

Backgrounder: the Canadian-US softwood lumber fight

The Canadian-US softwood lumber fight has been prominent in the media lately, for good reason. Canada exports approximately \$10 billion worth of softwood lumber annually to satisfy growing demand. American softwood producers want to restrict this access; Canadians want free trade.

Fearing a long and costly legal battle, Canada signed the Softwood Lumber Agreement (SLA) in 1996. Until it expired on March 31, 2001, the SLA restricted lumber exports from BC, Alberta, Ontario and Quebec to the US market, beyond which exporters paid a voluntary fee. Other Canadian provinces were exempt from the agreement.

“ Canadians want free trade ”

Now that the SLA has expired, the American forest industry has filed a petition with the US Department of Commerce to apply countervailing and anti-dumping duties against Canada, claiming that Canadian lumber is unfairly subsidized and dumped into the US below cost.

Canadian producers strongly oppose the American claims. Canadian companies pay substantial fees, called stumpage, for the right to harvest Crown land, and most have invested in capital improvements to improve efficiency. These factors concern those American producers who harvest mostly private land and have not upgraded equipment.

It will take several months for the US petitions to work through the system. Watch future issues of the Circular for updates.



US markets account for 50% of Tolko's sales

Circular takes on new cost-saving look

You might have noticed that this issue of the Circular/EcoLogic has a slightly different look and feel: two-colour printing and uncoated paper. The new look is the first step toward making Tolko's corporate newsletter more efficient and effective in communicating with employees, families, communities and customers under the Company's austerity program.

Inside:

- Tolko Recognition Awards

- Annual Report available on website
- Performance record must continue

- Forest Society signs groundbreaking agreement

Awards of excellence _____ 2000



Rob Slater, Brokerage Department Manager, presented Chris Reeves, Brokerage Sales Representative, with an award for outstanding team building skills with a progressive and positive attitude.



Barry Sigurdson, Area Manager at Heffley Creek, recognized Kevan Harding, Veneer Superintendent, for his outstanding achievement in manufacturing.



John Ruane, Marketing Coordinator, High Level Lumber Division, received an award from Rob Layton, Area Manager at High Level, for his excellence in shipping and forecasting.



Leo Regnier, Quality Assurance Superintendent, received his award for his commitment to High Prairie Division and his outstanding customer service. Stan Nicholls, Area Manager, presented the award to Leo.



Mike Harkies, General Manager, Nicola & Lavington Divisions, presented Jake Wierenga with his award for his dedication to Lavington Planer Mill and his excellence in project management.



Bev Livingstone, Payroll Clerk, was recognized for her excellence in job innovation and performance. Vern Parkstrom, Area Manager at Louis Creek, presented Bev with her award.



Dave Neufeld, Area Superintendent - North, Manitoba Woodlands, demonstrated outstanding achievement and dedication to Tolko values with his open and honest approach to business. Stefan Demharter, Area Manager at Manitoba Solid Wood Division, presented the award to Dave.



Jim Baskerville, Plant Manager, Nicola Valley Division, received his award for excellence in project management/innovation. Mike Harkies, General Manager at Nicola & Lavington Divisions, presented Jim with his award.



Marina Browne, Divisional Controller, received her award for outstanding leadership and dedication to timely and accurate reporting at Quest Wood Division. Ian Lindsay, Area Manager at Quest Wood, presented Marina with her award.



Award for Charity

Presenting the charity award to Jake Wierenga were Al & John Thorlakson.

Each year, one name is drawn from the list of award winners to be the recipient of a \$5,000 charity award.

The winner of the award is asked to donate the funds to a charity or charities in the local community.



2001 Annual Report

available at

www.tolko.com

Tolko's 2001 Annual Report – our journey, our products, our pride – is now available on Tolko's website at www.tolko.com.

Sheila Catlin, Communications Coordinator for Tolko Industries, says the Annual Report was mailed to all employees at the end of March. "Every employee received a copy of the report by mail, but we reduced the number of copies we mailed to our customers, suppliers and government contacts. By making the Annual Report available on our website, we have reduced our mailing and printing costs. Hopefully, as more and more people obtain high-speed Internet access, the need for publication of a paper report will decrease."

If you didn't receive a paper copy and would like one, please contact us.

Divisional Awards

**Excellence
in Product Development**

QUEST WOOD

**Exceptional
Environment & Forest
Management Practices**

MANITOBA SOLID WOOD

Harvesting Excellence

NICOLA VALLEY

Excellence in Communication

HIGH LEVEL

Best Performance vs. Budget

NICOLA VALLEY

President's Safety Award

LAVINGTON



Thai-Lin Kral, Administration Clerk, received her award from Dennis Powers, Tolko Distribution Services Manager, for her dedication and commitment during the implementation of the Market Access System at Tolko Distribution.



Greg Wazny, General Manager, Kraft Papers, presented Bernie Proulx with his award for outstanding effort and achievement in preventative maintenance and commitment to equipment reliability.



Al Thorlakson,
President & CEO

Performance record must continue

The expiry of the Canada-US Softwood Lumber Agreement has challenged the Canadian forest industry. This trade dispute is a long-standing and complicated issue that I believe needs a long-term solution. The Canadian forest industry is seeking free, unrestricted access to the US softwood lumber markets; however, unrestricted free trade will not be negotiated easily with US interests. I have been encouraged recently by the firm resolve and unity displayed by the Canadian provinces and the forest industry as they work toward an end to this dispute.

The softwood lumber dispute, together with worsening economic conditions, will have a significant impact on some of the smaller producers in our industry. Sawmills whose performance is bottom quartile will be more vulnerable. Increasing foreign and third party imports and product substitutions will compound Canadian producers' problems.

At Tolko, our past record of top quartile performance will serve us well in the months ahead. We must continue to strive to be top quartile and strengthen our resolve to be innovative. Embracing the need for change will assist us in achieving the leadership required to avoid potentially prolonged curtailments of operations.

One of the features in this issue of the Circular is our recent Silver Star Business Unit recognition event. At this annual celebration we recognize both individual and Business Unit excellence. The efforts and achievements of our Business Units and our employees are outstanding, and even though the industry outlook for the balance of the year is gloomy, we will continue to acknowledge innovation, achievement and dedication as priorities in our Company.

I encourage you to take a moment to read about some of our employees' accomplishments highlighted in this edition of the Circular. It is always challenging to be innovative and to "think outside the box," but never more so than during times of austerity and restraint.

“ The efforts and achievements of our Business Units and our employees are outstanding ”

Forestry Society signs groundbreaking agreement

On April 2, 2001, the Nicola-Similkameen Innovative Forestry Society announced that its members, who represent several forest companies, government and First Nations communities in the Merritt Forest District, had signed a groundbreaking share agreement.

The Society was established in 1998 to jointly implement the Innovative Forest Practices Agreements (IFPAs) held by five forest licensees in the Merritt Forest District, one of which is Tolko's Nicola Valley Division. IFPAs are pilot projects developed by the BC Government and funded through Forest Renewal BC through which the forest industry invests in innovative programs and activities that ensure economic, social and environmental sustainability of forest resources.

According to Randy Chan, General Manager of Environment and Forestry at Tolko and a member of the Society's Board of Directors, the IFPA mandate is to develop forestry practices that enhance resource values such as biodiversity, wildlife habitat, water quality, fish habitat and First Nation traditional uses.

“We're working on adapting new tools, like Predictive Ecosystem Mapping, that will allow us, for the first time, to incorporate many environmental values into the initial stages of resource planning. That's innovative, and we're confident it will enhance the health and productivity of our working forests.”

