

**Speech to Association of Kootenay Boundary Municipalities  
By Gary Crooks, VP COFI Southern Operations, Kelowna**

**APRIL 16, 2004  
FERNIE, BC**

**AS USUAL, THE AKBM CONFERENCE HAS BEEN VERY  
SUCCESSFUL – WELL ORGANIZED, INFORMATIVE AND  
MOST IMPORTANTLY AN OPEN FORUM FOR NOT ONLY  
THE ASSOCIATED COMMUNITIES BUT OTHERS FROM  
INSIDE AND OUTSIDE THE REGION AND, IN MY CASE,  
FROM INDUSTRY TO EXCHANGE POINTS OF VIEW. THE  
COUNCIL OF FOREST INDUSTRIES IS PLEASED TO HAVE  
THE OPPORTUNITY TO PARTICIPATE IN YOUR  
CONFERENCE.**

**FERNIE, YOU ARE BIG LEAGUE WITH WONDERFUL  
FACILITIES, ACCOMODATIONS AND OTHER AMENITIES.**



**WELL DONE! A TIP OF THE HAT TO MAYOR MACNAIR AND COUNCIL AND STAFF.**

**I WILL ENDEAVOUR TO BE BRIEF IN MY COMMENTS AS THE CONFERENCE WINDS DOWN.**

**THE PAST YEAR HAS BEEN AN “INTERESTING” AND EVENTFUL YEAR FOR THE INTERIOR AND PROVINCIAL FOREST INDUSTRY AS THE SECTOR CONTINUES TO EVOLVE AND CHANGE.**

**ABOUT THIS TIME LAST YEAR THE PROVINCIAL GOVERNMENT EMBARKED ON AN UNPRECEDENTED AGENDA OF MASSIVE CHANGE TO THE WAY WE DO BUSINESS IN THE FOREST SECTOR: FROM TENURE TAKEBACK AND REALLOCATION TO ELIMINATION OF**



**APPURTENANCY AND CUT CONTROLS TO AUCTION  
BASED TIMBER PRICING TO NAME A FEW OF THE HIGHER  
PROFILE ISSUES, ALL OF WHICH FALL UNDER THE  
UMBRELLA OF MARKET BASED POLICY REFORM.**

**THE NEED FOR REAL AND SUBSTANTIVE REFORM WAS  
BEYOND DEBATE FOR THE SECTOR TO CONTINUE TO  
DRIVE THE ECONOMY, SHAPE OUR LOCAL ENVIRONMENT  
AND CONTRIBUTE TO A QUALITY OF LIFE UNSURPASSED  
ANYWHERE ELSE IN THE WORLD.**

**NOT UNLIKE COMMUNITIES THROUGHOUT BC – SOME  
ASPECTS OF THE REVITALIZATION PROGRAM WE LIKE –  
SOME WE DON'T LIKE.**

**WHAT A DIFFERENCE A YEAR MAKES IN THE MARKET!**



**SINCE LAST YEAR'S CONFERENCE IN APRIL, LUMBER PRICES HAVE SURGED FROM ABOUT U.S. \$230 PER MBF FOR THE "BELLWEATHER" 2X4 SPF PRODUCT, TO THE CURRENT U.S. \$400 + AN INCREASE OF ABOUT 75%.**

**A YEAR AGO THE STRUCTURAL PANEL COMPOSITE PRICE AS REPORTED BY RANDOM LENGTH PUBLICATIONS WAS \$252. TODAY IT STANDS AT ABOUT \$550.**

**IT IS NOT ALL GOOD NEWS THOUGH:**

**SINCE LAST YEAR'S CONFERENCE THE CANADIAN LUMBER INDUSTRY HAS PAID ANOTHER U.S. \$1 BILLION IN CASH DEPOSITS. SINCE MAY 2002 WHEN THE COUNTERVAIL AND ANTI-DUMPING DEPOSITS BEGAN, THE INDUSTRY HAS PAID U.S. \$2.0 BILLION. 50% OF THE DEPOSITS OR U.S. \$1.0 BILLION, ARE FROM BC.**



**IN JANUARY 2003 THE CANADIAN DOLLAR STOOD AT \$1.55  
IN RELATION TO THE US DOLLAR. BY THE TIME THIS  
CONFERENCE WAS HELD LAST YEAR IT HAD IMPROVED  
TO \$1.45 AND BY YEAR END IT HAD STRENGTHENED TO  
\$1.30 SINCE REBOUNDED TO ABOUT \$1.33. AND, FROM  
MAY 12, 2002 WHEN THE INDUSTRY IN CANADA BEGAN  
PAYING CASH DEPOSITS TO THE U.S. RELATING TO THE  
TRADE DISPUTE TO TODAY THE DOLLAR HAS  
APPRECIATED BY 17% WITH THE PERCENTAGE  
IMPROVEMENT AT ONE TIME AS HIGH AS 21%.**

