

Stillwater Timberlands Community Advisory Group

May 28th 2003

Minutes

Town Centre Hotel

Attendance: refer to attached sheet

6:00pm: Dinner

6:22pm: Meeting called to order

Quorum noted

Welcome and Introductions

Chair welcomed guest Richard Ringma, Manager (log supply) from Weyerhaeuser's Nanaimo office. Members introduced themselves. Two members of the public were present.

Code of Conduct

Facilitator noted the code of conduct that was posted.

Safety procedures

Facilitator informed new members and guests of fire exits and first aid stations in the building.

Acceptance of Agenda and additions

Agenda was reviewed – no additions were made. Agenda adopted.

Review of Minutes

Minutes of May 15th were reviewed and amended. Adopted as amended.

Chair noted that the minutes were well written and

complimented the facilitator and secretary on the good work they contributed to the group.

Richard Ringma

Log Supply Manager

Richard presented an overview of the log sales operations. Presentation featured the following:

Fibre supply and Allocation for Stillwater Timberlands

Fibre Allocation

The log numbers

Export and other issues

2. The Role of Fibre Management

What does getting the right log to the right mill mean?

How do we increase the value of logs that are produced?

What market place factors influence decisions?

Log Allocation Decisions

Poles

Lumber

Veneer

Log Sales

Fibre Allocation Factors

Internal company needs

Contractual obligations

Shareholders demands

Government regulations

Public perceptions

Mill capacities and returns

Transportation costs

Log sales opportunities

The Fibre Numbers for Stillwater

	2002	2003 YTD
To Weyco Mills	61.5%	62.9%
To Open Market	18.9%	25.1%
To Local Mills	10.1%	7.3%
To Export	9.5%	4.7%

Export – The Rules

MoF sets the rules

All surplus logs must be advertised on MoF list for 14 days

Domestic buyers can offer on any advertised package

Domestic buyer is only required to pay current domestic price

Other Questions:

Stumpage on private land?

New market system (BC Timber Sales)

Is CVD used to get Canada to export more logs?

M3/Schribner scale differences

Fibre Supply Allocation for Stillwater

Continued review of opportunities

Manage competing interests

Gearing up for the future

We need to.

Understand that our products and forests are not unique

Focus on increasing our asset use

Work towards being the most efficient

Final Thought

Our collective task is to create an efficient and competitive industry that is capable of enduring the reality of a free trade world marketplace.

Questions that CAG members had prepared were answered.

***Question-* What marketplace factors influence decisions?**

***Answer-* International exchange rate plays a bit part in decisions. Transportation costs and log sales opportunities are also considered.**

Note – 1 million cubic meters is purchased in a year. New tenure system and loss of 20% means the company will have to buy more in future.

***Question –* What about sale of fibre?**

***Answer –* Contractual arrangements are in place with Norske.**

***Question –* Is fibre purchased at the auction level and will company be able to compete under new fair market value system?**

Answer – Weyerhaeuser is not considered a small business but may be able to compete in time-there will be a three-year phase-in period. There will be an intricate formula – added value and also added costs.

Question – How does the fibre allocation system work

Answer – Internal company needs are 70% - the rest are contractual obligations. Mill capacities and returns are taken into consideration – mills can be flexible enough and have to "earn the right to run".

Question – Public perception – can you expand on that?

Answer – If company is not satisfying local needs, company cares what people think.

Question – What about 100% recovery mills?

Answer – Best mills run around 94%, making waferized and strand material. Engineered products best –(less waste)

Question – What are the other companies buying fibre from Stillwater?

Answer – Chemainus mill, Delta mill, Interfor, Timberwest, and others such as brokers in Vancouver.

Question – Where are the local sales?

Answer – Norske, Goat Lake Forest products, Driftwood Cedar, Jackson Cedar, General mills and others.

Question – Why no sales to Europe?

Answer – Huge transportation problem.

Question – If logs are sold to other companies – could they end up being exported?

Answer – A low number, maybe.

Question – Will export market be up from last year? (4.7% 2003 year to date compared to 9.5% for 2002)

Answer – Japanese market is good –exports may be up a bit from last year.

Question – Where is the exported timber going?

Answer – US, Japan, Korea and China.

Question – Is mixed timber going to the open market?

Answer – Yes, mixed is not usually suitable for our own mills. Company tries to protect volume for its own mills.

Question – What about smaller custom cut mills?

