



SPRING/SUMMER 2006, ISSUE 4

Viewpoint

A Healthy Forest, A Strong Forest Sector

National Newsletter of the
Canadian Forest Service

FIBRE CENTRE IS NOT A SILVER-BULLET SOLUTION, SAYS EXECUTIVE DIRECTOR

George Bruemmer says he is a strong believer in shining a light on a situation to obtain the desired results: "Where there's a problem, you put a focus on it and get a lot of really smart people looking at it. By doing this, you'll find answers. You'll find opportunities." For more, see page 3.

CHINA EXPECTED TO BE A LUCRATIVE MARKET OVER THE LONG HAUL

A growing desire for western-style accommodation, due partly to a rise in disposable income among middle-class wage earners, augers well for Canadian wood products in China. For more, see page 10.

CANADA'S PULP AND PAPER INDUSTRY "AT A CROSSROADS": SAYS CIBC EXPERT

The new Canadian Forest Service Fibre Centre is a key component in the struggle to prevent this country's pulp and paper industry from taking "a frightening spiral downwards," says Don Roberts, Managing Director of World Markets for the Canadian Imperial Bank of Commerce (CIBC). For more, see page 4.

"IF CANADA CAN'T DO IT, THEN WHO CAN?" ASKS ENVIRONMENTAL SPOKESPERSON

Interview with Cathy Wilkinson, Director, Canadian Boreal Initiative. For more, see page 6.



Photo: J. David Andrews

PUBLISHING CREDITS & CONTACTS

Editor in Chief:

Bob Burt

Editorial Board:

Jim Farrell
Sylvie Letellier
Gordon Miller
Geoff Munro

Production:

Sylvie Provenzano
Roberta Gal

Writer:

Tom Douglas

Editorial Staff:

Benoît Arsenault
Donna Colterman
Florence Houssais
David Tuck

Email: cfs.viewpoint@nrcan.gc.ca

URL: viewpoint.cfs.nrcan.gc.ca

Contact us at:

Natural Resources Canada,
Canadian Forest Service,
580 Booth St., 8th Floor, Ottawa, ON
K1A 0E4

Telephone: (613) 947-7346

Fax: (613) 947-7397

Canada Post Mail Agreement #: 40062948

ISSN# 1712-266X

*J. David Andrews photos from the collection
"The Forests of Canada" by Ken Farr (Natural
Resources Canada, Canadian Forest Service/
Fitzhenry & Whiteside, 2003)*

PLUS

A word from the Assistant Deputy
Minister of NRCan's Canadian Forest
Service, **Brian Emmett**. See page 2.

An interview with **Michael J. Bradley**,
Director of Technology, Canfor Pulp
and Paper Marketing. See page 8.

INVESTING IN BEING SMARTER

Accurately predicting the future is a tough business at the best of times. Preparing for the future, however, is possible and is, in fact, one of the key services Canadians look for from their governments. Some variables we can predict in a general way — we know we need to prepare for forest fires and bad weather, for example, but we don't know precisely when and where. We simply know Canadians expect governments to be able to respond when events occur.

Other variables, like the price of commodities or the volume of sales, are more difficult for us to assess. We can look at trends, for example, but focusing on a single view of the future can be a serious, even industry-threatening event.

With this in mind, much of our thinking about the future focuses on doing things that make sense when the future is necessarily uncertain. Innovation is a good example. It is hard to imagine a future in which we will regret having invested in being smarter.

The notion that Canada as a forest nation cannot influence or adapt to trends originating elsewhere is one that I do not share. While there are sure to be factors that are beyond our control, much of our future is in our own hands. Our future successes will depend less on what the world does to affect us and more on what we do as individuals, businesses and governments to bring about the greatest influence on the future of Canada's forest sector.



Photo: Couvrette/Ottawa

**Brian Emmett, ADM
Canadian Forest Service
Natural Resources Canada**

Roughly ten percent of the world's forests grow on Canadian soil and the related industries directly employ roughly 300,000

people. So, one might ask "why is it that Russia, with 30 percent of the world's forests, or countries with warmer climates and faster-growing trees do not generate the same economical, environmental and social benefits?" To me, the answer is simple — it is people. It is a simple fact that Canada has well managed firms working with highly trained and skilled people using advanced technology, operating in a framework of governance that meets the needs of consumers who demand high levels of performance, environmentally, socially and economically.

For Canada to remain ahead of its competitors, we must continue to outwork and outthink them. Innovation is critical and it is important that we think of innovation as something we can all be a part of. It is more than software and hardware. Innovation is also in the way we conduct our affairs as governments, as research institutions and as businesses. Innovation can come in many different forms, and I believe the newly created Fibre Centre will be a good example.