**EACH 1 CENT INCREASE IN THE CANADIAN DOLLAR  
COSTS THE INTERIOR LUMBER SECTOR ALONE ABOUT  
\$50 MILLION AS WE SELL MOST OF OUR PRODUCTS IN U.S.  
DOLLARS.**



**NEEDLESS TO SAY THE PRICES WE ARE RECEIVING FOR OUR PRODUCTS HAS ASSISTED US IN WEATHERING THE STORM – 27% CASH DEPOSITS AND 17% EXCHANGE RELATED.**

**THE BOTTOM LINE IS STILL NOT MUCH BETTER THOUGH WITH INADEQUATE RETURNS PARTICULARLY IN THE PULP SECTOR THREATENING INDUSTRY VIABILITY DUE TO THE INTERDEPENDENT LINKAGES BETWEEN SOLID WOOD AND PULP.**

**ON THE OTHER HAND, LITTLE PROGRESS HAS BEEN MADE TO LIBERALIZE TRADE PROTECTION AND EUROPEAN, RUSSIAN AND SOUTHERN HEMISPHERE LUMBER PRODUCERS – SOME WHO USED TO BE OUR**



**CUSTOMERS - POISED TO CAPTURE AN EVER INCREASING  
GLOBAL MARKET SHARE AT OUR EXPENSE.**

**WORLD SOFTWOOD LUMBER EXPORTS FROM THESE NEW  
SUPPLY SOURCES HAVE INCREASED BY MORE THAN 25%  
SINCE 1990 WHILE NORTH AMERICAN OFF-SHORE  
EXPORTS HAVE DECREASED SIGNIFICANTLY.**

**HAVING PAINTED A RATHER MURKY PICTURE, GLOBAL  
MARKET DEMAND FOR FOREST PRODUCTS DOES  
PRESENT A UNIQUE OPPORTUNITY FOR THE BC FOREST  
INDUSTRY. BC HAS A LONG AND STORIED HISTORY AS A  
MANUFACTURER AND DISTRIBUTOR OF GLOBAL FOREST  
PRODUCTS.**



**WE NEED TO BE EFFICIENT AND INNOVATIVE TO COMPETE WITH THESE NEW SUPPLY SOURCES - MOST WITH LOWER COST PROFILES, AS WELL AS COMPETING WITH SUBSTITUTE PRODUCTS LIKE STEEL, CONCRETE AND PLASTIC.**

**WE REQUIRE A SUPPORTIVE DOMESTIC BUSINESS CLIMATE AND A SHARED VISION OF THE FUTURE.**

**WE BELIEVE THE INTERIOR FOREST SECTOR HAS SIGNIFICANT OPPORTUNITIES FOR GROWTH AND BY TAKING THE NEEDED STEPS TO POSITION THE INDUSTRY FOR THE CHALLENGES AND OPPROTUNITIES AHEAD ECONOMIC GROWTH CAN BE ACHIEVED.**

**GROWTH CAN BE ACHIEVED THROUGH THE INCREMENTAL GROWTH IN HARVESTS FROM THE SAME**



**ENVIRONMENTAL FOOTPRINT WHILE MEETING  
WORLDWIDE ENVIRONMENTAL STANDARDS AND IN  
CONFORMITY WITH PUBLIC AND MARKET EXPECTATIONS  
FOR RESPONSIBLE FOREST STEWARDSHIP.**

**THE KOOTENAY-BOUNDARY HAS A LONG AND PROUD  
HISTORY OF GROWTH. MUCH OF THAT HISTORY OF  
GROWTH CAN BE ATTRIBUTED TO THE ABUNDANT  
FOREST RESOURCES FOUND WITHIN THE REGION.  
FORESTRY IS THE LARGEST SOURCE OF ECONOMIC  
ACTIVITY AND JOBS IN THE REGION.**

**CLEARLY, THE REGIONAL INTEREST IS SERVED BY A  
STRONG COMPETITIVE FOREST INDUSTRY. SENIOR  
GOVERNMENTS ACKNOWLEDGE THAT WITHOUT A  
VIBRANT FOREST SECTOR, NOT ONLY WILL WORKERS**



