

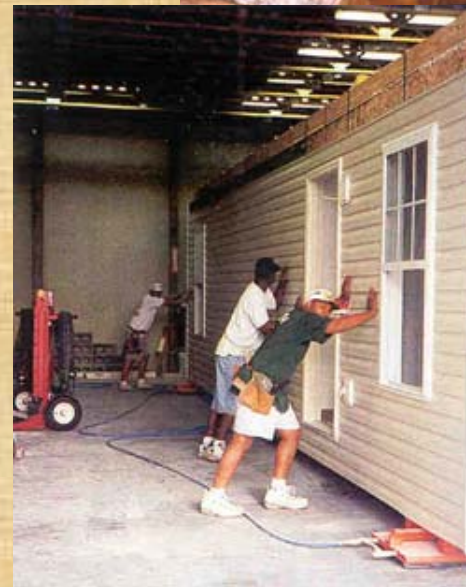
The Value Added Sector

What is it and its Importance to BC Competiveness

Prepared for:

***"A Wealth of Opportunities:
Value Focused Forestry in British Columbia"***

Symposium sponsored by BC Forum & FPAC
March 01, 2006



Outline Of Comments

- ◆ **What is a volume and value focus**
- ◆ **Why should we be interested**
- ◆ **How the two approach profits**
- ◆ **Benefits of a shift toward value**
- ◆ **Some public policy consideration**
- ◆ **Some research questions**

What Is A Value Focus?

Now vs. Future

Current Volume Focus

- Primary wood
- Re-manufacturing
- Engineered wood



Future Value Focus

- Primary wood
- Larger, more diverse secondary wood
- Non-timber forest products



Settling On Terminology

- Forest value chain is complex - both in wood products and non-timber forest products
- “Value Added” too broad for synthesis paper
- Paper focuses on wood products



*'Secondary manufacturing of wood past the primary
lumber stage'*

Who Are “We” And Why Are “We” Thinking Value?

Softwood Based Industry



Publicly Owned Resource



Lumber and Pulp Futures



Sense of Foregone Opportunity



Strain On ‘Social License’



Impetus For Interest



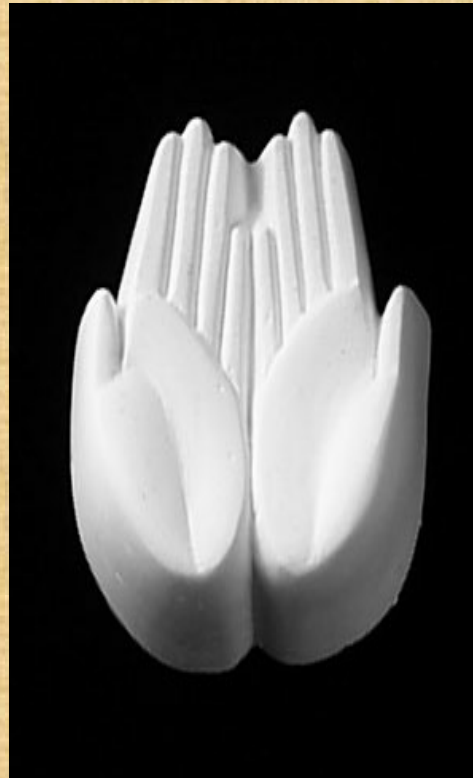
“We” Are Society At Large, The Royal “We”

Volume vs Value

Two Approaches To Profit

Volume Focus

- Commodity Markets
- Narrow product lines
- Innovate for cost and quality
- Size for global competitiveness



Value Focus

- Non-commodity markets
- Diverse product lines
- Innovate for new products or design
- Size important for economy of scale

Balancing volume and value, with adequate financial returns, provides private and public benefits.

Public and Private Benefits

Public

- Employment
- Tax revenue
- Stumpage
- Communities

Private

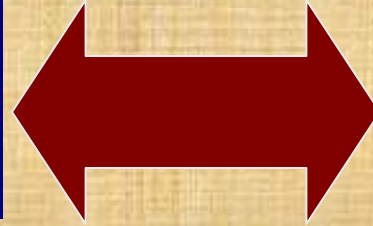
- Market size
- Market diversity
- Growth in face of limited timber supply
- Diversified support sector
- Stable labor pool
- Infrastructure cost
- Public pride-in-brand