On balance, I have a positive view of the future of the forest industry because I believe we have the capacity to do even better. We will have to make some far-sighted decisions as governments, private businesses and as individuals. Some of these decisions may be unpopular, but I am not the first to suggest that progress and failure are two sides of the same coin. By that, I mean that we must take chances in order to be successful.

In this issue of Viewpoint, we take a look at some of the emerging trends in the forest sector and what we are doing to best position Canada to benefit from global trends now and in the future. You will find information on the Fibre Centre, the efforts of the Canada Wood program to expand and diversify our markets, the important work being done by the Canadian Boreal Initiative, and a discussion on the economic outlook for the forest sector.

I hope you find this issue to be interesting and informative and, as always, we welcome your feedback. ■

FIBRE CENTRE IS NOT A SILVER-BULLET SOLUTION, SAYS EXECUTIVE DIRECTOR

George Bruemmer says he is a strong believer in shining a light on a situation to obtain the desired results: "Where there's a problem, you put a focus on it and get a lot of really smart people looking at it. By doing this, you'll find answers. You'll find opportunities."

The Executive Director of the new Canadian Forest Service (CFS)-sponsored Fibre Centre says he firmly believes this new virtual entity is the platform from which to find the answers to a lot of the problems



**George Bruemmer
Executive Director
NRCan-CFS Fibre Centre**

facing the Canadian pulp and paper sector.

"If people are looking for a silver bullet in terms of a technological solution here in the first two or three years, they're going to be disappointed," he says. "But if what they're expecting within that time frame is the proper relationships in place, the objectives articulated and the willingness to participate demonstrated by the various partners, then I think they'll be satisfied."

The Centre is the fourth arm of a planned national forest products research institute (name still

to be determined) that will become the national body for non-academic forest-sector research in Canada. It will also draw upon the expertise of the three existing forest-research institutes — Feric, Forintek and Paprican. The Fibre Centre, launched on April 3, is referred to as a "virtual" partner in the venture because CFS scientists who have been reassigned to it will remain working in their current facilities.

"We'll be responsive to research demands from the client groups — by and large, the provinces and the forest industry," says Bruemmer. "To be responsive, you need to be flexible and to be flexible, we're drawing resources from within the CFS where they exist without actually creating infrastructure and overhead and all the costs that go with that. As the new kid on the block, we're relying heavily on our five



regional offices for infrastructure, and perhaps eventually, we'll talk about using the infrastructure of the three existing institutes. There is no intent to ever become 'unvirtual'."

As the fourth piece of the national forest products research institute, Bruemmer says, the Centre will provide upstream or forest-level research to complement the work of the three existing institutes. He adds that the forest-level research will have a strong economic focus to it.

"The objective of the Fibre Centre's research is to help the industry become more competitive in the global environment in the years to come — starting now," says Bruemmer. "The creation of the Centre and the national institute stems from concerns over fragmentation in forest-sector research. There's a lot of work being done and a lot of really good researchers but it's not being pulled together. It's not being applied. It's not being focused."

"The objective of the Fibre Centre's research is to help the industry become more competitive in the global environment in the years to come — starting now..."

"In some cases, there's duplication and, in others, the research isn't aimed at a problem that's particularly pertinent. There are opportunities for efficiency in the delivery and uptake of research and that's what the CFS is trying to lead in general. The Centre is a piece of that."

The April launch of the Fibre Centre (Bruemmer says the name will change because he's already had enough of hearing jokes about a healthy digestive tract) was the culmination of several years of negotiations among the various forest stakeholders, spearheaded by the CFS.

"Some people from the three existing institutes were heavily involved as well," says Bruemmer. "People like Alex Sinclair from Feric, Gene Cook from Forintek and Paul Watson from Paprican. As well, Fraser Dunn from the Ontario Ministry of Natural Resources and Barrie Phillips from the BC Forest Service acted as consultants. There was also a fair amount of industry input — FPAC presented a strong voice for its members, for instance."

Bruemmer says there is a lot of preliminary work to get out of the way with the new Centre: "There's a blueprint and discussions are underway. There is a lot of talk around how to merge the existing

institutes into the eventual national institute. There are all the issues around work programs and funding and people — all that stuff has to be sorted out. But I think there's broad agreement at senior levels in both government and industry that consolidation needs to occur in order to get the best research we can to improve the industry's competitive position globally."

He adds that the challenge in the first year is to take the work the task group did over the past several years and build on

it in order to enhance relationships and develop a solid research program.

"I really want to get it to a point, a year from now, where I can sit down with Brian Emmett (the CFS Assistant Deputy Minister who has been a driver of the concept), as well as other key players and say: 'Okay, this is what we've done in the first year.

