

Speech to COFI - BC Premiere Forest Products Convention  
Made by Doug Konkin on April 15, 2005  
Prince George, British Columbia

I've been asked to talk to you about B.C.'s forest policy changes. I must admit I feel like Elizabeth Taylor's seventh husband must have felt on his wedding night: I know what I have to do, but I'm not sure how to make it interesting.

The reason, of course, is that so much has been said in the last couple of days about markets and forest policies. Psychologists say you need to hear something 10 times before you remember it, but I may be pushing my luck.

It was about 3 years ago that government announced the Forestry Revitalization Plan. I'm probably the only person in the room who still has a copy of this paper. Of course, I'm the only person in the room that has it as part of their performance plan.

George and Rick have talked about different aspects of the plan. From my perspective, the plan was driven by two things: an awareness that global competition in commodity wood product and capital markets was increasing, and a need to inject more market forces into the industry, and two, a need to move further to incorporate First Nations into the forest industry.

Of course, government rarely does just one thing and there are plenty of other objectives in the plan, including:

- A smooth transition;
- Increasing chance of a trade deal;
- Maintenance of environmental standards;
- Revenue; and,
- Improving long-term stability of forest dependent communities.

From a process point of view, we have come a long way. As indicated in George's report card, all the legislation and regulatory changes have been made; 47 FRA's have been signed with First Nations; the Trust has been set up, augmented and is operating; the results-based code is in place; the take-back or reallocation of operating areas is substantially complete on the coast; market pricing is in place on the Coast; 26 community forests have been offered; compensation settlements have been reached with 5 major licensees and BCTS has geared up and is delivering additional volume. These items roll off the tongue pretty easily, but they represent a huge workload for all of us. It is an amazing accomplishment, especially when you add in the additional challenges imposed by downsizing, keeping the wood flowing and dealing with the worst fire seasons and biggest beetle infestation in our history.

I'm immensely proud of our staff's role in carrying these changes out. But you have to ask yourself, so what? Have the changes made an impact? Where are we now?

I'd like to answer those questions in three ways.

1) We clearly have more to implement, including:

- Complete the reallocation process;
- Get the new First Nation and community tenures up and running;
- BCTS needs to continue gearing up;
- Sign more FRA's, new CFA's and W.L.'s;
- Address interior pricing;
- Improve the grading system
- Fine tune and adapt many changes already made.

2) In terms of ensuring a competitive industry we also have more work to do.

Yesterday, as I listened to those economic and competition forecasts, I started to get depressed. You start to believe that old joke "all you need to get into the sawmilling business is dollars and no brains." But that's crap. We are one of the most competitive jurisdictions in the world and we're going to get better. To do so we're going to have to:

- Get that elusive trade deal;
- Seriously look at the pulp industry and alternative uses for chips and sawdust;
- Continue to pursue cost reduction strategies, but be equally aggressive in finding ways to add value or margin.

BC supplies only 1% of the U.S. value added market. Admittedly, there are many value added products where we cannot compete with China, but there are some where we can leverage our healthy primary sector, our proximity to the U.S. market, market knowledge and ability to mass customize to successfully compete. We need to encourage work on these products.

There are other strategies we need to pursue like integration with the U.S. forest industry; growing use of wood and, examination of the tenure system. We need to look for ways to work more efficiently with First Nations – more co-op approaches to strategic decision-making. Look at forest management and, perhaps the most important, become a knowledge centre for forest management; forest products and wood based building technologies.

3) The third and last way I'd like to answer the question "where are we at now" is to examine the policy changes through a public perception lens.

Yesterday Avrim and others talked about environmental perceptions. It was good to hear we're making progress on that front. I'm not sure we've made the same progress on the social side. Here's my concern:

Introduction of market forces has worked, we're seeing consolidations, closures of marginal or redundant facilities, efficiency gains, and new investment. Over time, I believe we'll see more new entrants, competition and even more innovation.

How does the public perceive all this? For most in Vancouver the closest they'll get to the forest is Home Depot or an overview, on a flight to Calgary. They have no connection to the industry. No understanding that 60% of the wealth in this province is generated by natural resources.

All they hear about is bigger companies, with bigger mills and fewer employees. On top of that add question George spoke to: a results-based approach without objectives in place.

How about the rural communities? That's where the connection with the industry has always been strongest. Do our economic policies build or weaken this connection? What impact does Enron, Worldcom and the pressure companies are under to maximize shareholder value have?

The social licence given to the Forest Service and industry is a tangible asset, definitely earned, easily lost and difficult to win back. There is no success without it. We have to prove professional reliance and results-based work through effectiveness audits. We will have to find innovative ways to work together to address community, contractor and worker concerns as we move forward and make market adjustments.

Do I believe that is possible? Absolutely, but it will require more lunches like the one COFI sponsored yesterday, more collaborative initiatives like the one Rick talked about this morning and more, and different, policies moving forward.

Speaking about moving forward. I want to leave room for questions so will quickly touch on the last topic I was asked to address.

The last topic is the Mountain Pine Beetle Action Plan. The plan was announced earlier this week. It is available on our web site and has seven objectives. Each has associated 05/06 and five year actions.

The plan will guide our actions and expenditures. As outlined yesterday by the Premier, both the Federal and Provincial Governments have allocated \$100 million for the plan. We are working to obtain additional funds. I should note we haven't yet got the Federal dollars and are anxiously watching the debate in the House of Commons.

Delivery of the plan will be done through a combination of local and provincial processes. My intent is to utilize existing delivery mechanisms such as FIA and the Forest Sciences Board as much as possible. We also intend to work closely with communities.

Early work priorities include community work carried out under NDI funding, prevention of spread to Alberta, urgent fuel management activities around communities, inventories and research.

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So that is a quick review and the end of my presentation. They say people remember best what is said last, so let me sum up by saying the policy changes have made a difference, we need to complete our work, continue to evolve and pay attention to the triple bottom line.

I'm upbeat about the future, in part because of the good relationships we have. John Allan has worked hard to ensure our dialogues are positive. That is very much appreciated.

I hope this has been interesting and thank you for your attention.