

West Chilcotin Forest Products

A joint venture defies the odds in B.C.'s troubled forest industry

by Maggie Julian



In the early 1990s, the communities of Anahim and Nimpo Lakes in British Columbia were facing tough times. Unemployment was very high and young people were leaving the community to find opportunities elsewhere. The few jobs that existed were found in the limited agricultural base as well as a few fish camps and tourist lodges. About 2000 people live in the Anahim area (west of Williams Lake) and more than 900 of those are members of the Ulkatcho Indian Band.

Forestry had formed a large part of the economy until Carrier Lumber's two sawmills were shut down in 1987 and 1988 due to a forest tenure lawsuit with the provincial government. The loss of the sawmills only worsened the economic downturn.

Dick Wright, a former contractor for Carrier Lumber and a director of a consortium of local, non-native investors called CAT Resources, described the situation:

"When it [Carrier Lumber activities] died there, it created quite a vacuum in the community. We've seen our neighbours losing their homes and losing their automobiles and we decided it was time to do something."

In response to this economic crisis, the

Ulkatcho Indian Band, Carrier Chilcotin Ventures (Carrier Lumber), and CAT Resources Limited launched an innovative joint venture named West Chilcotin Forest Products (WCFP) in 1995. The goal of the venture was to restart the economy with an investment in both logging and value-added manufacturing. The investment paid off. The project has created jobs for natives and non-natives and brought greater benefits to the community than anyone had anticipated.

HOW IT STARTED

Ron Fuller, director of both CAT Resources and WCFP, remembers what it was like before the joint venture began operations.

Single tree retention & an irregular harvest pattern serve to preserve biodiversity. WCFP manages forests within the Ulkatcho Traditional Territory from the perspective that "the land is not inherited from our grandfathers, but borrowed from our children." Photo credit: WCFP.

"The economy was terrible out here at the time," says Fuller. "We had nothing that could actually put people to work and we saw people moving away in order to survive – people who really wanted to stay."

The goal of the joint venture was not only to create a successful business operation but also to make a long-term difference in this struggling community. The partners, says Fuller, "had an interest in actually helping the community. That was our interest. Not just going in and taking all the wood out and doing nothing for the community."

The Ulkatcho Indian Band had applied for forest tenure for a number of years without success. A partnership between the

Indian Band, Carrier Lumber, and the non-native community would allow all parties to benefit. (In reality none of them had the capital or expertise to move forward alone.)

Bill Kordyban, Sr., founder of Carrier Lumber, was active in forming the partnership. Negotiations on a joint venture agreement took a year to complete. Each partner was required to provide a half million dollars to reach the \$1.5 million needed for initial start-up. CAT Resources Ltd. began with a few enthusiastic community members selling shares. Wright, Fuller, Stephen James (WCFP's future general manager), and Hans Luder were key players with CAT Resources along with Cassidy Sill, the Chief of the Ulkatcho Indian Band, and Laurie Vaughn, another Band member.

CAT Resources had 50 shares to sell at \$5000 a piece. Their goal was to sell two shares to each investor. Investors had to be residents or own property within the Anahim Interest Area, which included Anahim and Takla Lakes. According to Fuller, the original group who were selling shares anticipated a hard sell, but it was easier than they expected. There were community members who wanted to invest but who could only afford one share, so some shares were sold individually, and a few people purchased more than two.

Wright describes how the joint venture resulted in the award of the forest tenure:

"The government couldn't turn us all down. They might want to award it one way or the other, but if we were all in it together they had no real logical reason to refuse it."

The joint venture memorandum had established a price for one of the closed mills to be purchased from Carrier Lumber. Once operations began, a percentage of company profits was allocated to Carrier Lumber until the mill was paid off. Now each of the three partners owns one third of the mill.

DEVELOPING A MARKET

The Ulkatcho Indian Band, Carrier Lumber and CAT Resources are each involved as equal partners, with each group putting forward two representatives for the Board of Directors. Yun Ka Whuten Holdings, a

company wholly owned by the Band, was awarded the forest tenure license, but the volume is committed to the joint venture.

The forest tenure was originally issued for five years, but the volume-based tenure of 140,000 m³ has been renewed for another 20 years. This longer forest tenure was needed in order for West Chilcotin Forest Products to expand and invest money back into operations. A salvage license for 100,000 m³ extends for at least another two years.

The joint venture processes 60-65 million board feet of wood annually. The studs that are manufactured by the WCFP mill have become a recognized product in international markets. Some customers in the eastern United States are requesting West Chilcotin studs over other competitors. Stephen James, WCFP's general manager, says customers are more interested in the high quality of the product than the fact that West Chilcotin is a joint venture operation.

Customers also appreciate dealing with a smaller company. WCFP's sales team targets their products to three main markets: 50% to the United States, 40% in Canada, and about 10% to Japan. According to James, demand remains high even in Japan, and every piece of wood that gets shipped overseas is sold.

ECONOMIC & SOCIAL VALUES

Now an important factor in the local economy, the joint venture provides employment for both the Ulkatcho Indian Band and non-native residents. The project employs 120 people in various capacities, although most work in logging operations and the stud mill. Half of the employees are from the Ulkatcho Indian Band, which meets an important project goal.

The project injects \$12-14 million into the Anahim Lake and Nimpo Lake communities, and to date has operated profitably. The direct and indirect economic benefits to the area have been significant not only to the employees of the project, but also to the local stores, restaurants, and other businesses.

