

# Council of Forest Industries



## 2007 Annual Report





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**\*Cover photo courtesy of Chris Lear, COFI Northern Operations**



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## Report from the Chair



I was planning to start this report with the observation that “2007 was the most challenging year faced by the forest industry in decades”. Unfortunately, as we edge into 2008, it does not appear that the challenges have diminished. Mountain pine beetle impacts, the rapid increase in the Canadian dollar, a 15 percent export tax on US shipments, low lumber prices and a collapse of the US housing market have conspired to push the Interior lumber sector to its very limits. This is a very anxious time for our member companies and the people and communities that are dependant on us. While our industry is a component of all communities, the outcomes of the challenges that we face are very clearly displayed in the many smaller cities and towns throughout the Interior.

Despite the issues, COFI continues to work hard and strives for success on many fronts. We are actively involved to improve forest safety through our membership and role in the BC Forest Safety Council. We are very active in promoting the very positive role that our industry has and, through our development of a more formal “vision”, will play in support of the Government’s Climate Change initiative. Linked to climate change is the unfolding and key role that our industry can play as we work with Government in the implementation of its bioenergy strategy for the province.

In market development and diversification, we are working very hard to expand our presence in many Asian countries. This type of work takes time and has to be focused. Many of our target countries have to firstly be convinced to move away from traditional building methods that use steel and concrete and have to appreciate the benefits that wood construction has for them. As global climate change initiatives develop, we are hopeful that wood’s positive role on both climate and greenhouse gas sequestering will enhance our market development efforts.

While economic recovery for our industry will occur, it is not forecast to happen quickly. As such, it is critical to our sector and our communities that we continue to find every opportunity to maintain and enhance our industry’s competitiveness going forward. As we all realize, our products go into world markets and face competition from many other producing countries. As such, our industry and our Government, as the owner of our forest resource, have to work closely together to ensure that policies and initiatives are focused to ensure a world competitive forest industry is maintained in British Columbia.

Our 2008 workplan will see us continuing to work with the Government on its 90 day regulatory review, on the Working Roundtable on Forestry, on cost competitiveness, as well as the very important initiatives of climate change and bioenergy.



On behalf of the COFI Board and its member companies, I would like to thank the COFI staff for their hard work and the outstanding job they do in support of our member companies.

A handwritten signature in black ink, appearing to read 'Blair Mayes', is positioned below the text. The signature is fluid and cursive, with a prominent initial 'B' and a long, sweeping tail.

Blair Mayes

## President's Report



The forest industry faced unprecedented challenges in 2007. A number of external forces pushed most, if not all, companies into a financial tailspin. These forces included:

- record low lumber prices on a sustained basis;
- a rapid and significant appreciation of the Canada/US exchange rate;
- the ongoing cost impact of the Mountain Pine Beetle; and
- the 15% export tax under the Softwood Lumber Agreement.

The Interior market based timber pricing system saw its first full year of operation and initial results proved to be as expected as timber prices responded appropriately to the market, the impact of the Mountain Pine Beetle and the exchange rate among other variables.

My letter of 2006 did not mention the words Climate Change and Carbon Taxes. Rarely has an issue hit with so much impact in terms of the implications for business and the public at large. The forest industry has a very positive record on climate change having reduced its greenhouse gas emissions by 50% since 1990. We are also well positioned to continue to play a significant role in this issue as we see the increased use of wood as a significant response to addressing climate change.

We have continued our core work on forest safety, log grades and market development in Asia.

Our annual convention in Prince George proved to be a great success as we had many excellent speakers and a large turnout.

At year end we approached government with several recommendations for regulatory streamlining and 2008 will, as always, focus sharply on ways to streamline the way government and industry do business.

We will continue to have challenges but with the support of the Board and our dedicated staff COFI will be up to the task.