Do we call it a day or do we keep going?' Obviously I want to keep going but I want it to be on the basis of merit, on the quality

Continued on page 4

GEORGE BRUEMMER HAS WORN A LOT OF HARDHATS



George Bruemmer, Executive Director of the new Canadian Forest Service (CFS) Fibre Centre, takes a lot of good-natured ribbing.

"People ask me if I'm an industry forester or a government forester because I've jumped the fence so many times," he says. "People in government say they're suspicious of me because of my industrial background and people in the industry say: 'Oh, you're a government guy. We can't trust you either.' Actually, having worked on various sides is rather useful in the context of my new job."

Bruemmer adds that he doesn't want to have any labels pinned on him: "My answer is none of the above. My interest is in the forest and in doing something that will promote, not only the industry, but also the communities that depend on the forest to sustain them. Those are platitudes, but that's what I'm up to."

Bruemmer graduated from the Forest Technician program at Algonquin College in 1977 and from the B.Sc. Forestry program at Lakehead University in 1981. He has worked as a field forester for industry in the Thunder Bay and Chapleau areas and with the Ontario Ministry of Natural Resources. Then he was employed by Tembec in a variety of senior positions, most recently, as corporate Manager of Forestry Research and Development, which included the function of General Manager of the Forestry Research Partnership in Ontario.

Bruemmer is active in a number of forestry R&D organizations and is a member of the Canadian Institute of Forestry and the Ontario Professional Foresters Association (OPFA), serving on the OPFA executive from 1985 to 1987.

As Executive Director of the Fibre Centre, he is located at CFS Headquarters in Ottawa but, as leader of a "virtual" organization, he has staff reporting to him from across Canada.



Fibre centre continued from page 3

of the work done to that point and not on the basis of infrastructure or capacity.”

He suggests that, while expectations are high, they aren't very focused at the moment. “Someone said to me that expectations are the formula for disappointment. This worries me a little because there's a diversity of expectations both in terms of what the Fibre Centre will do and when it will do it. I discourage people if they look at us as the cavalry riding to the rescue because research isn't that quick. We're not going to save the industry in one year or two years or even five years.”

One of the thrusts of the new initiative, says Bruemmer, will be to look at products in the marketplace and work backwards to determine the qualities of Canadian wood that could enhance the value of existing, new and downstream products.

“It's the efficiency of connecting that value chain all the way through and then really driving the forestry side of it, which has never been driven that way before,” he says. “We're also talking about seeing the competitive advantage of Canadian fibre globally and seeing that advantage disappear because of factors such as new technologies. But we still have great opportunities due to our social fabric — a very stable government, lots of public forests, highly skilled workers and the infrastructure in place to get our products



Brian Emmett, Mary Mes-Hartree, George Bruemmer and Geoff Munro at the Fibre Centre launch.

to market efficiently. Russia has a huge natural resource, comparable to ours in quality and surpassing ours in volume, but they struggle to manage it sustainably and get it to market efficiently.”

Bruemmer says the new initiative is national in scope but with a strong regional component. “The ecology is different from one end of the country to the other; the relationships are different between the

provincial governments and the industrial players, so to say we're going to have one-size-fits-all across the country would be a mistake.”

He adds that the new venture, being virtual, is low risk: “If it doesn't work, we'll blow it up,” he says. “But if it does work — and the indications at this point are that everyone wants it to work — then we'll have accomplished great things together.” ■

CANADA'S PULP AND PAPER INDUSTRY “AT A CROSSROADS”

The new Canadian Forest Service (CFS) Fibre Centre is a key component in the struggle to prevent this country's pulp and paper industry from taking “a frightening spiral downwards,” says Don Roberts, Managing Director of World Markets for the Canadian Imperial Bank of Commerce (CIBC).

The Fibre Centre, a virtual entity drawing on the R&D expertise of CFS scientists across Canada, was launched on April 3. It will eventually be the fourth arm of a planned National Forest Products Research Centre.

“People have to realize that, when it comes to pulp and paper, we're at a crossroads,” says Roberts. “Canada is blessed with a highly skilled workforce, with a stable political and economic environment. These are conducive to long-term investments, but we have to recognize that the current model — at least for the pulp and paper industry — is broken. We have to start looking at doing not just the same thing at

a lower cost — because that would be very difficult — but at doing different things.”

The challenge, however, is whether it is possible to marshal the public and private resources to “think outside the box” and fund innovative approaches to the problem.

“In my view, the only solution is increased emphasis on R&D,” says Roberts. “The new Fibre Centre presents an opportunity. It's critical, however, that it be supported



**Don Roberts
Managing Director
World Markets, CIBC**

not just by the federal government but also by industry and the provincial governments. At the end of the day, it's industry and the provinces that have the most to lose if they don't support this kind of venture.” (See the complete story on the new Fibre Centre on Pages 3 & 4.)

