

Council of Forest Industries 2006 Annual Convention

Premier Gordon Campbell

April 6, 2006

Check Against Delivery

It's great to be here tonight. I want to first say how pleased I am that we're here in the traditional territory of the Westbank first nation and the Okanagan Nation and that Chief Robert Louie has joined us. Robert, thank you very much for coming today.

It's great to be here, because this conference and the theme of your conference is "A World of Opportunity," and it gives me a chance to talk a little bit about the opportunities that we face in British Columbia and that I hope you face in your industry.

The other day I was out in Langley and I was at the Chapters bookstore. I bought myself a couple of books, which is a record for me. Normally, it's four or five. I got a couple of books in Langley, and I stood in the line, and you could see some real buzzing going on behind the counter. And there was a young cashier standing there says: "Oh, come on up here. Come on over here."

So I come over there, and she takes my books, and she takes my credit card, and she says: "Do I know you?" And I sort of smile, and I said: "Well..." And she says: "You're Kurt Alberts, aren't you? the mayor of Langley township? I said: "No, I'm not Kurt Alberts, but I'm the Premier of the...." "Oh," she says, "I'm sorry; I don't know much about that political stuff."

So it keeps you humble, and it also makes you guys know in local government you're still number one in everybody's minds.

It is great to be here and to talk to COFI. And today I want to talk a little bit about opportunities, but I'm going to be pretty straightforward about it. Opportunities sit out there for us. We can decide we're going to take advantage of them, but I've noticed one thing about opportunities. They never walk over to your front door and into your living room and present themselves to you. You actually have to work to take advantage of them.

And we have tons of opportunities here. We've watched as our province has changed and our economy has changed. I could go to just about every community in the province and they'll tell me that their economy is humming.

There's a little bit of a worker shortage across the province of British Columbia now. It doesn't matter whether it's energy or even in forestry, in tourism, in technology, in health care, we have an economy that's hungry for more workers, hungry for more investment, and we have to try and respond to that. It's a different set of challenges than we may have faced at the end of the 1990s.

You look in the communities across British Columbia and you'll see some of the fruits of economic growth. In Abbotsford there's 142 percent increase in the number of housing starts. In Kamloops it's 195 percent. In Duncan it's 331 percent. In Prince George it's 269 percent. Those are big numbers. In Penticton it's 241 percent.

Now, when I see those towns, one of the really critical components of any economy of any town, of any city in British Columbia is the forest industry. It is driving opportunities. It's driving economic growth. It's driving investment. But we have to look to the future and say, "How do we maintain that?" And boy, we face some challenges as well as opportunities.

In the last number of months I've been trying to have our national vision changed in Canada. I want Canada to understand that this is the future of Canada: the west, Alberta, British Columbia. British Columbia is the only Pacific province in Canada. We're the only one.

Now, you may wonder why I'd have to underline that, but I can tell you, I remember when I was first elected a mayor. I went to a meeting, and at that meeting was a mayor named Laurence Decore, the mayor of Edmonton; and a mayor named Ralph Klein, who was the mayor of Calgary. And I was sitting there and I was very new at the job. I was quietly listening and being polite, not talking too much. And then Ralph Klein and Laurence Decore explained to the group that they were Pacific Rim cities.

I had to explain there were Rocky Mountains between them and the Pacific. We are the Pacific, and what flows through us to the Pacific is a huge number of opportunities. In Korea, one of our Pacific neighbours, we watched as there's a half a million housing starts every year. Only 3,000 Korean houses are wood frame. We're right next door, and I don't know you if you guys have noticed this: we've got a lot of wood here that we can sell to Korea. In fact, Korea wants us to recognize them as a market that's waiting for us.

We watch as wood-frame starts in Korea have doubled in the last two years, but we've got to do more. China. We're right next to it; the closest point on the continent to China — British Columbia. In China there are ten million housing starts a year. And those houses don't all have to be wood frame. We can provide all sorts of value-added wood products into those houses. If they would just let us do door frames for a little while, we'd be happy. Huge opportunities for us, and in fact, we've watched as our lumber shipments to China have gone up significantly. They've doubled since 2001.

But there's a lot more that we have to do. To achieve those opportunities, to reach them, to grab them, to harvest those opportunities, is going to require all of us to think a little bit differently. It's going to require all of us to challenge ourselves. It's not just about what this provincial government will do or what local government will do. It's what all of us will do. It's taking the challenges that are in front of us and saying: how can we walk through that door?

