

APPENDIX A

Summary of Pilot Project Participants

1. BC Timber Sales

In 2003 BC Timber Sales replaced the Small Business Forest Enterprise Program (SBFEP) that was originally established in 1978. The transformation of the small business program is part of widespread policy and organizational change across the Ministry of Forests targeted at revitalizing British Columbia's forest industry. BC Timber Sales has been set up as an independent organization within the Ministry of Forests, with financial independence from regional and district operations. The new organization will sell timber competitively through auction and has been set up to handle an increase in the volume sold.

As part of government's commitment to revitalizing the province's forest economy, a new market-based pricing system will be introduced. Under this system, the price of Crown timber harvested on all tenures will be based on the selling price of Crown timber competitively auctioned through BC Timber Sales. BC Timber Sales currently provides access to 13 per cent of the provincial allowable annual cut however to support the new system, BC Timber Sales will increase the amount of timber it auctions to 20 per cent of the provincial allowable annual cut. All cutting licences in the program will be awarded to the highest bidder, and the auction rules will be amended to provide a clear, consistent administrative framework.

The Peace-Liard Business Area of BC Timber Sales geographically encompasses the Fort Nelson and Peace (formerly Dawson Creek and Fort St. John) Forest Districts. Field teams comprised of field oriented staff reporting to the main timber sales office are located in Dawson Creek, Fort St. John and Fort Nelson. Currently each field team location associated with individual timber supply areas retains its allowable annual cut apportionment. The Fort St. John location currently has a coniferous apportionment of 147,218 cubic meters per year and a deciduous apportionment of 180,000 cubic meters per year. However 70,000 cubic meters of the coniferous apportionment has been awarded to a Section 13.1 non-replaceable forest license (A59959) Cameron River Logging which has since also become a participant in the pilot project. The remaining 77,218 cubic meters of conifer and the 180,000 cubic meters of deciduous will be auctioned competitively with timber sales being awarded under Section 20 of the *Forest Act* subject to market demand. In addition to this volume BCTS in Fort St. John has been allocated an undercut volume of 336,449 cubic metres which is to be disposed of over the next five year period, 2005-2010. The Bill 28 timber reallocation will also direct an additional volume of 294,841 m³ annually to the program, which will be coming from Canfor's A18154 Forest License.

2. Cameron River Logging Ltd.

Cameron River Logging Ltd. (CRL) operates as a custom manufacturer of softwood products in Taylor BC (approximately 15km south of Fort St. John) for distribution to various value-added manufacturers. The company also processes hardwood logs provided by North Peace Timber Ltd. (NPT). CRL and NPT are both highly dependent on Canadian Forest Products Ltd. (Canfor) as it is the only primary lumber manufacturer in the Fort St. John area. A trimblock recovery system has been implemented at Canfor's Fort St John sawmill that will provide the CRL processing facility with approximately 21 million board feet of unprocessed trim blocks per year over the term of the licence. CRL's processing facility will then sort, grade, chop, rip and manufacture the unprocessed trim blocks. CRL is also responsible for the 1" rough sort for Canfor's Fort St John sawmill.

CRL is the holder of Forest Licence A59959 that has an allowable annual cut (AAC) of 70,000 cubic metres of timber from coniferous leading stands located in the Fort St. John Timber Supply Area (TSA). This is a non-replaceable forest licence with a term of 15 years. The company has a full time employee base of 29 people, and has retained the services of Canfor to manage all aspects of its forest licence (i.e. planning, harvesting etc) on their behalf.

3. Canadian Forest Products Ltd.

Canfor is a leading integrated forest products company based in Vancouver, British Columbia. The company is the largest producer of softwood lumber and one of the largest producers of northern softwood kraft pulp in

Canada. Canfor also produces kraft paper, plywood, remanufactured lumber products, oriented strand board (OSB), hardboard paneling and a range of specialized wood products, including baled fibre and fibre mat at 34 facilities located in BC, Alberta and Quebec.

Canfor has an annual production capability of approximately 5.2 billion board feet of lumber, 950 million square feet of plywood and OSB, 1.2 million tonnes of pulp, and 142,000 tonnes of kraft paper. Additionally, Canfor has approximately 13 million cubic metres of allowable annual cut under its forest tenures, all of which will be ISO 14001 certified. Canfor (CFP) is listed on the Toronto Stock Exchange. The main operating company is Canadian Forest Products Ltd., from which the name Canfor is derived.

Canfor operates a random length dimension sawmill near Fort St. John that currently produces spruce-pine-fir lumber for the North American housing market and the British Columbia secondary manufacturing industry. Canfor has a strategic alliance with several large US owned do-it-yourself retailers and is one of the major suppliers of premium quality lumber to that market.