He adds that, in order for the new Fibre Centre to be successful, it needs sustained funding over time that is stable and

transparent. “The notion of X dollars per cubic metre of stumpage being devoted to this undertaking makes a good deal of financial and strategic sense because it





minimizes the “free rider” problem — essentially everyone hoping that somebody else is going to put in the money — and it maximizes transparency.”

Roberts calls this an equitable funding approach because it is in proportion to how much each province cuts. “This is really a strong message that needs to go out because my guess is that, short-term, you’re going to see mostly federal funding. Industry doesn’t have a lot to kick in. They may do something, but we’re not looking at a sustained effort. It’s up to the provinces to demonstrate the kind of sustainability that the Fibre Centre needs if it is to be effective.”

“We have to start looking at doing not just the same thing at a lower cost — because that would be very difficult — but at doing different things.”

The current problems faced by the pulp and paper industry in Canada, Roberts suggests, stem from the reality that the sector largely missed the upturn in the last economic cycle, in contrast to other basic materials such as metals, chemicals and steel.

“There are basically two reasons for this — a structural drop in demand and the different role China has taken,” he says. “The best empirical proof of a structural drop in paper demand is that, in North America in 2005, the demand for newsprint fell 5.5 percent, the demand for uncoated free-sheet fell 3.8 percent, and the demand for coated groundwood paper fell by

3.1 percent. There was a slight increase of 2.3 percent in the demand for uncoated groundwood. This all has to be looked at in the context of a year where the US economy grew by about 3.5 percent, and yet, there were these kinds of decreases in the sector.”

Part of the reason for this, he says, can be attributed to the use of other technologies. “You have people using monster.com to advertise jobs rather than the traditional placement of ads in the local newspaper. It’s people sending emails instead of letters. There’s a whole range of issues out there.”

China is a major influence on markets, says Roberts, because it is still aggressively building paper and packaging capacity. “If you look at it over the last several years, China has been responsible for anywhere from 55 to 60 percent of the global increase in paper and paperboard capacity. In some grades, such as boxboard and coated groundwood paper, they’re already net exporters. With domestic capacity rising 23 percent this year and a further 17 percent next year, China may even become a net exporter of newsprint if there is any slowing in Chinese demand.”

Roberts says that, where China’s massive acquisition of most basic materials drives the prices up due to a global shortage of the commodity, this is not the case with wood fibre. There is an abundant supply outside of Canada from such competitors as Brazil and Russia, for instance.

Roberts predicts that increases in supply from offshore markets will also cause a drop in lumber and panel prices over the next couple of years. “But, given the strong

balance sheets and reasonable valuations in the solid wood sector, we see little downside risk, at least for the share prices,” says Roberts. “That’s quite a contrast to the pulp and paper sector where the balance sheets are much weaker.”

Ironically, pulp and paper prices are expected to rise over the next few years, but mostly for the wrong reason — the closure of higher cost facilities and thus a drop in supply. “When we talk about closures, these have already occurred of a magnitude that is meaningful in the global picture,” says Roberts. “Our view is that these capacity closures are not only going to continue in North America but increasingly in Europe. This is just part of a longer term trend of the migration of the pulp and paper sector from the northern hemisphere to the southern.”

For these reasons, the Canadian pulp and paper industry has to realize that, if it keeps doing the same things, it will keep getting the same results. Innovative thought, including projects like the Fibre Centre, is essential if the sector is to survive.

“We’re not looking at a short-term solution,” says Roberts. “If it were easy, we would have already done it.” ■



"IF CANADA CAN'T DO IT, THEN WHO CAN?" ASKS ENVIRONMENTAL



Photo: CBI

Interview with Cathy Wilkinson, Director, Canadian Boreal Initiative

The Canadian Boreal Framework passed its second anniversary in December. Has there been any progress made toward its goal?

There's no question that there is some momentum building. We've had some new signatories and some new members have joined the Boreal Leadership Council. We've signed a number of memoranda of understanding with First Nations, as well as with The Nature Conservancy and The Ethical Funds Company. We've also started increasing our outreach with governments.

You have said that it's crucial to get federal and provincial support behind you. Is this happening?

In January, we signed an agreement with the Government of Newfoundland and Labrador to support identification of key protected areas in Labrador. We consider this a great move forward. And we're also working with jurisdictions like Manitoba to help support proper land use planning in some of the areas of concern. At the same time, we want to go further faster, recognizing that there is a time-limited opportunity to get the planning done in advance of industrial development.

What has the reception from the various levels of government been to your initiatives?