Answer – Opportunities exist for the smaller specialty mills to compete – have to adjust to market changes.

Facilitator noted that one of the group's values was "local employment".

Question – Local sales allocation – 20,000 cubic meters to local small business – how much for Norske?

Answer – Norske has been allocated 40,000 cubic meters so far this year – last year they received 54,000 cubic meters.

Question – How do the other broker type customers operate?

Answers – They are free lance operators - drive around with cell phones in pick up trucks and put together small deals and packages, sometimes work 24 hours putting deals together.

Question – What are the rules for export?

Answer – Ministry of Forests sets the rules. Different for crown and public land.

All surplus must be advertised for 14 days

OIC (order in council for special circumstances)e.g. Skeena

IR (Indian Reserve or private land)

Question – What happens when forming partnerships with First Nations if First Nations become the owners of the land?

Answer – Allotment of tenure back to First Nations will have same rule of tenure ownership. Only IR different (1906 – Douglas treaty).

Question – Will they be subject to the same forestry regulations?

Answer – Government will keep same regulations – but different levels for First Nations, crown land and private land.

Question – Rules to apply to Crown land only?

Answer – Crown and private land – all monitored by Ministry of Forests.

Question – OIC (order in council) explain?

Answer – Company can ask government for permission to export in special cases (Mission, Squamish for example).

Question – Domestic buyers can offer on any advertised package?

Answer – Domestic buyer is only required to pay current domestic price.

Question – Stumpage based on auction – is international bidding allowed?

Answer – Only domestic bidders allowed.

Question – Who decides on the 20% clawback?

Answer – Government – polygon picker – they will look at the profile and will take a cross section.

Question – System won't have anything to do with local needs?

Answer – To be fair it should be cross-sectional and use blocks that will be average.

Question – When will 20% takeback take place?

Answer – There will be a three-year phase-in period.

Question – Timber exports are made for financial reasons?

Answer – Yes - saw mills should be internationally competitive.

Question – Is the trend towards raw log exports?

Answer – Yes – 10% last year – Exports are for economic reasons and will be done only when company has to.

Question – Is wood being sent to Washington mills because it is cheaper to mill there?

Answer – No - timber is sent to Sierra Pacific, Timpson and Roseburg. US mills are always looking for cheap logs. Pacific North West only come north when the dollar is strong.

Question – What is the difference in stumpage for public and private lands.

Answer – If log is worth \$100, costs are \$80, stumpage is \$20.

Government monitors what log is sold for and deducts a certain amount for costs.

Question - What about profit margins?

Answer – Profit margin is a small amount, company is trying to improve costs.

It was noted that there is an appraisal manual that calculates on rolling average for three months. Government looks at average actual costs to see if it is an efficient operation. e.g. barging costs from Queen Charlottes are higher. There are changes in costs according to area. Crown logging in the last year has been bad.

Question – Member noted that they couldn't think of any other business where the government takes away profit. If private land will owners have to pay the same stumpage? It doesn't seem equitable.

Answer – In this market system no major tenure holder is making \$ in BC today.

Question – How can contractors make money if Weyerhaeuser can't?

Answer – Not a lot are making money.

Question – Are CVD's (countervail duties) used to get Canada to export more logs?

Answer – The eastern states had \$1.2 billion exports. (WTO ruled against) WTO reviewed CVD case and do not believe they are subsidizing – Case will go back to NAFTA.

Question – Is NAFTA forestry exempt?

Answer – All forest products are under the same umbrella – water and hydro are exempt.

Question – What is the difference between M3 and Scribner scales?

Answer – Logs may be sold by the ton, may be US \$ per cubic meter, but we always look back to the cubic meter scale. Scribner scale is the amount of board feet that can be used.

Question – After all \$ are compared, using Scribner scale, would it be the same price in Oregon?

Answer – No – there would be somewhere between 6%-8% improvement in value in US. 15%-20% improvement in Japan. Ocean freight for boards and logs – logs are a disadvantage to ship compared to board lumber.

Question – Who is buying our wood today?

Answer – US mills are paying more today. Japan uses high-end wood, China and Korea use low end. Some are buying pine from New Zealand – depending on the currency.

Question - How does the company access international markets?

Answer - There is a marketing team that buys and sells in the international market.

Question - Does the international market demand a higher level product?

Answer – No Korea and China use low-end to make boxes and other products.

Question – Historically logs went through company's own mills that demanded fibre- same today?