In British Columbia we are faced with enormous opportunities but only if we recognize the world that we live in, the resources we've got, the people that we have at work, and then face up to the fundamental question facing us: We can either get better or we can get worse. There is no status quo. There's nowhere in the world that's going to stay the same.

I know how much the industry has worked — how hard it has worked over the last five years as we moved with a new package of forestry reforms, as we looked at new ways to work such as the sustainable environmental framework that we had in place, and at results-based regulation as opposed to prescriptive regulation that we had before that cost so much and that drove so hard into the heart of the forest industry's productivity. I know how hard you've all worked. I know how hard COFI's worked.

But we can't get tired. We have to maintain the energy and enthusiasm and the excitement about what this industry can be if we work together to make it so. And that's a really important thing for us to remember. We could have the best regulatory code anywhere, we could have solved all of those problems, and we're still going to face what I think is one of the fundamental challenges we have in Canada right now: our economy is going extremely well. And I want it going well, but think of how much the dollar has gone up. Since I was first fortunate enough to become Premier, the dollar has just gone up and up and up. I think it's over 86 cents today. There were times when I was Premier when it was something like 62 or 63 cents.

Now, there are people who say maybe we don't have to make those changes. Maybe the dollar will just go down a little, and all that work we did and all that time and effort we did, maybe that will take care of itself.

It's not going to happen. The dollar is not going down.

Here's why the dollar's not going down. We are energy rich in Canada. In British Columbia we've got work to do, but we have massive natural gas and oil reserves here. People see that. We have a huge forest industry with enormous opportunities. People see that. We have a mineral industry that's driving up costs. It's driving up the value of the dollar.

And as you look at this, we've got a stable economy. We've got a relatively stable government. We have energy opportunities that are phenomenal and we have water in this province. All of those things are not designed to depress the value of the dollar. The dollar is going to keep on going up. And we have to confront that and ask: what do we need to do to make sure that we take advantage of it?

So I want to start with this one really important message. As you talk to the folks at your table or people on the other side of the room and you go to your receptions and your meeting, it is really critically important for government to hear a voice of the forest industry. We have to have a voice from the industry that brings industry together, that wrestles with what you're doing and how you're doing it and the problems you face. And I know individual enterprises will say, "Well, my major problem is my bottom line," and

I get that. But we'd better think about the whole province and the whole industry every once in a while, or we have a chance of losing some of that, of undermining some of our opportunities.

I understand there are different opinions, different ideas. And I understand the province has got different forest industries. There's the northern interior industry; there's the southern interior industry. There's the wet belt in the interior; there's the coast. But if we don't have a framework that allows us to move ahead and take advantage of our positions, and if you don't have an organization that's willing to work hard with you so you can speak with a single voice, it's much more difficult for us to take full advantage of it.

So I want to underline how important it is to have a COFI, how important it is for us to have a chance to hear from all of you, but also how important it is for you to work together, to work with local government, to work with the provincial government. Because we're going to win this when we work together, not if we fracture. And I want to say thanks to everybody who works so hard to bring all those voices into once voice. It really makes a difference to us, so thank you very much.

So we have to get more productive. We have to be more creative. The world isn't standing by while it waits for British Columbia to catch up and figure out what we need to do. We have to be more service oriented. We have to build on the quality of our products, and we have to be proud of our products as we take them around the world and talk to people about them. But we also have to be open and direct and honest with one another about what both the challenges are and how we can overcome them. And if we can do that, I think we have a very bright future for ourselves indeed.

I'm very pleased to be here with Chief Robert Louie. One of the things that we've been trying to establish in British Columbia is a sense of confidence about our future and a sense of certainty. The industry came to us and said we have to build a new relationship with First Nations. In fact, the industry was leading us in many ways and saying to us: "You know, we have to find a way that we're including First Nations in the forest future of British Columbia. We have to find a way that they see this as an economic advantage as well as a social advantage for them." That's what the "new relationship" is all about.

I think we have to understand that there are going to be times when we're frustrated. There's going to be times when we wonder what more we can do. But I do know this for sure. When we work directly with First Nations, as we have, and entered into 100 different forestry-related agreements with First Nations, there is a new energy in First Nations across the province. There is a new willingness to sit at the table with us and to say Yes, this is about all of us prospering and benefiting.