There's a growing recognition that we have a unique opportunity in the boreal to actually plan in a proactive way for development that both sustains communities and is good for the economy, but also provides conservation solutions for our protected areas. I think there's also a recognition that this way of working, by bringing various sectors together — industry, First Nations, conservation groups — with a focus on solutions, is a powerful way of moving forward. The key thing governments can do is mandate that planning in advance and invest in it so that First Nations are at the table and the science information is available. That way, we can

come to these decisions before conflict situations erupt.

Forestry officials in the United States have expressed an admiration for the way the various stakeholders in Canada can usually resolve their differences without resorting to litigation. Any comment?

I'm endlessly fascinated by the differences between Canada and the US at a really broad level. One of the real differences between our two countries, as someone once said, is that Canada is a country formed of evolution, not revolution. As a result, we do tend to be more consensus-oriented. Canadians seem to cleave to consensus where possible. That doesn't mean conflict never happens here. Part of the dynamic of the boreal is that, where we haven't had the opportunity to be proactive, we are seeing conflicts erupt.

Were you pleasantly surprised or even shocked at the co-operation you're getting from industry?

It's really a fascinating trend for those of us who have watched these issues play out over the last 10 or 15 years. We have seen a sea shift within the forest sector — certainly at least from the leaders who have found out what happens if no consensus is reached and conflict erupts. I can't speak for them, but I think that Domtar and



SPOKEPERSON

Tembec and Al-Pac are trying to get ahead of the curve. They want to make sure they understand the social licence issues they're engaging in with different stakeholders.

Would it be fair to say that this also gives them the opportunity to put their side of the case forward and let the other stakeholders see where they're coming from?

Absolutely. When we first brought this somewhat unusual group of folks together, we didn't know whether they would actually want to continue working as a group or whether they would sign the Framework and then all go back to working in their own ways. What we found was that there was a real interest in continuing to work together, but it has also required a shift in culture on all sides. Everyone had to learn how to approach the issues, understand where different folks are coming from and try to figure out what that means in terms of moving forward.

Would you say that a spin-off benefit of what your group is doing is an enhancement of Canada's reputation on the international scene?

Certainly, we hope that it will contribute to market share and international recognition, but the key, really, is that the recognition be

for results on the ground — not just talking nicely to each other.

When the Framework first came out, there was some criticism that setting aside 50 percent of the boreal in a network of large, interconnected, protected areas was too much.

There are those who think it's too ambitious and there are as many who don't think it's ambitious enough. But we're talking a massive ecosystem here — it's 58 percent of our country. So much of the region is intact, and we actually have an opportunity to do things differently and focus, not on what is the minimum level of protection that's possible or needed, but what actually is appropriate to maintain the region's ecological health in order for it to continue to provide the kind of natural services we all rely on.

Natural services, but also, the livelihood of the people who live there and rely on the resources?

Of course. A very strong component of our work is with First Nations communities, recognizing that it's very important for those communities to be sustainable. We're not against development. But we also recognize that this can be different in different places. It's not a cookie cutter solution that maintains that what is appropriate for Labrador is necessarily appropriate in BC. Getting the planning right and getting that

balance based on the social, economic, cultural and ecological values is what's really key.

You've been quoted in the media as saying it's cheaper to do something now than to try to fight a rearguard action later.

If you look at the cost of restoration — trying to recover ecosystems once they're destroyed — the amount of money required to do that is so much more than what's required to plan properly from the outset. It's kind of like your retirement. If you start saving early and invest in your future, it's much cheaper and efficient than if you wait until you're in your 40s or 50s. That's what my mother says anyway.

Any parting comments?

Great opportunities bring great responsibility. If you are blessed with a relatively stable democracy and a relatively stable economy and enormous natural resources, it is incumbent on everyone so endowed to ensure that we are doing the best we can do, irrespective of what other nations are doing. The boreal is such a unique opportunity to do things differently. If Canada can't do it, then who can? ■

THE CANADIAN BOREAL INITIATIVE (CBI)

This Ottawa-based, non-governmental organization was formed in January 2003 with a mandate to work with a wide range of conservation organizations, First Nations, industry and other interested parties to link science, policy and conservation activities in Canada's boreal forest.