John Allan



**COUNCIL OF FOREST INDUSTRIES**  
**MISSION: *To be a Strong Advocate for the Forest Sector***

**ADVOCACY**

*To positively influence the competitiveness and sustainability of British Columbia's forest industry as the recognized primary contributor to the economic growth and stability of the province, now and into the future.*

- Enhance COFI's position as the advocate for BC's forest industry and the respected voice of the industry
- Encourage government to develop and implement public policy that contributes to the long-term strength, safety and stability of BC's forest sector
- Enhance public awareness and appreciation of the importance of the forest sector as a highly desirable and sustainable economic engine that benefits all British Columbians

<p><b>Relative Competitiveness</b>  <i>Ensure that public policy contributes to relative competitiveness</i>  <b>Objectives :</b></p> <ul style="list-style-type: none"> <li>• Constructive policy engagement with government</li> <li>• Improved investment climate</li> <li>• Market driven costs and outputs</li> </ul>	<p><b>Timber Supply</b>  <i>Ensure access to sustainably managed timber</i>  <b>Objectives :</b></p> <ul style="list-style-type: none"> <li>• Stability of interior timber supply over appropriate timeframes</li> <li>• Competitively priced timber</li> <li>• Environmentally responsible forest practices</li> </ul>	<p><b>Market Access</b>  <i>Ensure unfettered access to markets</i>  <b>Objectives :</b></p> <ul style="list-style-type: none"> <li>• Maintain and expand domestic and international markets</li> <li>• Lever COFI brand value</li> </ul>	<p><b>Association Excellence</b>  <i>Ensure COFI is a leading and highly effective organization</i>  <b>Objectives:</b></p> <ul style="list-style-type: none"> <li>• Responsive organization that identifies and meets the needs of its members</li> <li>• Recognized as the organization that works effectively with external parties</li> </ul>
<p><b>Total 2008 Target Expenditures: \$126,000</b></p>	<p><b>Total 2008 Target Expenditures: \$86,500</b></p>	<p><b>Total 2008 Target Expenditures: \$35,000</b></p>	<p><b>Total 2008 Target Expenditures: \$182,500</b></p>

**Total 2008 Projects: \$430,000**

## Northern Operations

### Community Relations & Communications

Highlights of COFI Northern Operations Community Relations activities that strengthened community, local government and member relations during 2007 are:

- ❑ Hosted a very successful COFI annual convention in Prince George. The conference theme was 'Partners in Sustainability' and featured a series of panels addressing the challenges facing industry, government and communities in light of the mountain pine beetle, low market prices and global competition.
- ❑ Hosted annual community dinners in:
  - Prince George, featuring the Honourable Barry Penner, Minister of Environment and Minister responsible for Water Stewardship and Sustainable Communities as guest speaker;
  - Fort St. John, featuring the Honourable Richard Neufeld, Minister of Energy Mines & Petroleum Resources as guest speaker; and
  - Burns Lake, featuring Steve Zika, CEO Hampton Affiliates as guest speaker.
- ❑ Partnered with CWC-WoodWORKS! to sponsor Peter Moonen on a week long speaking tour of several northwest and central interior communities, including the North Central Municipal Association's AGM in Williams Lake on the topic of "Wood Products for the Future: Innovation to Add Value and Enhance Sustainability".
- ❑ Hosted the following tours & trade missions in the Northern Region:
  - Partnered with BC Market Outreach Network (BC MON) to host mill and forestry tours for the Asia-Pacific Canadian Trade Commissioners Consulate group; the SöDRA Management Team from Sweden and a delegation from the City of Putain, China.
  - Provided Lance Tao, Canada Wood's new Shanghai Director of Communications with forest and mills tours and an overview of the Canadian forest industry, BC policies and major issues facing the industry.
  - Partnered with CWC to host representatives from various Beijing & Shanghai real estate development and construction companies to view lumber manufacturing, a home component factory and the use of wood in construction at the University of Northern BC.
  - Hosted a delegation from Halton UK, including the mayor and provided an overview of forest practices in BC.
- ❑ Designed and produced wooden plaques to commemorate significant municipality incorporation dates and reinforce 'community partnerships in forestry'. Plaques were presented to The District of Houston (50 years) and the Village of Pouce Coupe (75 years).
- ❑ During COFI staff 2007 community visits held one-on-one meetings with various Northern member mill managers and woods managers.
- ❑ Addressed Mountain Pine Beetle issues in 2007 through:



