

# MADISON'S LUMBER REPORTER

**Publisher**  
KetaDesign Productions

**Editor**  
Kéta Kosman

**Market Analyst**  
Zara Heartwood

Annual Subscription Prices  
E-mail/Fax: C\$364  
Discounts available for multiple  
subscriptions  
Published 50 times a year

www.madisonsreport.com  
madrep@shawcable.com  
604 984-6838  
PO Box 2486 Vancouver, BC  
V6B 3W7 Canada

In Canada, add GST or HST  
ISSN 0715-5468  
Printed in Canada © 2010

All material contained within is the property  
of KetaDesign Productions Inc. Reproduction  
or retransmission is expressly forbidden.



## News & Updates

### Madison's Timber Preview : Lumber Liquidators

The largest hardwood flooring retailer in the US disappointed shareholders with poor 3Q results, released at the beginning of November. A steep learning curve for employees as a result of new inventory tracking software was largely blamed.

Regardless, Lumber Liquidators continues to push forward with expansion plans in the US, Canada, and Europe announced earlier this year.

Contact us any time for a subscription.

### KD Fir Log and Lumber Demand

As we have been reporting all year, log supply is the big story in the fir market. If you can't get the logs, you can't make the lumber. Not only is the weather affecting logging, many mills have been frozen out and production shut down with the cold. Potential buyers should be aware that makers are planning long down times for the winter holidays. Some will take all of December off while others have announced they will take only the last half out.

[READ MORE](#)

### Massive Forest Fire, Israel

Israel's largest fire in history, the inferno started Thursday in the north of the country. 42 people have already been killed and more than 17,000 have left the area. Most of the dead are prison guards who were on their way to move inmates from a prison in the forest when their bus caught on fire and overturned.

Israel does not have fire fighting airplanes and have turned to their neighbours in Greece, Cyprus, Britain, Turkey, Bulgaria, Russia, Egypt, Azerbaijan, Spain, Croatia, France and Jordan for help. Firefighters and equipment in the US and Australia are on stand-by.

Although the area was tinder-dry, there may be evidence that the fires were started by arsonists.

The fire is now over 4,000 hectares in size. Israeli Prime Minister Benjamin Netanyahu is calling it "a fire on an international scale."

[READ MORE](#)

### Nova Scotia Changes to Forest Management

The Nova Scotia government is making six strategic direction changes for forestry in the province to better protect forests, secure good jobs, and to ensure that Nova Scotia's forest industry remains competitive.

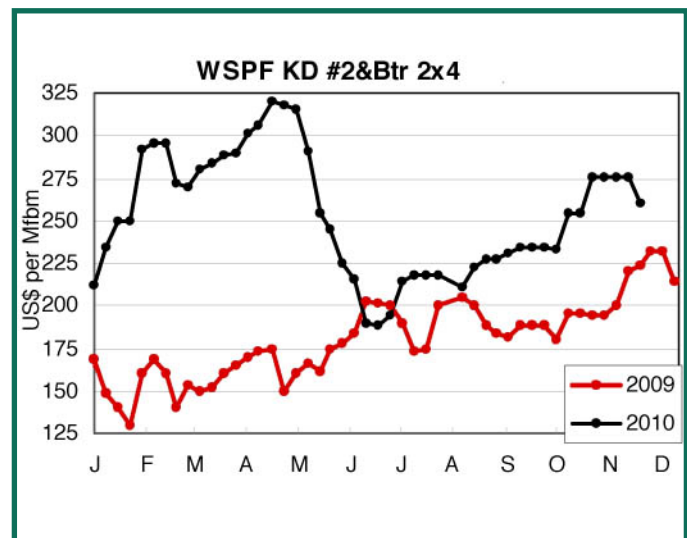
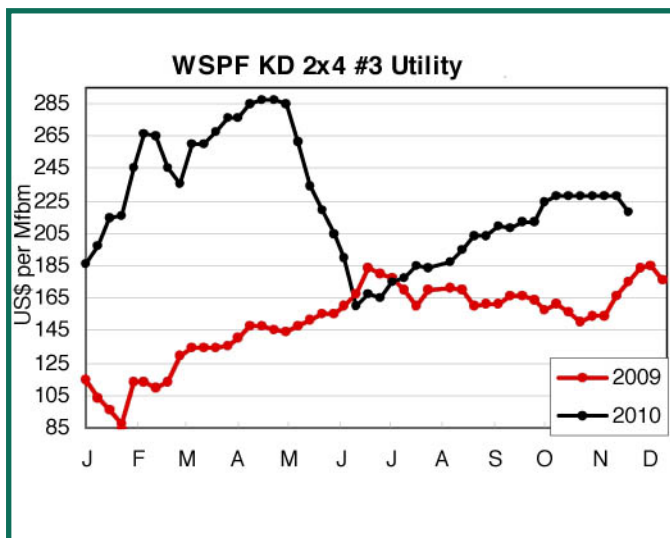
[READ MORE](#)

### BC Government Resource Management Changes

Shock waves went out through the British Columbia forest service and beyond in the last two weeks, fueled in no part by a provocative article published over this past weekend in a major Canadian national newspaper.