On December 1, 2003, the CBI's Boreal Leadership Council released the Boreal Forest Conservation Framework. Its goal is to conserve the cultural, sustainable, economic and natural values of the entire Canadian boreal region. It calls for the employment of the principles of conservation biology to protect at least 50 percent of the region in a network of large, interconnected, protected areas and support sustainable communities; world-leading,

ecosystem-based resource management practices; and state-of-the-art stewardship practices in the remaining landscape. Members of the Leadership Council and original signatories to the Framework are:

- Alberta-Pacific Forest Industries
- Canadian Parks and Wilderness Society
- Deh Cho First Nations
- Domtar Inc.
- Ducks Unlimited Canada
- Forest Ethics
- Innu Nation
- Poplar River First Nation
- Suncor Energy Inc.
- Tembec Inc.
- World Wildlife Fund (Canada)



NEW FIBRE CENTRE SHOULD FOCUS ON UNIQUENESS OF CANADIAN WOOD

Interview With Michael J. Bradley, Director of Technology, Canfor Pulp and Paper Marketing

Do you consider Canada to be a world leader in forestry?

Most of my experience lies in pulp production. We export these products globally and come up against competition globally. From an R&D perspective, Canada hasn't had the lead for some time.

Can you pinpoint the reason for this?

We've had good institutes, but they've been focusing on shorter-term objectives. The scientific practitioners within the institutes are well aware of this, but they have been reflecting the needs of their members — companies that have been having an extremely difficult time financially.

Because of the industry's cyclical nature, we've had periods of poor performance and contributions to the institutes



Photo: Canfor

Michael J. Bradley
Director of Technology
Canfor

have been reduced. Concurrent with that, we've had the desire for short-term gains: How can we save a dollar on the bleaching costs? How can we increase the yield by an extra one percent? All very laudable — they're genuine research activities helping us survive, but not helping us in terms of international competition.

To what effect?

We've been falling behind our European competitors in R&D. Not our American competitors because they've been suffering from a similar malaise and focusing on the short term. Most of their institutes are a shadow of their former selves.

But with Sweden's STFI-Packforsk, for instance, there's evidence of initiatives aimed at pushing the boundaries. In Finland, the Wood Wisdom project brought together

research in a range of disciplines to learn how to get more value out of wood. This was fairly new and innovative technology. There have been no similar programs in Canada. We've dropped the ball.

Is there any way of picking it up again?

The expertise is here; the institutes, in particular, are internationally renowned. The resources are here. The pilot plant equipment is here. It needs a kick in the right direction. I'm optimistic that the new Fibre Centre (a virtual R&D initiative drawing on CFS scientific expertise — see article on pages 3 & 4) will encourage more joined-up thinking in the research activities taking place and possibly provide more funding. At the end of the day, it comes down to what's affordable.

What should be the focus of this new initiative?

We have a unique resource, but too few people realize this and are prepared to capitalize on it. A lot of our wood is first-growth forest. It grew very slowly when the climate was more severe than it is today. In BC today, we're seeing much warmer weather but that doesn't matter in