And the industry has been very helpful in that, but I've got to tell you the First Nations leadership we've dealt with has been very helpful with that as well, and that's going to be a competitive advantage for all of us in the long term in British Columbia.

I know that as you look at the industry people are saying we have to get a way that we can increase our certainty and encourage additional investment. And I believe that there are answers to some of those things if we work together. We need more capital investment to increase our productivity, not just in the interior but on the coast.

And as you listen to the people who are working there and the community leaders on the coast of British Columbia, you understand that we have some real challenges in terms of dealing with second growth. How can we maximize the benefits of second-growth forests across the province?

On the coast, like in the interior, we're going to have to have some major investments and some major long-term security for those investments so that we have a long-term industry that's taking advantage of the opportunities that are right there.

But it's going to require work. It's not 1960 anymore. It's not even 1980 anymore. It's 2006, and the world has changed in 2006. We have top-quality product. We have top-quality workers. We have top-quality business people and entrepreneurs who want to take advantage of the opportunities that present themselves, but we're going to have to change if we're willing to do this.

I'm very pleased that Dan Miller, co-chair of the Competition Council, is going to be speaking with you later this afternoon. We established the Competition Council for a very important reason. We wanted to have a place where people could come and ask: "What needs to be done?" And we wanted the Competition Council to be a place where they could come with open minds so that you could present them with what you think would be the ideal solutions for forestry.

Colin said earlier on that forestry is a great part of our heritage. Folks, I want you to know this. Forestry is not just a great part. It is an important and critical part of our future in British Columbia. You are the future of British Columbia. But we need your help to make sure we get there. We need open, unfettered suggestions on how we can improve, how we can sustain investment and encourage investment in forestry.

We've done a number of things that we think will have been helpful, e.g. the changes that we made to the Forest Practices Code to turn it to a results-based code. It wasn't the end of the discussion when we made those changes. Frankly, it was really the beginning of it. But what more can we do, and how do we do it? We recognize that what one person thinks may be different than what another person thinks, but let's at least get it on the table and let's use the Competition Council as a way for us to do that.

As we've worked to lower the regulatory cost, as we've worked to invest in the forest revitalization plan for the coast, we aimed at trying to make sure we had a long-term, sustainable industry for ourselves. But we don't think for a moment that we've finished the job. In fact, I believe that the job lies ahead of us, the opportunities lie ahead of us, and I believe that we have to encourage people from communities, from industry sectors,

from different parts of the industry, all to be part of building the kind of strong forest industry that we want.

So it's a simple question. Have we accomplished what we set out to do when we made those changes in the first part of this decade? If the answer is no, then we should say: Well, what do we need to do to accomplish those objectives? If the answer is yes, some of it has worked, and some of it hasn't, we need to hear that. Rich Coleman wants to hear it, and I want to hear it. All of my MLA colleagues want to hear it. And we need to hear it from you.

You know, there are some who still say that corporations don't create jobs. I believe that by encouraging corporations to come to British Columbia, to invest in British Columbia, we create not only wealth but we create jobs and we create opportunity. And so far, that plan has worked. We've created more jobs in our province in the last five years than any other province in the country.

That's a good start, but you know what? We can't rest. We've got to keep going. We've got to still be excited.

So as you work with the Competition Council and as you listen to what Dan Miller has to say, recognize that not only has he been a minister of forests, but he's had an opportunity to hear from many of your colleagues.

What are we going to do with the pulp industry in British Columbia? It's a huge part of our forest industry. Too long it's sat out on the side. We want to bring it right in the centre and ask: What do we do to make sure we have a healthy, sustainable, environmentally secure pulp industry in this province? If we don't, then a domino effect moves right through the economy, back down to the families in your local communities. And when it hits the families and they don't have the jobs, it hits your local retail outlets, and that changes the way your communities feel.

We have to keep making progress on identifying the opportunities we have in wood-based products across the province. Colin and I were in Torino at the Olympics and one of the things that we've said about the Olympics is that we don't want people to have any doubt when they come to British Columbia and Canada for the Olympics that wood is an important product. In fact, that's our favourite four-letter word for the Olympics: wood.

What's the best, the most sustainable environmental building material that we have in the world so far? Anybody got any ideas?