- Presentations on BC's Mountain Pine Beetle Epidemic to the Pacific Foundation/Fraser Basin Council workshop in Prince George, the WoodWORKS! BC /CWC Wood Solutions Fair in Vancouver, the ILA Convention in Vernon, a Rotary meeting in White Rock, BC, and at the Residue Conference in Vancouver.
  - Participation at the Saskatchewan Forest Service Minister's MPB Summit in Prince Albert as Saskatchewan prepares to address the mountain pine beetle as it spreads eastward.
  - Meetings with FII and northern members regarding 2007 MPB wood mill studies.
  - Interviews with CKPG-TV & Radio, CJCI-PG, CBC 'Nature of Things', Global TV, the Prince George Citizen and the Vancouver Sun.
- Participated actively in the North Central Municipal Association and Union of BC Municipalities annual meetings.

### **Regional Forestry**

Highlights of COFI Northern Operations Regional Forestry activities:

- Hosted the first ever joint Northern Interior Regional Appraisals Advisory Committee meeting to look at regionalized stumpage and appraisal issues.
- Presented the annual 'Role of Forest Associations' to the College of New Caledonia's Forest Resource Technology class.
- Contributed to improved safety efforts through targeted communication of resource road safety management measures to members.

### **Regional Forest Education**

Highlights of COFI Northern Operations forest education activities:

- Hosted six Natural Resource Management Career Awareness camps and three Trades Career Awareness camps for high school students in Prince George, Vanderhoof, Fort St. James, Houston, Smithers, Quesnel and Fort St. John.
- Participated in the Careers in Forestry portion of the 5<sup>th</sup> annual BC Natural Resource Forum in Prince George; sponsored by the Honourable Pat Bell, Minister of Agriculture and Lands.
- Presented eight Careers in Forestry workshops for T.R.A.D.E.S. Canada.
- Participated with Minister of Education Shirley Bond in a media event to announce the distribution of further COFI/MON MPB Secondary School Teaching resources to schools throughout BC.
- In partnership with FII/BCMON developed a new high school teaching resource 'Marketing BC Forest Products to the World' - to be distributed to all BC secondary schools in 2008.
- Co-hosted Forestry Heritage Days at Cottonwood House with School District No. 28 (Quesnel).



- ❑ Presented on the Mountain Pine Beetle and the economic importance of BC's Forest Industry to the Society of College Vocational Instructors of BC Annual Convention in June and the American Welding Society BC Chapter in New Westminster in September.
- ❑ Developed a new COFI North Forest Education Website complete with teaching resources, education programs, virtual tours, events, teacher professional development activities, feature events, photo and forest educational and career website links.
- ❑ Coordinated the inaugural delivery of COFI's Annual Convention Legacy Scholarships.
- ❑ Participated on three provincial working committees looking at recruitment strategies for Forest Professional (FTs and RPFs), forest workers and timber harvesting workers.
- ❑ Participated in BC Career Education Society conference in Vancouver networking with over 300 school district and high school career educators and worked with Mining and Agriculture sectors in development of new elementary 'Careers in Natural Resources' teaching materials.

## Southern Operations

### Community Relations activities included:

- COFI South participated in the annual UBCM Convention in Vancouver. COFI participated in sponsoring the Okanagan Mainline Municipal Association and the Association of Kootenay Boundary Local Governments luncheons.
- Staff organized and participated in presenting three MPB Workshops at the Okanagan Mainline Municipal Association Meeting in Merritt in conjunction with the MOFR Mountain Pine Beetle Response and the newly organized Southern Interior Beetle Action Coalition. COFI was a sponsor of the OMMA Conference.
- COFI participated and was a sponsor for the AKBLG Conference held in Golden at the end of May.
- Staff made a presentation to the Nelson & District Chamber groups (Community Futures) on current industry issues. Included were the current & projected impacts of the Mountain Pine Beetle in the Kootenay boundary region and current industry economics.
- COFI hosted a community dinner in Kamloops in conjunction with the June Board of Directors meeting attracting a number of local community leaders.