A British Columbia government announcement in late October took almost all players by surprise. Policy making and resource management in the province will now be split into separate government branches.

[READ MORE](#)



## Key Prices

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
WSPF KD R/L 2x4	260	276	-16	276	-16	232	+28
WSPF KD R/L 2x6	260	274	-14	276	-15	226	+34
WSPF KD R/L 2x8	270	280	-10	280	-10	238	+32
WSPF KD R/L 2x10	315	320	-5	322	-7	315	0
WSPF KD PET 2x4 Stud	240	250	-10	240	0	235	+5
Douglas Fir Green R/L 2x4	240	235	+5	192	+48	197	+43
Douglas Fir Green R/L 2x10	310	320	-10	280	+30	265	+45
ESPF KD 2x4 8ft Stud	305	308	-3	300	+5	290	+15
OSB Ontario 7/16" (CDN\$)	200	200	0	205	-5	200	0

## Weekly News

### Israel Forest Fire

CONTINUED A 747 loaded with the fire retardant chemical left the United States for Israel Thursday night.

Egypt has also offered to assist in firefighting efforts by supplying fire extinguishing chemicals.

The European Union has activated its civil protection mechanism to assist Israel in fighting forest fires Thursday night in order to combat Israel's worst forest fires in decades.

In addition, fire fighting aircrafts were offered by Greece, Spain, France, Cyprus, Spain and Croatia.

The commission reported that four Greek planes had already arrived on site Friday morning and 92 fire fighters from Bulgaria were on their way to Israel.

### Nova Scotia Forestry Changes

CONTINUED The strategic policy directions are:

- Reduce the proportion of wood harvested by clear cutting to no more than 50 per cent of all forest harvests over a five-year period.
- Prohibit removing whole trees from the forest site to maintain woody debris, which is important for soil and biodiversity management.
- Public funds will not go toward herbicide spraying for forestry.
- Private land owners will not need management plans to harvest their woodlots for non-commercial energy use.
- Analyze options for a provincewide annual allowable cut to limit total harvest amounts.
- Incorporate forest biomass harvest requirements in the Code of Forest Practice and revise regulations to ensure commercial users of biomass for energy or fuel production are registered buyers

and subject to the same rules as the forest industry.

The Nova Scotia Department of Natural Resources is in the final phase of writing the natural resources strategy. The forest policy framework and more information is available at [gov.ns.ca/natr](http://gov.ns.ca/natr).

### Japan Continues Focus on Domestic Lumber

On October 19, Japan's Ministry of Agriculture, Forestry and Fisheries began a theme of "moving towards doubling regional industry by doubling the supply and demand of domestic lumber," to improve efficiency of lumber distribution leading to a 50 per cent self-sufficiency for lumber, according to *Japan Lumber Journal*.

Taking into account the results of all of the measures, the committee is also

looking into what to expect in the shape and form of demand in 2020.

The estimates were forecasted with the assumption that housing starts in 2020 will be equivalent to 800,000 units and the amount of demand for pulp and wood chips used for manufacturing paper will increase 1.7 million m3 from the amount in 2009 with other conditions remaining the same.

Under these conditions, the total amount of demand in 2020 will be 81.1 million m3 for domestic and foreign lumber with a self-sufficiency of 52 per cent (63.21 million m3 and 27.8 per cent in 2009).

### Fraser Papers Mill Sale and Restructuring

Fraser Papers Inc announced November 25 that it had been advised by M&M Consulting and Contracting that M&M would not be completing the acquisition of the company's paper mill in Gorham, NH, on November 30th as scheduled.

Fraser Papers also announced that it had reached an agreement with Counsel RB Capital to sell the Gorham mill by way of a back-up bid. The agreement is subject to certain conditions, including court approval, and is scheduled to close on December 8, 2010.

The company has also filed a consolidated plan of compromise or arrangement with the Ontario Court overseeing its restructuring proceedings. These materials will also be filed with the U Court in Delaware.

Fraser Papers is seeking an order to authorize a meeting of its creditors on December 20, at which time the creditors will be asked to vote on the plan.

If the plan is approved by creditors, Fraser Papers intends to appear before the Ontario Court on December 22 and the US Court on December 23 to seek the necessary court approvals to implement the plan.

#### Limited time offer!

Current *Reporter* subscribers get a discount on any other *Madison's* product.

In recognition of the Chinese year of the rabbit beginning February 3, 2011, we have a special price for people who get their *Reporter* orders and renewals in quickly (like a bunny).

Contact our office for your special "buy one, get the second at a discount" offer.