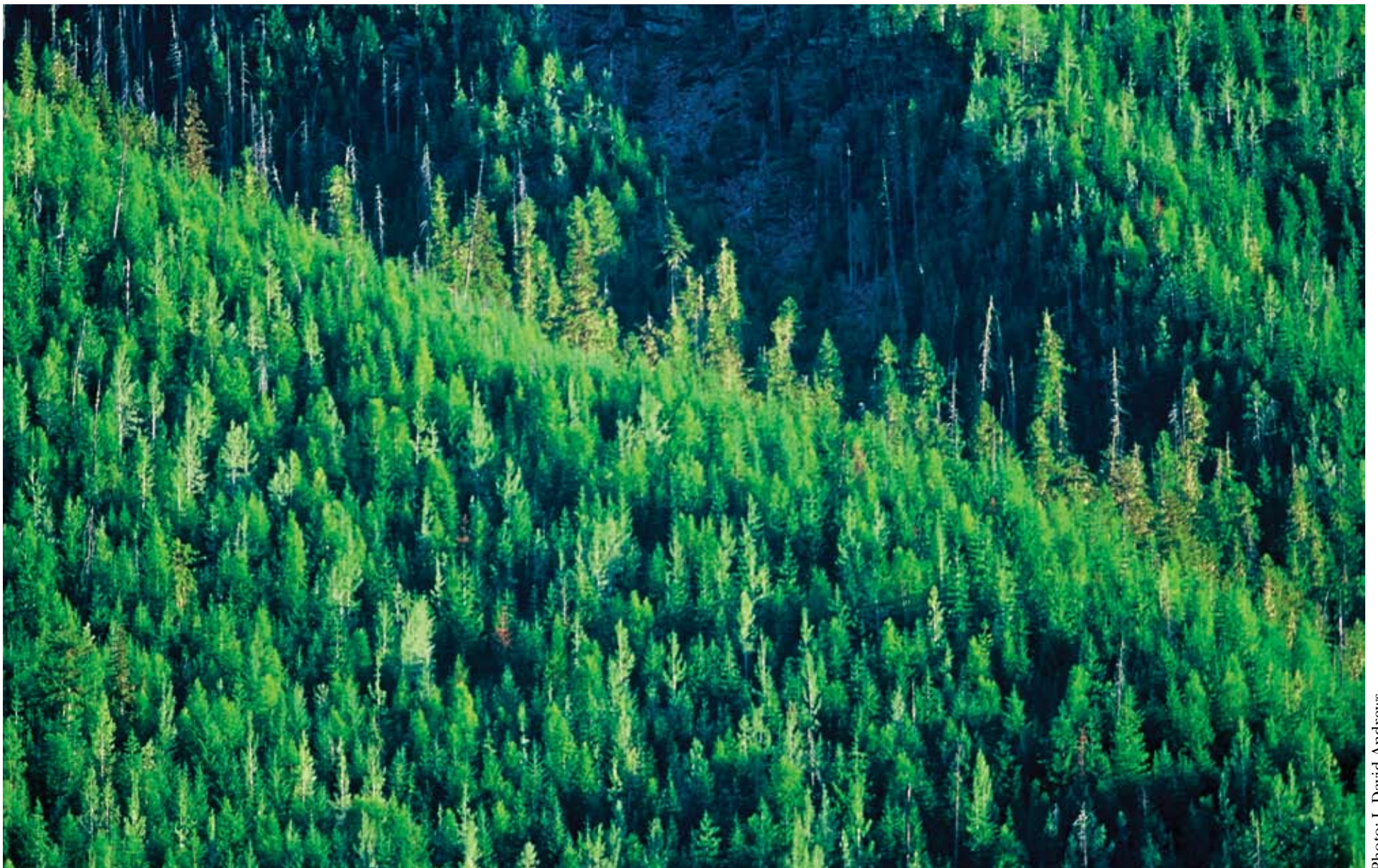


Photo: J. David Andrews



this context. It allows the Mountain Pine Beetle to flourish, but it doesn't affect the properties of the wood we're talking about. The trees are 150 years old, so it was the weather 150 years ago that matters.

One example of this uniqueness is microfibril angle (microfibrils are structural components of each fibre). Because the trees grew slowly, the fibril angle within a Canadian black spruce or white spruce is much lower than in, say, a southern yellow pine or a Scandinavian spruce. Without getting too technical, this means we have a unique set of fibril angles in our species due largely to the slow growth rate. This gives our pulp inherent properties that we should be exploiting as advantages. Other unique properties include length and wall thickness of fibres. These are quite different from those of competitive fibres, and they are inherent to the resource. This is Mother Nature's bounty — we should be exploiting it to the maximum, not squandering it!

And you say that not enough people are aware of this?

Here's an example. The Canadian Forest Inventory Committee was looking for activities in which to get involved. One of the proposals was: Let's define the Canadian advantage. Let's find out if it's real. Let's find out how unique it is. Once we've done that, we'll know what to do with it: communicate it, research it and so forth. It didn't get sufficient support — not enough committee members were enthusiastic about looking into the issue — and the concept died.

Is there a way to resurrect it?

I don't know but I would certainly suggest it happen if possible. The Canadian Forest Inventory Committee is currently looking more to transformational technology. This is sexier language and that's what gets people's attention these days. There's no reason why, within a transformational technology project, you couldn't say: If we're going to transform things, how can we take something that's uniquely Canadian and transform it into something that is 'unique squared' to take even further advantage of it? One could even argue that this would be true eco-efficiency too.

Are you suggesting that the competition would do that?

Scandinavian researchers looked at the diverse mix of fibres going into their pulp

mills. Their trees are younger because they're mostly from managed forests, and thus, there's a lot of variability within the mix. This was detrimental to the performance of the fibre on a paper machine so they developed a very simple screening technique. Some mills have installed it and have used it to upgrade their products.

So they took an inherent property — in this case, the variability of their raw materials — understood it, developed a new technique and improved the product. I'd like to think that we could take something like our fibril angle and find some way to utilize that — to segregate it, screen it and treat the fibre in a special way.

Too many people in the industry in Canada, not just researchers but on the commercial side as well, think we only make a commodity product and, therefore, our marketing activities are insufficiently focused on trying to differentiate.

Did the Scandinavians gain market advantage by touting this new technique?

They promoted it as being a better pulp to reinforce other mixtures. In many of today's markets, the Coca-Cola of the game is Canadian fibre. Our Scandinavian and Central European competitors sense they are probably only the Pepsi-Colas. Pepsi's job in life is quite easy — to displace Coke from its pedestal. It's much harder for Coca-Cola to try to maintain that position. If Coke starts thinking it's only another cola, it could lose that position. I'm afraid that's what's been happening in Canada with our fibre.

Do you consider yourself a voice crying in the wilderness?