*Potential to preserve or grow
GDP in face of challenges*

A Key Challenge To Realize The Benefits

Primary Wood Value Chain



Secondary Wood Value Chain

Managing The Two Value Chains For Mutual Benefit

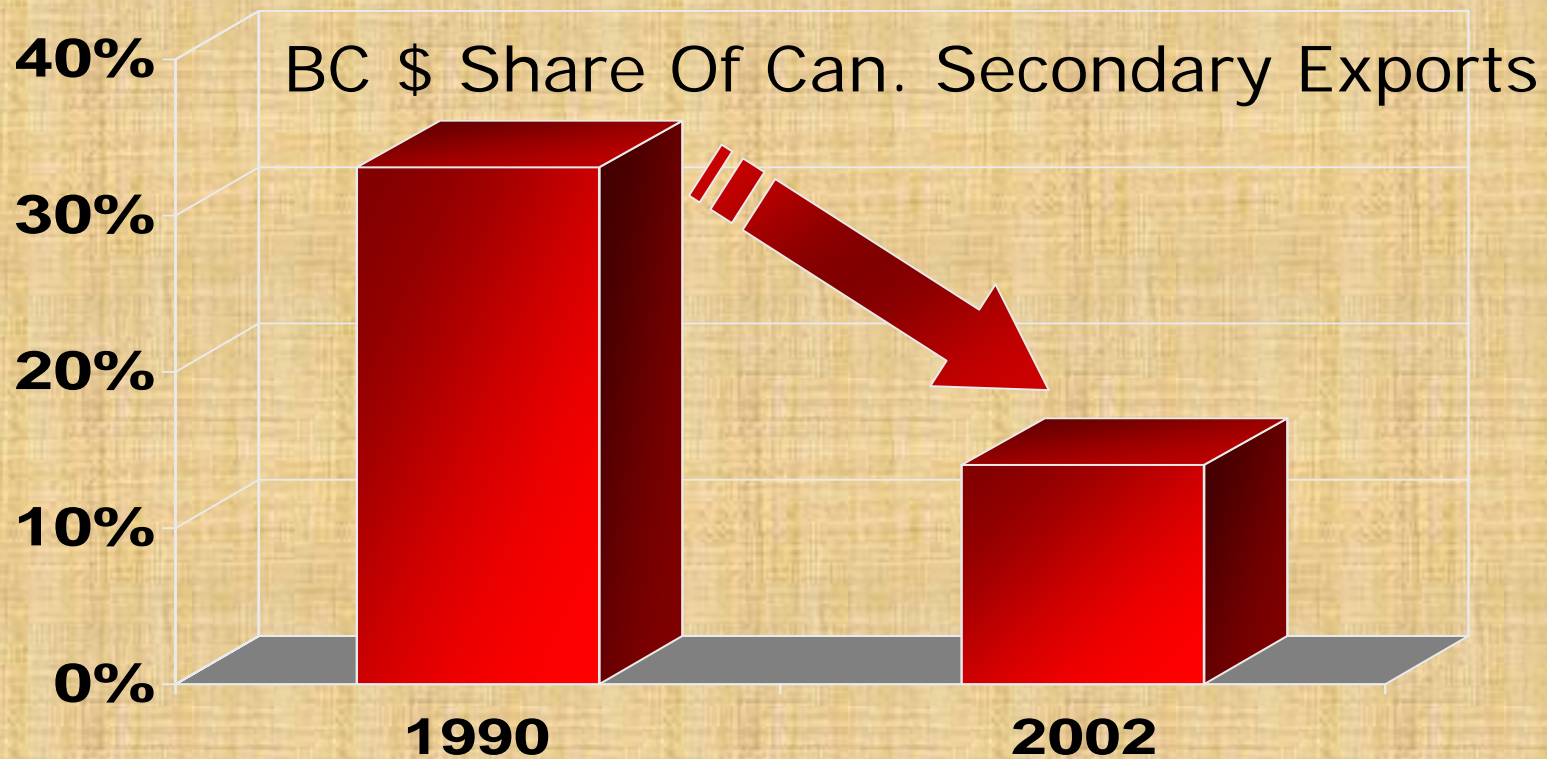


- Vision**
- Goals**
- Marketing**
- R & D**
- Capital**
- Wood Supply**



Overview Of Public Policy For Success

BC Used Tenure Policy To Stimulate Secondary
1987 to 2003



Public Policy cont'd

The Things That Seem To Work:

- Market oriented policies
- Don't protect domestic markets
- Business oriented public agents
- Investment lens on policy
- Competitive tax policy
- R & D, tech. investments
- Transportation infrastructure
- Manager & worker skill support



Research Questions

- ◆ Raw Materials
- ◆ Value Chain
- ◆ Costs



- ◆ Worker Availability
- ◆ Innovation
- ◆ Marketing