**AND COMMUNITIES SUFFER BUT PROGRAMS DELIVERED  
BY GOVERNMENT WILL FACE SEVERE FISCAL  
RESTRAINTS.**

**WHILE THE INDUSTRY EXPERIENCES THESE IMPORTANT  
CHALLENGES INCLUDING NEW LOWER COST SUPPLY  
SOURCES, SUBSTITUTE PRODUCTS AND TRADE  
RESTRICTIONS THE GOVERNMENT HAS RESPONDED WITH  
A SIGNIFICANT COMMITMENT TO THE REVITALIZATION OF  
THE INDUSTRY AND WE ARE COMMITTED TO PLAYING A  
MAJOR ROLE ALONG WITH OTHER STAKEHOLDERS IN  
SHAPING THAT FUTURE.**

**WE BELIEVE THERE ARE EIGHT KEY STEPS TO SUCCESS:**

**1. AAC – WE ENCOURAGE GOVERNMENT TO**

**UNDERTAKE THE DEVELOPMENT OF A JOINT**



**STRATEGY TO STABILIZE THE CURRENT HARVEST AND INCREASE IT OVER TIME. INITIAL PHASE WOULD FOCUS ON MITIGATING THE IMPACTS OF THE MOUNTAIN PINE BEETLE EPIDEMIC AND LONGER TERM ON FUTURE GROWTH.**

**2. TIMBER PRICING: WE CONTINUE TO SUPPORT MARKET-BASED TIMBER PRICING IF IT CONTRIBUTES TO THE RESOLUTION OF THE U.S. TRADE DISPUTE. IT MUST, HOWEVER, BE EQUITABLE AND TRANSPARENT RECOGNIZING REGIONAL AND SUBREGIONAL DIFFERENCES.**

**3. LAWS, REGULATIONS AND POLICIES: WE ENCOURAGE GOVERNMENT TO CONTINUE THE REVIEW AND DEVELOPMENT OF LAWS THAT ENCOURAGE THE FOREST SECTOR TO GROW RESHAPE AND RATIONALIZE TO BE COMPETITIVE**



**AND ACHIEVE DEMANDING ENVIRONMENTAL  
STANDARDS.**

**4. FIRST NATIONS: WE ENCOURAGE THE PROVISION  
ECONOMIC BENEFITS TO WILLING FIRST NATIONS  
THROUGH ACCOMMODATION AGREEMENTS AIMED  
AT STRENGTHENING THEIR ROLE IN THE ECONOMIC  
ACTIVITY OF THE INDUSTRY AND PROVINCE AND  
BRINGING A MEASURE OF STABILITY TO FORESTRY  
OPERATIONS.**

**5. MARKET ACCESS, DEVELOPMENT AND PROMOTION:  
WE ENCOURAGE GOVERNMENT TO CONTINUE TO  
PROVIDE SUPPORT FOR MARKET ACCESS,  
DEVELOPMENT AND PRODUCT PROMOTION  
ACTIVITIES AS WE SEEK UNFETTERED ACCESS FOR  
BC PRODUCTS IN WORLD MARKETS.**



**6. SECONDARY MANUFACTURING: WE ENCOURAGE GOVERNMENT TO PROVIDE CONTINUING SUPPORT FOR SECONDARY MANUFACTURING. THE FUTURE OF THE BC FOREST INDUSTRY WILL IN-PART, RELY ON THE SUCCESSES OF THE SOLID WOOD SECONDARY MANUFACTURING SECTOR AND OUR TECHNOLOGY LEADERSHIP.**

**7. RESEARCH AND DEVELOPMENT: WE ENCOURAGE GOVERNMENT TO PROVIDE LONGER-TERM SUSTAINABLE SUPPORT FOR DEVELOPMENT AND COMMERCIALIZATION OF RESEARCH AND DEVELOPMENT INCLUDING TECHNOLOGY, PROCESSES AND VALUE-ADDED PRODUCTS.**

**8. EDUCATION AND SKILLS DEVELOPMENT: WE ENCOURAGE GOVERNMENT TO CONTINUE TO PROVIDE SUPPORT FOR INDUSTRY-RELATED**



**EDUCATION PROGRAMS INCLUDING INTEGRATED  
HIGH TECHNOLOGY.**

**OUR 2010 VISION INCLUDES ENSURING THAT BRITISH  
COLUMBIANS ARE RECOGNIZED AS EXTRAORDINARY  
CUSTODIANS OF THE NATURAL BEAUTY OF OUR  
FORESTS AND COMMITTED TO THE PRESERVATION OF  
ITS SOCIAL AND ECOLOGICAL VALUES.**