In fact the joint venture is currently the only steady economic base in the community, yet the benefits of the community partnership with WCFP go far beyond job creation. "I really believe that in the long run our area has come out much better for everybody because we've been able to work together with different businesses and interests in our own community," says Fuller.

The joint venture may have helped contribute to an atmosphere of co-operation among the different stakeholders in the

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Surrounded by mountains, B.C.'s spectacular Chilcotin Plateau is used by tourism operators, trappers, ranchers, guide outfitters, as well as WCFP. The sub-regional land use plan must take into account all these values. Photo credit: WCFP.



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area. The Anahim Lake Round Table, established in 1992 to make recommendations on land use, was part of a wider planning process in the Cariboo Chilcotin, the regional Commission on Resources and the Environment (CORE). Stakeholders included representation from community associations, conservation groups, First Nations, the forest industry and government. Although it was just one of a number of multistakeholder land-use planning processes underway in B.C. in the early 1990s, CORE was the only one in the province that was successfully signed off.

James, who has been involved in the joint venture from the beginning, says, “[the project] is an achievement, no question”. He also cites the joint venture for its meaningful involvement of First Nations. Fuller recognizes the importance of capitalizing on the strengths of each partner, “the fact we had three partners definitely helped,” tripling the value and resources the project needed to succeed. Carrier Lumber provided a “good business head” in Bill Korbyban, Sr.

Social values are fundamental to the

joint venture because its focus is on local employment and community partnerships. The scope of operations is not only logging but also wood processing, with an aim to expand the employees’ range of job skills and build expertise.

The company also recognizes that in the past the forest industry did little to encourage a wider understanding of forestry practices. That is why the company now promotes education in the community. The management at the mill organizes the popular annual Forest Awareness Day, which has become a large community event with about 350 participants. The celebration includes educational logging tours, a mini tradeshow, and mill open house. The schools participate in education programs about the renewable resources base and silviculture practices.

WCFP gives back to the community in other ways. The company purchased property and equipment for a local playground and supports the Variety Club and the Anahim Search and Rescue Team. It also provides bursaries for post-secondary education.

ADDRESSING ENVIRONMENTAL CONCERNS

When WCFP began planning forestry operations, it addressed critical concerns brought forward by local tour operators in the Round Table process regarding the impacts of logging on tourism. As a result, logging operations were planned to help preserve viewsapes, incorporating techniques such as irregular clearcuts and small narrow roads.

WCFP’s board of directors is also aware that for the project to be environmentally and socially sustainable, logging rates must not exceed the rate of regrowth.

Early on, the joint venture proponents paid for a survey to determine the baseline for the forest tenure area. Fuller recognized that this was important not only for environmental sustainability, but for the economy as well. Fuller said the company needed to ensure that “we weren’t overcutting the area so that 20 years down the line, young people who want to stay and live here, still have a sustainable product to harvest.” The project is going through a certification process and was registered

with ISO 14001 (Environmental Management Systems) in October of 2001.

CHALLENGES

In 1998, the joint venture built a \$750,000 value-added (remanufacturing) plant to produce finger joint blocks and to upgrade low-grade wood products. Until 2001 the plant had sat idle, due for the most part to the softwood lumber quota that limits the amount of wood that can be sold to the

cents per kilowatt-hour. Similar projects on the grid would pay only five cents.

Also, road access is not always guaranteed. Highway 20, which provides access to the area from Williams Lake, is closed down 20-30% of the year. When the ground defrosts the road base becomes weak, and heavy traffic is virtually impossible from about mid-March to June. Project managers suggest that government support could be very helpful in the development of road infrastructure.



WCFP employees sort lumber at WCFP's Anahim Lake sawmill. The company's high-quality pine stud has commanded a good market in North America and Japan, but can the joint venture withstand rising U.S. tariffs? Photo credit: WCFP.


United States. Market conditions improved and the value-added plant finally began operations in the summer of 2001. Unfortunately, with the imposition of the new 19+% softwood lumber tariff, the plant shut down again after only two months of operation.

Development of infrastructure to support the WCFP operations has not been easy. BC Hydro provides some electricity, but cannot meet all the energy supply needs. WCFP supplements the power supply using a diesel generator, which adds a huge cost. Electricity generation costs 18

cents per kilowatt-hour. Similar projects on the grid would pay only five cents. Developing a local power supply could provide another opportunity to create community employment and also benefit the joint venture. Most companies use dry kilns to dry their wood, but West Chilcotin uses an air-dry method. Without a supply of natural gas, propane is the only fossil fuel alternative, but costs are prohibitive.

Co-generation using wood waste and natural gas for power production is a possibility, but joint venture partners believe partnership and co-operation is needed. The capital cost is too great for West Chilcotin to carry alone at this time. De-

velopment of another joint venture for co-generation is a possibility that is being shopped around – this time with BC Hydro involvement in mind. BC Hydro is losing money on its local power generation by producing electricity at 22-24 cents, but selling at 11 cents. James sees it as a win-win-win situation for West Chilcotin Forest Products, the community, and BC Hydro.

The partnership between Carrier Chilcotin Ventures, Ulkatcho Indian Band, and CAT Resources Ltd. could be used as a model for other joint ventures in many other communities. The project is a success by any industry or community standard: it operates efficiently, uses little overhead, turns a profit, and has brought diverse groups together to working co-operatively for a common goal. More than anything else, it is the dedication of the people who created and continue this project that has made it the success story it is. 

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Trust in June 2001. The Fraser Basin Council is also working on a booklet about "lessons learned" in economic diversification and capacity building projects in rural communities across B.C. Reach Maggie at (e-mail) mjulian@canada.com or (tel) 604-488-5350.