### Forest Education activities included:

- Ongoing support and communication conduit by COFI continued for the network of zone forest educators in the Southern Interior. Distribution of resource materials to the network, including promotional items, post-secondary career information, website updates, National Forest Week lesson packages and new educational resources.
- The "Learn Forestry" online newsletter continued to be well-received, informing educators, government and industry supporters about forest education activities and events taking place in BC's Interior and beyond.
- COFI was a supporting sponsor for annual Environmental Mind Grind regional school competition and contributor in the creation of forestry study materials, competition questions and public information display.
- National Forest Week 2007 Presentation- "A Tree's Story- From Seed to Finished Product" was produced in the Okanagan/Columbia along with COFI support. Many forest professionals across the Southern Interior volunteered their services to present the 2007 lesson to thousands of elementary school students.
- "Introduction to Forestry" camps were held in both the Okanagan/Columbia and Thompson regions, hosted by their local forest educators and supported by COFI, providing secondary students with hands-on forestry experiences as they explored the challenges of forest management.
- A fall workshop hosting Southern Interior forest educators was organized by COFI and Okanagan Columbia forest educators, to present the recently reprinted and updated Grade 3 teaching kit- "Community Development-The History of Logging",

as well as to share new resources and ideas and to distribute educational materials for the various zones.

- ❑ With the COFI South forest education coordinator acting as Venue Committee co-chair, extensive organization and planning took place throughout the year to prepare for Western Canada's ForestEDWest forest education conference in early 2008.

**Canadian Wood Council activities included:**

- ❑ CWC continues to be an active participant on various building and fire code commissions and committees ready to respond to all potential market limiting proposals as they emerge. This continues to be the key competency of the Council. COFI continues to have strong representation on all committees.
- ❑ CWC proactively seeks ways to help the wood industry increase residential and non-residential market demand for wood.
- ❑ CWC actively participates with the American Forest & Paper Association / American Wood Council to assure wood is not disadvantaged in the US market place.
- ❑ The Membership committee made some progress towards including more of the Canadian industry sectors with the intent being fully representative and sharing the costs of the extensive work done around building codes, engineering and market development.
- ❑ COFI sponsored the Industry Leader award at the Woodworks Gala in 2007. The Gala is sponsored by the forest industry and industry associations to honour excellence in wood-based construction projects and to recognize the people and organizations that are furthering the use of wood in British Columbia.

**Other activities included:**

- ❑ COFI hosted a delegation of 20 member company representatives and 3 senior staff from the Western Wood Products Association in the Prince George area in late February. The purpose was to view the affects of the mountain pine beetle in central BC. COFI assisted the group in arranging mill and woods tours.

## Forestry



The following summarizes the key issues that the Forestry Committee worked on in 2007:

