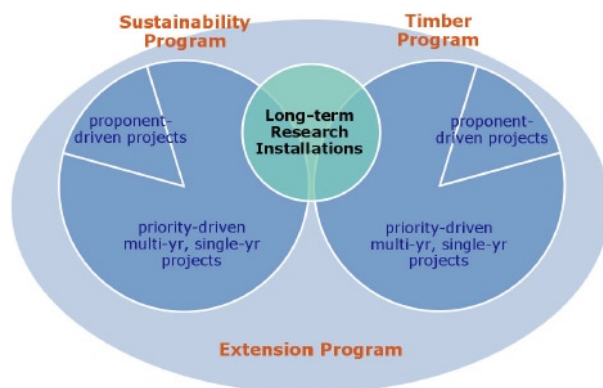
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The dramatic results will not take long. Within the next five years, we will transform our poor safety performance from a painful and expensive embarrassment into a tangible point of pride. B.C.'s forestry sector will be the world's most innovative and resilient, and it will maintain the best safety record. In our industry "unsafe is unacceptable" will be the new reality.

DEVELOPING KNOWLEDGE, DELIVERING RESULTS (CONT'D FROM PAGE 3)

The allocation of funds reflects the information needs and priorities of those who plan and manage British Columbia's public forest lands. Priority topics are identified annually by the FIA-FSP Board and its advisory committees, whose members are drawn from industry, governments, First Nations, universities, and research organizations.

For more information on the FIA-FSP, please visit www.FIA-FSP.ca.



The B.C. Forest Safety Council posts up-to-date safety news on its website. Injury statistics are now posted there in a printable version. Please visit www.bcforestsafecouncil.org And remember: Unsafe is Unacceptable

Coast Forest represents forest and paper companies in coastal British Columbia engaged in the harvesting and manufacturing of primary and added value forest products, and pulp and paper products. Together, these companies manufacture 95% of the lumber produced on the coast, 70% of the pulp and paper production and are responsible for 70% of the total harvest. The Association works to ensure that the five coastal species and their product lines have fair access to the global marketplace. Committed to providing leadership to create a thriving forest industry, Coast Forest facilitates cooperation between stakeholders and government on behalf of its member companies.



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