There are people who certainly agree with me. Paprican has some initiatives going where members are investigating the unique attributes of Canadian fibre. So it's starting to take hold and it's better late than never. You've got universities all across the country. You've got the CFS with its big research budgets. How much of this could be brought to bear?

Are you optimistic that this will happen?

The fact that some people are talking about it shows it could happen, but it's going to take some passionate commitment by a few individuals who can get a lot more people subscribing to the idea — not just in pulp but across the product chain.

It might turn out, at the end of the day, that I'm completely wrong, that all of these advantages don't add up to anything that another fibre from another region couldn't emulate or come so close to that it wouldn't make much difference. I'd be very disappointed because I've spent a big part of my life saying otherwise. But if we don't even try to explore and understand and promote this uniqueness, then it would be a terrible shame.

How can people get involved?

They can access our technical Website at www.temap.com. Or they can contact me directly at michael.bradley@canfor.com. ■



Photo: Paprican



CANADA WOOD PROGRAM

China expected to be a lucrative market over the long haul



Photo: Canada Wood

A growing desire for western-style accommodation, due partly to a rise in disposable income among middle-class wage earners, augers well for Canadian wood products in China.

Bob Jones, Acting Director of the Industry and Trade Division of Natural Resources Canada's Canadian Forest Service (CFS), cautions, however, that China becoming a sizeable market for Canadian wood will not happen overnight.

"This is a long-term proposition," says Jones. "It could take 20 years, but we're optimistic that China will eventually become one of several markets that we're developing as alternatives to today's heavy reliance on sales to the United States. The US will always be our biggest customer, but we don't want to put all our eggs in one basket."

Jones says the Canada Wood Program, launched as a five-year project in 2002, is designed, not only to diversify away from the US market, but also to create opportunities for Canadian wood products in emerging offshore markets.

"Canada Wood is aimed as well at maintaining existing markets like Japan while trying to revitalize the European market, which was largely lost in the 1990s due to the implementation of non-tariff trade barriers and the emergence of new competitors," he says.

The federal government targeted \$7 million for the first four years of the Canada Wood initiative in China. The funds are allotted to industry associations, which match the federal contribution based on a combination of provincial government and industry funds.

"Our vision is to ensure that the necessary regulatory framework of building codes, fire regulations and other standards for the structural use of wood in single and multi-family housing is established in China and that Canadian-style housing construction techniques are well positioned to succeed in China," says Jones.

To facilitate this vision, a multi-faceted approach to developing the Chinese wood market has been followed. "The first thing we did," says Jones, "was establish a presence through the opening of two offices — first in Shanghai, then later in Beijing — in order to build contacts in government and the building industry."

Through contacts made within the Chinese government, the Program has been successful in ensuring that wood is now recognized as a building material in the latest revision of the Chinese building code. "This will open up tremendous opportunities for Canadian wood manufacturers in the future," says Jones, adding that most houses in China are currently built of concrete or steel.

The Program also supports general promotional activities to introduce Canadian wood species and their attributes to builders, consumers and government officials. This has been accomplished through participation at trade shows, the distribution of brochures and other literature, and by conducting technical seminars.

One focus of the Program is to dispel misconceptions about wood while demonstrating how its use can alleviate some traditional problems. "There is a fear of wood being easily ignited so we're working hard on changing this attitude by showing that wooden homes can be built using safe applications within the proper environment," says Jones. "Also, many Chinese dwellings have flat roofs and there have been leakage problems. We believe that a wooden roof truss system can help remedy this."

Technology transfer through a train-the-trainer program helps local builders learn the proper techniques of building with wood and passing the expertise on to others. The Canada Wood Program has established and delivered technology transfer and training programs, courses and seminars regarding the use of wood that are targeted specifically at developers, builders, carpenters, designers, architects and engineers.

The Canada Wood Program also participates in demonstration projects — giving builders, consumers and government officials a first-hand look at the benefits of building with wood. Demonstration activities also provide an opportunity to showcase a number of Canadian wood species and their use in various finished applications, for example, roofing systems and multi-family housing.

"We've seen exports to China almost double from \$59 million in 2002 to a little over \$110 million by the end of last year," says Jones. "The Canada Wood Program can't take all the credit for this, but we feel our presence has helped."

He adds that Korea is another emerging market where the task might be a little easier because there is more of a tradition there of building with wood. The Canada Wood Program has had a part-time representative in Seoul and will be opening an office later this year.

"Our goal is to create a wood culture in China and Korea that provides an opportunity for greatly increased exports of Canadian products to these markets," says Jones. "We have to drive home the idea that Canada is a quality provider of wood products and that the Canadian wood frame system is sustainable and creates comfortable housing." ■