- Reduced the policy barriers to making roadside debris available to others including Licensees and the energy sector.
- Input into MoFR's 2007/08 Policy, Regulatory and Legislative change agenda.
- Achieved a more comprehensive pulp log AAC credit policy to replace the 2006 interim policy.
- Commitment from MoFR executive to jointly develop and implement a system of lenses or tests for proposed forest policy changes, including a 'cost lens' test.
- Initiated work to clarify, streamline and standardize the consultation process for operational plans.
- With BC Business Council prepared and released a paper entitled "First Nations Consultation and Accommodation: a Business Perspective".
- Engaged with the First Nations Forestry Council in discussions around common forest policy issues, initially with respect to how to make First Nations forestry tenures (FRO/FRPA) economically viable.
- Achieved improvements to the interior appraisal manual and administrative processes to bring greater efficiencies and accuracy and to reduce administrative costs associated with review and approval of cutting authority appraisals.
- Successfully implemented the correct categorization of logs with sweep into grade 4 resulting in more accurate stumpage for those lower grade logs.
- Achieved timber pricing salvage symmetry between major tenure holders and BCTS resulting in more correct pricing of damaged timber.
- Achieved extension of the residue and waste benchmarks until such time as the Coarse Woody Debris policy and Residue and Waste Manual can be integrated with policies regarding other forms of timber required to be left to meet stewardship needs.
- Improved BCTS use of the variable cost upset policy to improve the timber sales data set during low market conditions.
- Actively participated in initial work to draft a new Resource Roads Act and Regulations.
- Completed the joint development of a pre-Code fish passage assessment and prioritization methodology.
- Continued joint work under the Provincial FRPA Implementation Team (PFIT) to develop and issue guidance on FRPA and professional reliance implementation.
- Successful in deferring for further work the development of a regulation intended to provide District Managers with the ability to direct where Licensees operate. As initially proposed, the regulation would have unnecessarily eroded a

Licensees' right to harvest and restricted the ability to manage operational realities.

- Continued work to improve MoFR forest inventory information to allow better timber supply projections in Mountain Pine Beetle areas and also to have all areas of the province brought up to the same forest inventory standard.
- Helped to secure program funding of \$800,000 over 3 years to improve the availability of government data necessary for licensees to prepare Forest Stewardship Plans.
- Successful in having a number of restrictive clauses removed and flexibility added into the new silviculture stratification regulation.
- Provided input to improve the Chief Forester's new guidance for the use of hardwoods.
- Successfully influenced policy development around retaining Secondary Stand Structure in Mountain Pine Beetle killed stands. Developed more cost effective and practical approaches to address the stewardship needs including exemption provisions and limiting the application of the regulation to circumstances where benefits would be realized.
- Provided policy input to MoFR on Silviculture Reporting Systems and Tree Species Selection.
- Influenced the recovery strategy and action planning outcomes for the Williamson's Sapsucker.
- Communicated key issues and concerns related to Mountain Caribou, including the need for comprehensive socio-economic analyses prior to decision making by the Minister of Agriculture and Lands, targeting high suitability forested areas outside of the THLB to be protected and ensured follow-up action with SARCO staff and the Minister on next steps for the Province's Mountain Caribou plan.
- Compiled and submitted comments and recommendations on Government's proposed amendments to the provincial Wildlife Act.
- Involvement in committee developing new regional partnerships in the Pacific Region (BC and Yukon) between DFO, industry and provincial and territorial governments. The objective is to create partnerships to improve communication, build collaborative efforts to streamline the regulatory review and approval processes, and more effectively and efficiently protect fish habitat.
- Influenced the form and content of the proposed policy, legislation and tenure content intended to allow the bio-energy sector to develop as an incremental economic activity and not displace existing forest industry sector jobs.
- Through the joint interior strategy group, improved how government manages the impacts of the Mountain Pine Beetle epidemic across the many MoFR policy silos and across the many involved Ministries.
- Helped to shape government's Mountain Pine Beetle Timber Supply Analysis and set the stage to carry out TSR specific Mountain Pine Beetle mid-term timber supply analysis.
- Achieved a Wildfire Act policy directive which removed roadside loading from being defined as a "high risk" activity.



- Continue to actively advocate for changes to the Wildfire Act and Regulation to address issues related to fire suppression, hazard abatement and compensation.

A handwritten signature in black ink, appearing to read 'R.E. Taylor'.

R.E. (Bob) Taylor  
Chair, Forestry Committee

## Market Access and Trade

2007 was a successful and very active year for COFI in terms of its work in the overseas markets:

- ❑ COFI successfully leveraged approximately \$5.0 million in federal/provincial dollars which, combined with industry funds, was used to finance activities in Japan, China, South Korea and Taiwan.
- ❑ COFI continued to provide strategy and management oversight for the SPF Group promotional program. This ensures close linkage and integration with the market access initiatives delivered by COFI.
- ❑ COFI provided detailed plant health advice and intervention for its members.