Answer – Yes. The need for clear wood today is not the same as before. Alders and veneers are needed for the structural market. Engineered wood is taking the place of solid wood products.

Question – In new market system, how does the market get its share of the profits?

Answer – It's up to the company to get the best stumpage rate.

Question - New proposed forest regulations are reducing the minimum cut – if markets are poor could the company shut down? Where are decisions made?

Answer – Canadian division of company will make decisions for BC Coastal group. It would be a BC based decision.

Question – With the new bid based system, with stumpage predetermined, what about blue book cost?

Answer – Blue book cost goes away, system will take other bidders.

Question -With CSA, there are socio-economic values – what about employment and spin-offs in the community? What about contractor's needs? When mills are separate from the TFL they are under no obligation to keep running?

Answer – Days of the larger mills will disappear. There will be a growth of new, smaller, entrepreneurial mills throughout the province. Lots of big old sawmills are already closing. Some new specialty mills will open and survive.

Question – If someone cuts down trees on private land, does someone monitor where they are sold?

Answer – If private land and the permission from the owner was received, ok to cut and sell the logs.

Question – Where could they sell trees that were cut down?

Answer – Weyerhaeuser would buy if assigned by owner.

Question – What about trees that are stolen or illegally cut?

Answer – There is probably a small black market. Law requires placards and hammermarks for truckloads of lumber.

Question – What makes you think there will be a growth in small entrepreneurs in BC?

Answer – Different products are being made – opportunities for niche markets.

There is a need to re-create industry using better wood products.

Chair thanked Richard on behalf of CAG for the presentation and all the information provided.

BREAK 7:40 – 7:55pm

Terms of Reference Committee report

Copies of the draft changes to the Terms of Reference were provided for the group. Discussion on the changes and possible changes/additions took place. A glossary will be added to the final draft. Final review and acceptance of the Terms of Reference will take place at the next meeting.

Nominating Committee

Nominating committee (one person) was elected to take nominations for upcoming elections for Chair and vice-chair.

Open House Committee report

Members of the open house committee noted that they have been working hard to plan the annual CAG open house on June 10th, 2003. It was noted that the following items have been arranged or are "work in progress".

Advertising – reader boards, newspaper advertisements, radio announcements, website and posters

Media – Shaw cable and Eagle radio will cover the event

Food and refreshments will be served

Music will be arranged

160 Invitations have been sent out by mail, others by e-mail

Looking for a speaker

Mayor and Sliammon have been sent special invitations (Accord)

Badges for CAG members and name tags will be provided for guests

Seedlings will be provided by Weyerhaeuser

Trees on loan from Springtime Nursery

Twelve – fourteen booths already booked

Door prizes – more are needed

Five or six interpretive hosts are needed

Set up/tear down crew needed

Sign-in table – people needed

Comment sheet – work needed and suggestions for questions

Thank you list

MC Script and agenda

FSP Audit

Doug McCormick

Doug reported that the last six blocks were audited and the audit went very well. It was noted that there were less issues than last time. Report will be sent out early next week It was noted that one CAG member attended on the first day but was unable to attend on the second day. Member suggested that in future an alternate could be on stand by in case of unforeseen circumstances.

ACTION – FSP audit report will be sent out to members.

Operational Information Map- summer break

Doug asked the group whether the Operational Information map should be sent by e-mail in July and August when the group does not meet. Any questions regarding the map could be e-mailed. Members agreed to this arrangement.

Biosolids

Member acknowledged that recent correspondence from the municipality was received.

North Island Field Trip Report

It was reported that three CAG members joined the North Island advisory group on a field trip May 3rd 2003. Members walked a block where there are problems with elderberry and salmonberry. It was noted that the company is considering using herbicides where none were used in the past. CAG members from North Island had a lot of questions regarding the use of herbicides. They were not aware of the planned use of herbicides and requested more information. CAG members from Stillwater brought back some questions that will be answered at the next meeting. Member asked about manual brushing in the Stillwater area. It was noted that the Stillwater area has spent more over the last five-seven year period on brushing than the North Island. Member noted that even when areas are sprayed, salmonberry still grows back. It was noted that girdling always kills the alder when used. Another member noted that when 3000 seedlings were planted and the area manually brushed, salmonberry killed the seedlings. Different types of soil were discussed – comparisons made between the soil in Stillwater and the soil on Vancouver Island.

Question – Member asked about the difference between green-up and free to grow.