Pardon me?

Audience: Wood.

Campbell: Everybody?

Audience: Wood.

Campbell: If you don't say it, who else is going to know it — right?

It's wood. We were in Torino. We decided we were going to open a British Columbia-Canada house in Torino. Guess what we decided to make it out of?

Audience: Wood.

Campbell: Wood. And it was gorgeous. It looked rich and full and warm. It was the most popular attraction of the Olympics; 11 o'clock at night I'd be phoning home and talking to someone about what I'd just discovered at the Olympics. There would be people winding up down the street to get into British Columbia-Canada House. And you know what they saw when they got in there?

Audience: Wood.

Campbell: Are you guys getting tired of saying "wood" already? We haven't even started. Wood.

And this is what's important. It was what Colin Kinsley has called "beetle-enhanced" wood. You know what the Italians saw when they saw that wood? Do you think one of them saw a pine beetle problem? Do you think one of them went up and said to me: "You know, there seems to be a little bit of a dye streak in this wood; not sure I like the house as much with this dye streak"? Not one of them. They were sitting there saying: "This is incredible." And it's all pine beetle. I got so I wasn't telling them about the pine beetle, because they weren't even noticing it.

So as we go out and we market, we have to market our...?

Audience: Wood.

Campbell: Wood — even when it's pine, even when it's beetle-enhanced pine. It's our wood. It's a great product, and we have to remember that it's a great product.

Pine beetle's a huge challenge; don't get me wrong. It's tough, and I know how tough it is, and I know Rich talked to you a little bit about that today. But as we look the future, we not only have to think of that as an asset, we also have to think of how we take that natural asset and figure out how we're going to maximize the benefits.

So today, on behalf of my colleague Rich Coleman, Minister of Forests and Range, I am proud to announce that the Forest Innovation Investment Ltd. will be investing a record \$10.5 million to support opportunities for B.C. forestry around the world. That's the largest investment we've had out of the Forest Innovation Investment Fund. It will help us market red cedar at trade shows in France and Australia. It will allow us to show log homes and laminated beams to buyers in Mexico and Europe and China and the U.S. It'll

promote 2-by-4 residential construction in Japan and wood-frame construction in South Korea. It will help us build a better understanding in the world of what this product has to offer.

Nine million dollars of that \$10.5 million will go specifically to build those marketplaces, to create the kind of future that we want to pursue all over the world, because the world is our market. The world wants our wood.

You are the best traders of softwood in the world. We want to add to that to make sure that you're the best traders of softwood and value-added wood and value-added product to our customers in China, in India, in Korea, in Europe, in Quebec, in New Hampshire, in Alabama. We want to make sure that we are reaching out to the world and making sure that everyone understands that.

And as we look at the projects that are in front of us right now, we understand that we have to use our pine wood in the most productive way possible, and we recognize there's not one answer to that. I'm sure Rich talked to you a little bit about that. We've invested \$185 million in the Northern Development Initiative Trust. It's for northern communities to look at how they might diversify their economies and take advantage of their opportunities. Thirty million of that is specifically earmarked to deal with pine beetle and how we can take advantage of it and how we can build on that in the future.

There's \$113 million the ministry has made available over the next three years for reforestation, for environmental upgrades, for new harvesting levels, for upgrading and maintaining key forest services. There's \$90 million for the Ministry of Transportation to invest to ensure that we can move that product. Because we know how much pressure we're putting on the transportation system as we move more beetle wood out.

A lot of this has been driven by local communities: the Cariboo action committee, the Omineca action committee, for example. Local leaders want to say thank you to all of you who are working on that, because it's an important part of our initiative to make sure we maximize the benefits that we can get out of the pine beetle.

On top of the \$9 million that we are investing in developing markets across the world, there is also \$1.5 million for 17 projects to develop new uses and markets for pine beetle wood.

I want to go back to the time I spent in Europe recently. One of the things I noticed in Norway, particularly, was they've got wood everywhere. Where we have ceramic counters in our washrooms, they've got wood. Where we have ceramic or plastic for our desks, they've got wood. In their great huge ice-skating arena, the speed-skating oval they built in Norway, in Lillehammer, they have a place for the press, and it's all made of wood.

So one of the things we're trying to do with our Olympics is make sure that the first thing people see when they walk in is wood and how it can be used in so many different ways.