### Japan Highlights:

- ❑ Comprehensive market research on the residential and non-residential segments was undertaken to enable an understanding of trends occurring in Japan. Based on these findings the programs in Japan will be fine-tuned.
- ❑ Due to COFI MLIT Ministerial Fireproof Approvals for 2x4 3 and 4 storey multi-family structures in quasi-fireproof and fireproof protected areas, the number of units built increased to 1,530 units in 2007. Previously these projects could not have been built in wood.
- ❑ According to a survey conducted by COFI Japan, marketplace acceptance of mid-grades containing a higher percentage of blue stained lumber has increased from approximately 20% of SPF shipments in 2006 to 25% of shipments in 2007. COFI provided technical support to members and buyers relating to sales of mountain pine beetle affected wood products.
- ❑ Based on market surveys conducted and SPF promotions of SPF dimension lumber sizes in Post and Beam applications, it is now estimated that Canadian SPF CLS is used in over 15,000 traditional post and beam houses annually in Japan. Span tables for CLS usage in P&B applications were disseminated to architects and builders to integrate SPF dimensional sizes. COFI also achieved the endorsement of the Japan Housing & Finance Agency to spec in CLS sizes in wall stud applications
- ❑ SPF advertising and seminar series have resulted in the proliferation of CLS nail truss applications in 2x4 residential and non-residential applications. Total truss production by Japan's 16 leading truss manufacturers increased by 30% in 2x4 building applications in the 5 year span between 2002 and 2006. Growth in non residential truss applications such as commercial and agricultural sectors rose 73% over the same 5 year period.
- ❑ Notwithstanding an 8.5% decline in total Japanese housing starts between 2003 and 2007, market share of 2x4 housing has demonstrated a steady increase from 7% in 2003 to 9.3% in 2007. Overall 2x4 housing starts increased from 81,502 units in 2003 to 98,555 units in 2007.
- ❑ Over 25 seminars and training workshops were provided to Japanese builders.



- A mission to Canada of Japanese developers focusing on non-residential construction.
- Japanese requirements for acoustical design in multi-family was investigated.

**China Highlights:**

- The tech transfer and quality assurance team based in Shanghai delivered practical onsite construction advice and support to wood frame builders across Eastern China.
- A series of training seminars and programs on wood construction and specific applications such as roofing and landscaping was provided in key centers and universities around China. The first rendition of 'Canada Wood College' delivered practical construction skills training to builders and lead hands over a three week period in Shanghai.
- The collaborative fire research project continued with the Chinese Ministry of Public Security; this cooperation has already led to relaxations in the national fire code and the current phase is on target to significantly expand the opportunities for wood construction in roofing and multi-family/hybrid structures.
- Training materials included a DVD-based course on wood construction and a set of standard design drawings for wood frame which were sanctioned and approved by the Ministry of Construction. Durability guidance information was developed that aids in the avoidance of moisture and termite hazards.
- A media campaign was undertaken in China focusing on wood construction and Canada Wood activities. Over 60 articles were published and three clips aired on Chinese television.
- Collaboration continued with the Ministry of Construction aimed at the recognition and acceptance of Canadian grade-stamps.
- The first complete draft of the Shanghai building code was completed; a collaborative project between Canadian and Chinese experts.
- Comprehensive market research was undertaken on the rural construction markets in Eastern and Northern China.
- Chinese imports of Canadian SPF dimension lumber grew 400% over 2006 volumes; albeit most of the increase was in low grades.

**Korean Highlights:**

- Canada Wood's Seoul office operated for its first full year.
- Market research was undertaken on the Fourth National Territorial Plan which lays out the major transformation of Korea infrastructure and the decentralization of Seoul and subsequent new city development.
- Collaborative training was undertaken with Korean wood construction associations including multi-family construction; software design; and inspection. Quality assurance needs for Korean builders was investigated.
- The Korean edition of the Guide to Good Practice and companion Inspection Manual were published and distributed.