Answer – Government says the area must be brushed and free to grow in eight to ten years. Green up can be achieved quicker than free to grow. Green up can be 3 meters and when the stumps can no longer be seen. Harvest plans are determined by green up, not free to grow.

Open House date – June10 2003

Member noted that there is a council meeting on the same night.

Action List

Members were asked to review the action list, and to complete tasks if assigned to them.

P.R. Wood

Guest Gary Jackson described the new association of value added businesses P.R.Wood, which has held two meetings so far. It was suggested that the group could formally invite someone from the new association to a CAG meeting and to sit at the table to promote the value added business community.

Facilitator suggested a new another seat or a second alternate seat for the existing value added seat.

ACTION – Send invitation to P.R. Wood to attend a CAG meeting.

Softwood Lumber dispute

Question – Member asked how the softwood lumber dispute has affected business in Powell River.

Answer – Contact Community Futures- they have information on this subject.

Chair noted that Powell River is one of the designated communities under a federal programme and funding is available for various projects.

Community Futures will disperse funds. Interested members should call Community Futures at 604-485-7901. Statement of interest deadline is June 2 2003.

Rainy Day Lake Fish Farm proposal

It was noted that the Regional District would not support the proposal for a fish farm on Rainy Day Lake. Copies of motions from the Regional District meeting were provided. Some clarification was required (page 8) regarding the motions. It was noted that several groups including Weyerhaeuser had written to Land and Water BC to voice their concerns, mainly based on the size of the lake. Member asked about timeline for answers. The government has 140 days from the date of the application to respond.

Communications

Doug noted that communications between the company and Sliammon had recently broken down.

Advisory Groups' Nanaimo workshop May 30-31 2003

Facilitator noted that seven members would be travelling to the island on May 29th. A field trip to Al Hopwood's FSC certified woodlot was planned prior to the Nanaimo workshop.

Coastal Silviculture Conference

June 18-19 2003

Facilitator noted that three CAG members plan to attend the Coastal Silviculture conference in Powell River on June 18th and 19th.

Windsor Lake

Doug noted that engineering teams need to make some plans to load out at Windsor Lake. Proposal will be brought to CAG meeting on June 25th 2003.

Extra meeting

Facilitator suggested the possibility of an extra meeting on June 18th if needed.

Next scheduled meeting – June 25th 2003

Open House – June 10th 2003

Meeting Adjourned 9:20pm

Stillwater Timberlands Advisory Group		
May 28th 2003		
Attendance		
Name	Position	Member Seat
<u>PRESENT</u>		
Eagle Walz Chair	Primary	Recreation
Jane Cameron	Alternate	Recreation
Michael Conway-Brown	Primary	Environment/Access
Russell Storry	Primary	Local Govt (Municipal)
Ken Jackson - Vice-Chair	Primary	Recreation
Joanne Cameron Nordell	Primary	Local Business
George Ferreira	Alternate	Local Business
Jack McClinchey	Primary	Motorized Rec.

Debby Waslewski	Primary	Citizens
Dave Rees	Alternate	Tourism
Nancy Hollmann	Primary	Environment
John Passek	Alternate	Motorized Rec.
Les Falk	Alternate	Erg District
Kathleen O'Neil	Primary	Education
<i>12 seats represented</i>		
<u>ABSENT</u>		
David Gabelhouse	Alternate	Local Govt (Municipal)
Rory Maitland	Primary	Contractors
Bill Maitland	Alternate	Contractors
Kevin McKamey	Alternate	Contractors
Patrick Brabazon	Primary	Local Govt (Regional)
Dianne Mason	Alternate	Education
Dave Perrin	Alternate	IWA
Peter Ranger	Primary	Forest Dependent
Sonny Rioux	Primary	IWA
Lorne Marr	Alternate	Recreation
Terry Peters	Alternate	Citizens
Paul Holbrook	Alternate	Forest Dependent
Andrew Pinch	Primary	Tourism
Jason Lennox	Alternate	Tourism
Christine Hollmann	Alternate	Environment
Resource – other - present		

Doug McCormick	Stillwater	Timberlands
Ray Balogh	Stillwater	Timberlands
Bob Alexander	Stillwater	Timberlands
Colin Koszman	Stillwater	Timberlands
Guest	Richard Ringma	Weyerhaeuser Nanaimo
Public	Two members	
Cathy Bartfai	Facilitator	
Pam Dowding	Secretary	