It's an important thing for us to do, and that \$1.5 million for those 17 projects to develop new uses and markets for pine wood will help us promote B.C. wood.

I want to say something about the new federal government, because it's very important. The MP for Kelowna, Ron Cannan, is very interested in working with us on the pine beetle strategy they've put together. Dick Harris from Prince George is adamant that he wants to make sure that his communities are properly served. Stockwell Day, from the southern part of the Okanagan, has said clearly that there's \$100 million a year that the federal government is going to invest in making sure we move through this in a way that's positive and constructive.

And all of you should know that as we look at the opportunities for value-added products, as we look at the opportunities for pine beetle lumber products, as we look at the opportunities for new laminated and engineered wood and commercial ethanol production, as we look at the opportunities in energy, it's important that you keep in touch with your local MLA, with your local mayors and your local councils. But it's just as important to keep in touch with your local MPs, because they're going to be a very important part of this.

So we should say thank you to the federal government for \$1 billion over the next ten years to help us work with pine beetle. That's a very important initiative for British Columbia.

All of this is not just about more dollars. It's not just about government saying, "What are we going to do?" It's also about you asking what are you going to do. I can tell you this. We believe as a government in the value of the marketplace in terms of generating activities. We believe in competition. We believe in free enterprise, in the imagination of the local entrepreneur, and we want to make sure that we're tapping into that.

With that in mind, we have, as you know, had market-based pricing on the coast for some time now, but I can tell you that we will be introducing market-based pricing to the interior effective September 1 of this year. That market-based pricing will better reflect the value of beetle-enhanced wood. It will also better reflect a strengthening in British Columbia's position as we deal with the softwood issues over the next number of months. What's really critical is it puts us in a position for long-term sustainability of the industry if it's fair to the industry and fair to the taxpayers of British Columbia.

I want to talk briefly about softwood. We have an opportunity now that's kind of like a picture window that will shrink over the next 30 to 60 days. I can tell you the Minister of Forests and one of our chief negotiators will be talking directly with the ambassador over the next few days and that we're ready. And I'm encouraged that they're also ready in the United States. When the President says they're coming to the table in good faith, believe me, that's a good thing, because so far, I would question whether or not the negotiations we've had have been as real as they should have been.

It's not about whether you're competitive or not. It's not about whether we've been fair or not. It's about a small group of companies, particularly in the south-eastern part of the States that are not competitive, and they've been doing whatever they can to stop us from having access.

We have a plan that reflects the diversity of Canada's industry, that reflects the opportunities we have, and it demands free access to the American marketplace in a way that will work for all of us. It will be long-term and sustainable. And I can tell you that I've got great confidence that our Minister of Forests, our negotiating team and our industry are there looking for an answer. And if the Americans are interested, we will be able to find a true answer over the next 30 to 60 days.

We're committed to doing that on your behalf, on behalf of our province and on behalf of our country. And I want to say thanks to Rich, particularly, for the work he's done on that.

So let me sum up. I think we have huge opportunities in front of us. They are much bigger than we thought we'd had in the past. The thing that's important for us to remember, though, is they're not the opportunities of the past. They're the opportunities of the future. And what will challenge us is to think of that future.

We still want to be recognized around the world as the best, most sustainable, most economically vibrant forest industry anywhere in the world. But to do that, we are going to have to think about changing what we do — changing what the provincial government does certainly, changing what local government does, of course, and changing what industry does, too.

And who better to drive changes in the industry than the industry?

We've had a very valuable relationship over the last number of years with COFI, working with the forest industry; working directly with communities, going out and reminding people how valuable this industry is to them. And today what I'm doing is offering a government with an open door, with an open mind and a government that's excited about forestry's future in British Columbia. And I ask for COFI and all of you in the room to think about the opportunities we have and think about what you will change in yourself to help us reach those opportunities.

I'm excited. We do not have to be as dependent on the American market as we've been in the past. I think there are massive markets that are opening up. It will require investment, it will require commitment, it will require focus, but we can do it.

And in this room, at least, I hope you'll leave for this lunch today remembering this: if there was any place in the world, if there was any group of people who could take advantage of this forestry asset and turn it into an opportunity for wealth creation and for job creation, for community stability and for exemplary management of our forest land base, it's this group. It's you. You're the best in the world. Let's show them that.

Thank you very much.