- Major work on fire and acoustic codes.
- Work undertaken to secure the acceptance and recognition of NLGA grades and Canadian species groups in key Korean standards.
- Joint promotion activities undertaken with Korean partners included trade shows and seminars.
- Media work resulted in a number of press articles and several national TV spots.
- Korean wood frame starts topped 8,000 units for the first time. Imports of Canadian dimension lumber doubled over 2006 volumes.

## Regulatory Issues

In 2007 COFI members were engaged in a large number of policy and program initiatives in both OH&S and Environment.

### Occupational Health and Safety:

- COFI developed a joint submission on WorkSafeBC's proposed amendments to the Occupational Health and Safety Regulation, including Part 26 – Forestry Operations, along with BC forest industry associations representing licensees and contractors. The submission was endorsed by the Ministry of Forests and Range and the Association of BC Forest Professionals.
- COFI worked in cooperation with the Composite Panel Association on WorkSafeBC policy proposals for formaldehyde exposure limits.
- COFI members and staff continued to provide advice and support to the BC Forest Safety Council to ensure the Council is effectively improving safety in the sector.
- COFI initiated work with WorkSafeBC and MOFR to ensure that safety responsibilities on Resource Roads are understood. In 2008 it is anticipated that collaborative work on safety-related issues will be expanded.
- COFI worked with the Ministry of Transportation to develop Hours of Work legislation that allowed for flexibility while maintaining safety

### Environment:

- In 2007 COFI increased its focus on climate change as both the federal and provincial governments initiated new work on regulation. In the latter part of 2007 COFI joined forces with other industry associations to form the BC Forestry Working Group on Climate Change to ensure that the forest sector's positive contributions to GHG reduction are recognized, regulatory and policy initiatives support industry competitiveness and a climate vision for the forest sector is developed and realized. Climate Change will be key COFI initiative in 2008.
- COFI participated in workshops on air quality criteria for PM<sub>2.5</sub> and provided advice on the best approaches.
- COFI continued its work with the Coast Forest Products Association, the Business Council of BC, the Forest Products Association of Canada, the Pulp and Paper Environmental Forum and the National Council for Air and Stream Improvement to leverage its resources and ensure that its members are kept informed.

### Other Initiatives:

- COFI successfully concluded its work with the BC Safety Authority to use risk assessment tools to improve members' ability to address manning requirements under the Power Engineers, Boiler, Pressure Vessel and Refrigeration Safety Regulation.
- The COFI launched its updated website in 2007.

## Quality Control

The COFI Quality Control department successfully complied with American Lumber Standards and Canadian Lumber Standards regulations in 2007 within the approved budget guidelines. Quality Control Department highlights include:

- ❑ Serviced 66 Member mills carrying out approximately 90 inspections per month. 5 member operations were permanently closed during the year and one operation changed grade agencies.
- ❑ Achieved planned costs for 2007. Member company shipments were 8.0 billion board feet down from 8.7 billion in 2006. Revenue was 3% lower than the 2007 budget.
- ❑ Carried out 1,103 inspections in 2007 on 14.8 million board feet of lumber (Below grade – 4.0%, Wets – 0.4%). 104 re-grades were carried out affecting approximately 9.6 million board feet.
- ❑ COFI members continue to conform to North American regulations and have a satisfactory record with both the Canadian and American Lumber Standards.
- ❑ Grading classes were held in 25 centers around the interior accommodating approximately 900 students. Member specific grading classes were held as well as in-house classes to respond to product and market demands.
- ❑ COFI participated in CLSAB, ALSC, NLGA and CWC to support member needs: avoiding discriminatory product standards, unwarranted regulatory barriers and assuring cost competitiveness.
- ❑ The 43<sup>rd</sup> Annual Interior Lumber Grading Championships were held in Kamloops in May. Forty-five COFI member employees attend this year's event. COFI participants took 16 of the top 20 positions.
- ❑ COFI worked collaboratively with the Canadian Lumber Standards Accreditation Board and the Canadian Food Inspection Agency to complete implementation of the lumber Heat Treatment program.
- ❑ The Japanese Administrative Agency for JAS standards – Food and Agricultural Materials Inspection Center performed the first in-depth audit of COFI as a Registered Overseas Certifying Body. The audit went well with a few “minor non-conformities” to be attended to.
- ❑ COFI is an active participant on the Lumber Properties Steering Committee and the Mountain Pine Beetle Task Force. Two monitoring studies are underway: national SPF study and a more localized and targeted BC interior study.

