

LETTER FROM MB TO THE VILLAGE OF UCLUELET

The following letter was mailed to the Mayor and Council of the Village of Ucluelet on March 17, 1997.

Dear Mayor and Council,

Thank you for meeting with our group from MacMillan Bloedel on Feb. 18 in Ucluelet. At that meeting we agreed the next step in our discussions would be for me to more fully answer Councillor Dianne St. Jacques' question about the kind of forest products operation that MB thinks would work in Clayoquot Sound.

As you know, the company is already on record as stating that it does not see a future for a traditional MB logging division in Clayoquot. It was this view that motivated our recent restructuring involving the Estevan, Kennedy Lake and Sproat Lake operations.

Our desire to seek change in our operating structure in the Clayoquot area is driven by our assessments on a couple of different fronts. We appreciate that there are different opinions on the politics involved, but our experience in 1996 persuaded us that our Clayoquot operations — as then configured — were not economically viable. We had hoped that FRBC funding to offset incremental costs of Scientific Panel implementation (i.e. those above and beyond the Forest Practices Code) would change that fact, but it did not.

Based on our experience during the past several years in Clayoquot, we have also come to believe that implementation of the Clayoquot Sound land use plan, and the recommendations of the Clayoquot Sound Scientific Panel, must be achieved without further controversy in order to allow for renewal of the forest sector in the region.

This is a key point, from our perspective, and we now feel this is unlikely to be achieved within the initial 2-3 year time frame for planning and inventory work that was originally envisioned when the Panel's recommendations were adopted. We have therefore suspended new logging in the Sound and are currently trying to reach agreements with labour, government and other stakeholders that will allow forest operations on MB's tenure in Clayoquot to be configured on a completely different basis than in the past.

Possible Future Configuration

For our part, we at MB see a future in Clayoquot for an operation or operations with the following characteristics:

- a joint venture(s) involving the company, First Nations and local communities;
- an operation with a focus on research and innovation;
- an operation built around an initial core harvest capable of sustaining an economically viable unit;
- an extremely flexible operation capable of expanding as other opportunities may become available;
- an operation capable of providing stable local employment, although on a different basis than a traditional MB logging division.

Joint Venture

As you know, we are well advanced in negotiations under the Clayoquot Interim Measures Extension Agreement (IMEA) with the Central Region of the Nuuchah-Nulth Tribal Council for the establishment of a joint venture company at the former Estevan division (i.e. North Clayoquot) of MB's tenure. We hope that the outcome of these negotiations could serve as a guide for exploring opportunities for more direct involvement of other local communities in forest enterprise in the area.

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Labour Adjustment

We recognize that a labour agreement with the current Kennedy Lake crew and contractors is essential to the restructuring of MB operations in Clayoquot along the lines outlined above. Present entitlements from a labour perspective would have to be settled in order to enable new configurations to successfully emerge, and a separate collective agreement or labour accord for Clayoquot would likely have to be negotiated.

UNESCO Biosphere Status

We fully understand that a restructuring along the lines presented would, in the short-term at least, be too expensive for MB, or any new joint venture company that might evolve, to finance. We also recognize that the investment necessary to achieve such a reconfiguration is unlikely to be attractive to potential investors — including private interests as well as the provincial and federal governments — if there is a risk of further environmental conflict in Clayoquot in the short-term. We believe UNESCO Biosphere designation might be a means of addressing those two points by providing all parties with an interest in the Sound with an opportunity to participate in and support an innovative restructuring and realignment of forest operations in Clayoquot.

We agree with the opportunities you see for growth in tourism related to international interest in the forests of Clayoquot. As part of an overall economic reconfiguration, we would be interested in discussing the possibility of establishing a special multi-use facility for the study of natural resources in the Sound that could, among other things, contain:

- a visitors centre;
- a learning or skills centre for forest workers;
- offices for new joint venture operations;
- offices for FRBC work and coordination;
- a central repository for mapping, planning and inventory data and technical resources;
- seminar rooms and support for visiting researchers and students, and
- a base of operations for the exploration, growth and promotion of local value added opportunities and products.

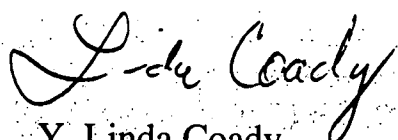
Conclusions

We believe an integrated approach along these lines could create benefits for all Clayoquot stakeholders and is therefore capable of achieving the buy-in required to give it a chance to work. For our part, MB could bring several benefits to this reconfiguration that might be difficult for other parties to achieve on their own. This would include access to tenure and global markets, access to Canada's only independent laboratory for forest products research and development, and experience in financing and capitalization. MB could also bring an established business infrastructure and relationships with other forest enterprises on Vancouver Island.

I would like to suggest that the next step in this process might be for Council to appoint a contact person to begin working with MB on proposals and ideas. Don Dowling will be our contact person.

As we also agreed at our Feb. 18 meeting, we are reviewing with our property management group the situation regarding lands privately owned by MB in the Ucluelet area. As you know, even though some of this land is within village boundaries, it is also within TFL 44, and any use is subject to the approval provisions of the Forest Practices Code. However, we are identifying some possible options for the creation of additional benefits to the local community from development of these lands within the context of an overall economic transition in the area. We will table some ideas for consideration by Council by the end of this month.

Yours truly,



Y. Linda Coady
Vice President, Environmental Affairs