FAX your order and credit card number to *Madison's* at 604-608-5438. This offer only applies to those paying by credit card (Visa and Mastercard accepted).

(US/Can\$ at par on this offer only.)

Kiss your discount goodbye on (you guessed it!) February 15, 2011.

# Structural Changes BC Land Management Strategy

CONTINUED Respective ministries remain in control of policy decisions while resource management for all affected ministries; forests, environment, energy, etc, will be grouped under a new Ministry of Natural Resource Operations (NRO)

As with any change, particularly one that appears from the outside to have been hastily arranged, temporary panic set in among long-term government staff and stakeholders alike.

“NRO is responsible for the implementation and delivery of policy set down by the respective government ministries,” Steve Thomson, Minister of Natural Resource Operations explained to *Madison’s* in a phone interview Thursday. “For the most part it will be business as usual; industry and groups will get the same level of government services and responses they always have.

“NRO will have a more integrated approach than previously when each individual government department needed to be contacted for permits and authorizations. Existing and new investors will experience the ‘One Project, One Process’ model of the BC government. Processes will be streamlined. NRO will manage the land regionally as opposed to separate ministries handling applications on an individual basis.

“This change is about restructuring, it’s about doing better with existing resources and increasing capacity, it’s not about layoffs or downsizing. Permitting and authorizations will be integrated within a single ministry. The key to success is that the new system works on the basis of a collaborative approach in order to improve service by government to stakeholders,” detailed Thomson. “This change is not about reducing or weakening environmental standards, but rather about avoiding unintended consequences.”

BC’s Minister of Forests, Mines and Lands, Pat Bell, also took some time this week to speak to *Madison’s*.

“All the permitting agencies are now together in one organization,” explained Bell. “For the forest industry there will not be too many changes. Most importantly, BC Timber Sales remains under the Ministry of Forests, Mines and Lands. For mining, fishing, back country skiing permits, etc, interested parties will go from dealing with many agencies to one.

“For example if someone wanted to get a permit to dig a gravel pit, they would have first come to Forests for a cutting permit, then to Mines for a mining permit, then to

Environment for a discharge permit, and on and on. After all permits were secured, there would have to be consultation with First Nations. Now, delivery on the ground will be done under one department.

“To integrate provincial resource management and keep it all under the Ministry of Forests, Mines and Lands would have made this Ministry very large and unwieldy,” concluded Bell.

In a remarkably cogent statement for 9:10 in the morning, John Betts, Executive Director of the Western Silvicultural Contractors’ Association, said to *Madison’s* in a phone interview, “Into a policy vacuum rushes speculation. I am sympathetic to my colleagues who are lamenting. It is possible that some of these changes are lamentable.

“On the other hand, having the people who make policy hold operations people accountable could make sense. The NRO is a melding of the forest investment account with other land-based resources.

“There is some discussion in the resource sector of BC’s forest industry that this may be an effort by the government to introduce chaos, to find out where the relationships are. It would be impossible to break down silos individually.”

Thomson also mentioned silos in describing the previous Ministry of Agriculture and Lands, saying there had sometimes been crossover agreements between two ministries to deal with joint responsibilities.

Betts continued, “Sometimes CEOs introduce a false imperative, sending staff scrambling. Everyone galvanizes and if there is success the CEO looks like a hero. At the very least, once this NRO shakeup is complete, we will see who among the bureaucrats land on their feet.

“My concern is that we have as yet not seen a mission statement or new doctrine

for affected staff to coalesce around. As an observer, to me there seems to be an objective missing in these changes. If these changes are just about creating more efficiencies, the civil service might not buy in.

“Efficiencies often fall short of effectiveness,” stated Betts. “We’ll have to see as the changes unfold if the whole things just ends up unravelling for years into the future.”

To get a sense of how this change might play out, *Madison’s* contacted the Future Forest Strategies (FFS) section of the Strategic Policy & Planning branch of BC’s Ministry of Forests, Mines and Lands. Previously named Forests for Tomorrow, and Land Based Investment Planning strategies before that, FFS underwent its most recent restructuring in April.

“There have been a number of different programs in place to invest in BC’s land base, to manage that investment, to fund incremental activities like silviculture, and generally to manage forest health,” explained FFS Director Dave Bodak to *Madison’s* in a phone interview. “The latest change in April of this year was simply to take all those investment budgets and manage them together. We have already undergone a separation between identifying priorities and implementing strategy.

“In my daily workings I still speak to the same person; they are just operating under a different government umbrella now. In terms of my work and mandate, the new NRO does not have much effect. The NRO is actually less of an adjustment than we underwent in April,” said Bodak.

“The strategy remains the same but delivery of investments on the land base has changed,” detailed Bodak. “I used to deliver the same investments under the Forest Investment Account. Apart from learning new email addresses, we’re continuing to work as usual.”

by Kéta Kosman

**DRAFT**  
**Ministry of Natural Resource Operations Executive Level Organization Chart**