Canfor's Fort St. John sawmill consumes approximately 1.1 million cubic metres of coniferous timber annually. The primary source of this timber is Forest Licence A18154, a replaceable coniferous forest licence with an allowable annual cut of 704,793 cubic metres. Additional sources of timber currently include 70,000 cubic metres per year from FL A59959, and 83,498 cubic metres per year from FL A60972, two non-replaceable FL's held by other participants. The remainder of the required volume is purchased through the BC Timber Sales Program, or from private landowners.

In 1999, the Ministry of Forests offered Canfor and West Moberly First Nations the non-replaceable Forest Licence A56771, which permits an annual harvest of 150,000 cubic metres for a period of twenty years. Canfor has finalized a joint venture agreement with Dunne-Za Development Corporation. This licence will be managed by Canfor.

Through its acquisition in 2004 of Slocan forest products Ltd., Canfor now operates Taylor Pulp. Taylor Pulp utilizes up to 120,000 Bone Dry Units (350,000 cubic metres) of softwood chips annually, all of which are acquired as residual chips from local sawmills. Taylor Pulp also utilizes up to 84,000 Bone Dry Units (240,000 cubic metres) of hardwood chips annually, a portion of which is received in chip form from local field chipping operations and from Fort Nelson.

In 1989 Slocan was offered Pulpwood Agreement (PA) 12, which provided the opportunity to harvest up to 500,000 cubic metres of deciduous volume in the Fort St. John Timber Supply Area and has since been amended in 2000 to facilitate the construction of an OSB plant. On June 23, 2000, Slocan and Louisiana-Pacific announced the formation of a 50:50 joint venture, Slocan-LP OSB Corp., to build and operate an oriented strand board mill near Fort St. John. Slocan-LP OSB Corp continues to manage PA 12. PA 12 is committed to supply deciduous timber to the pulp mill and the joint venture OSB mill.

4. Louisiana-Pacific Canada Ltd.

Founded in 1973 and headquartered Nashville Tennessee, Louisiana-Pacific Corporation (LP) is a leading manufacturer of building materials in North America, with facilities throughout the United States, Canada, and in Chile. LP has more than 40 manufacturing facilities in North America.

LP is one of North America's largest suppliers providing a wide variety of cost-competitive commodity and value-added specialty building products to our retail, wholesale, homebuilding, and industrial customers.

Louisiana-Pacific Canada Ltd. is the Canadian arm of Louisiana-Pacific Corporation. Canadian facilities are located in Nova Scotia, Quebec, Ontario, Manitoba, and British Columbia.

LP holds two non-replaceable Forest Licences in the Fort St John TSA: FL A60049 and FL A60050. The deciduous timber from these licences is committed to supply the joint venture oriented strand board (OSB) plant with Canfor (Slocan-LP OSB Corp.) in Fort St. John.

The Slocan-LP OSB Corp manages LP's tenures within the pilot project.

5. *Tembec*

Tembec is an integrated Canadian forest products company principally involved in the production of wood products, market pulp and papers. The Company has sales of approximately \$4 billion with over 55 manufacturing sites in the Canadian provinces of New Brunswick, Quebec, Ontario, Manitoba, Alberta, and British Columbia, as well as in France, the United States and Chile. Tembec's common shares are listed on the Toronto Stock Exchange under the symbol TBC. It employs approximately 10,000 people.

Tembec operates a high yield pulp mill approximately 30 km east of Chetwynd, BC. The facility produces Bleached Chemi-Thermo Mechanical pulp from Aspen, Cottonwood and softwood fibre (primarily residual SPF chips). The manufactured pulp products are marketed under the Temcell brand name, and are sold mainly in Canada, the United States, Europe and Asia. Tembec's Chetwynd operations employ 160 persons directly and another 90 to 100 contract employees in log yard and woodlands operations.

Tembec's Chetwynd operations consume approximately 520,000 cubic metres of hardwood timber and residual softwood chips annually. The primary source of the hardwood timber is Forest Licence A70730, a non-replaceable forest licence with an annual allowable cut of 252,000 cubic metres. The other primary source of timber is Pulpwood Agreement #13, which allows up to 200,000 additional cubic metres per year from Crown land. The remainder of the required volume is purchased from private landowners, or through the BC Timber Sales Program. Residual softwood chips are purchased from local sawmills.

As part of the purchase of the Chetwynd Pulp Mill from Louisiana-Pacific Ltd. in October 2002, Tembec acquired the rights to FL A60972, a non-replaceable forest licence in the Ft. St. John area with an annual allowable cut of 83,498 cubic metres per year. Tembec has entered into a Timber Tenure Management Agreement with Canfor, which will enable them to manage the woodlands operations for this licence on Tembec's behalf. In this agreement, an equivalent quantity of softwood chips will be made available to Tembec from Canfor's Chetwynd sawmill.

6. *Dunne-za Development Corporation*

Dunne-Za Development Corporation has finalized a joint venture agreement with Canfor for the non-replaceable Forest Licence A56771, which has an annual harvest of 150,000 cubic metres for a period of twenty years. Canfor will manage this licence.