We wish to thank the Quality Control Steering Committee for their thoughtful advice and support. The Committee would also like to thank the COFI Quality Control Department Staff for their hard work and diligence in meeting the many challenges we encountered in 2007.



Dwight Wilson  
Chair, Quality Control Steering Committee

## Financial Report



COFI reported a net operating loss of \$395,000 (2006 – net income \$448,000) for the year ending December 31, 2007.

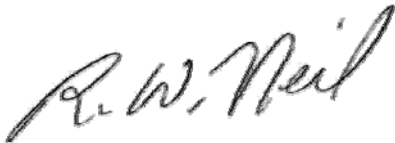
### SUMMARY FINANCIAL STATEMENT

(Thousands of Dollars)	2006 ACTUAL	2007 ACTUAL
Revenue	\$5,974.5	\$4,715.5
Expenditures	<u>5,526.4</u>	<u>5,110.1</u>
Net Operating Income / (-) Deficit	<u>\$ 448.1</u>	<u>(-) \$ 394.6</u>

As lumber prices declined during 2007 and many manufacturing operations curtailed, revenues were affected accordingly. Fortunately, the Directors, with the guidance of the Finance Committee, were able to foresee the future and build a reserve to help offset the effect. As well, the management and staff of COFI started early in the year to review projects and travel plans with the aim of reducing operating costs as much as possible. All are to be congratulated on reducing costs below budget by 12% or a total of \$711,000.

Special congratulations to John Allan for his excellent leadership and management of the Association. Members of the Finance Committee, the Audit Committee and the Pension and Compensation Committee have been a pleasure to work with despite the difficult circumstances.

Thank you to all members for their contributions.



Ron Neil  
Chair, Finance Committee



## Directors

(December 31, 2007)

### Chair of the Board

Blair Mayes  
*Dunkley Lumber Ltd.*

### Vice Chair of the Board

R.E. Taylor  
*Weyerhaeuser Company*

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Keith I. Andersen  
*Lakeland Mills Ltd.*

John Brink  
*Brink Forest Products Ltd.*

Wayne Clogg  
*West Fraser Timber Co. Ltd.*

Merl Fichtner  
*Domtar Pulp & Paper*

David Gandossi  
*Mercer International*

Ron B. Gorman  
*Gorman Bros. Lumber Ltd.*

Ken Higginbotham  
*Canfor Corporation*

Bill Kordyban  
*Carrier Lumber Ltd.*

Ken Lloyd  
*Abitibi-Consolidated Inc.*

Ron W. Neil  
*Mitsui Homes Canada Inc.*

Erik A. Norgaard  
*Ardev Wood Products Ltd.*

Dennis Rounsville  
*Tembec Enterprises Inc.*

Gian Sandhu  
*Jackpine Forest Products Ltd.*

Neil Sherman  
*Louisiana-Pacific Canada Ltd.*

Bill Stewart  
*Nechako Lumber Co. Ltd.*

Steve Zika  
*Babine Forest Products Ltd.*



## Staff

(December 31, 2007)

### Vancouver

John Allan  
President & CEO

Anne Mauch  
Director, Regulatory Issues

Wayne Iversen  
Prog. Mgr., Emerging Markets

Paul J. Newman  
Executive Director,  
Market Access & Trade

Anne Ho  
Office Manager

Cedric Miller  
Manager, Finance

Patricia LeBlanc  
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