

Appendix VII

Use of the Licence Timber and Dependent Employment

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1.0 UTILIZATION OBJECTIVE

The corporate objective is to maximize value and optimize profit from the timber it harvests. This translates as a strong emphasis on log manufacture, log sorting, log allocation, and quality manufacture and finish. Manufacturing is directed to extracting highest value products made specifically for various end product markets serviced by our global marketing organization and distributors.

2.0 THE CONVERTING PLANTS

Since the early 1980s log utilization in MB mills has changed from primary production of commodities to a high degree of specialization in finished, value added products. MB sawmills have been upgraded or rebuilt within the last 12 years to make the most of the high quality logs. In addition, MB has leased other mills or entered into contracts for remanufacture for the same purpose.

Total, annual capacity (three shift, roundwood basis) is 5 575 000 m³, 2 385 000 m³ of which is in the form of chips and residue. Capacities of individual mills within the Gulf of Georgia are shown below. Some logs may be directed to Alberni mills periodically.

Plant Capacities of Mills Using TFL #39 Logs⁽¹⁾

	Specialty	Mill Capacity (m ³)
SAWMILLS		
Cdn White Pine	Large log cedar specialties	940 000
Chemainus	Large log clear specialties	425 000
Island Phoenix	Japan specialties	770 000
New Westminster	Small log cedar specialties	380 000
Fields ⁽²⁾	Japan merch products	225 000 ⁽⁷⁾
PULP & PAPER MILLS⁽³⁾		
Powell River	Pulp Newsprint & printing papers	1 700 000 ⁽⁴⁾
Harmac ⁽⁵⁾	Kraft pulp/Specialty cedar pulp	2 100 000
PARTICLE BOARD⁽⁶⁾		
Particle Board	K-3 Sawdust Board	200 000
CUSTOM CUTTING		
Term contracts		275 000 ⁽⁷⁾

(1) Based on three shift operation, currently mills are operating about 85% capacity.

(2) Fields Sawmills Limited Partnership is 30% owned by MB.

(3) These mills receive 74% and 17%, respectively, as roundwood.

(4) Powell River woodroom cuts high grade lumber from shells of large pulp grade logs.

(5) MB will supply Harmac Pacific under contract with 2 100, 1 995, 1 890, 1 785 km³ per year 1995-8 and 1 680 km³ subsequently.

(6) Operates 100 % on waste.

(7) Refers to volume under contract to MB; not to mill capacity.

3.0 VALUE ADDED STRATEGY AND ACHIEVEMENT

MB has embarked on a strategic plan to add value and profit by further manufacture, quality enhancement and innovative uses for waste or low value fibres. Already this has been successful and will continue to grow in response to research and development and market demands. Current research is underway on a medium density fibreboard as an alternative use of pulp grade fibre.

Research and development in the use of scanning technologies has led to improved value extraction and sawing patterns. This is being considered for extension to log bucking to maximize value recovery.

Already over 40% of MB's sawn wood is remanufactured in either MB owned or leased mills or by independents. This is the highest percentage in B.C. Final products include a wide range of paneling, specialty siding, window stock, spindles, banisters as well as many other special products for the North American, Japanese, and European markets.

As with solid wood, MB is moving into more specialized and value added paper products. \$40,000,000 was recently spent on soft calendering at Powell River. Nexgen coated paper technology is being installed at Port Alberni; assuming this is successful, Powell River will be similarly upgraded. Ozone bleaching is under study and if deemed practicable will be installed at Harmac.

MB has a long history of successful research and development of new, value added products. The most recent examples are Parallam™ and PSL™ which convert low value fibre into quality, engineered products.

4.0 EMPLOYMENT

The following table is an estimate of the direct employment associated with the TFL and the Georgia Strait converting plants:

Administering, harvesting and managing the forests of the Licence, including logging contractors.....	1,671
Sorting, delivering and sawing of the logs, including custom cutting and remanufacture under contract to MB.....	1,325
Production of pulp newsprint and fine papers.....	1,259
Production of particle board and specialties.....	85
Harmac Pacific Inc.....	730
TOTAL	5,070

In addition, the company employs an increasing number of specialist consultants for contracts of various durations: engineers, foresters, forest technologists, and specialists in other disciplines are contracted for assistance with logging plans, PHSPs, silvicultural assessments, supervision of silvicultural contractors, and resource inventories. Also there are the silvicultural contractors and their workers for all the silvicultural treatments listed in Section 5.5.