

## NEW VIAWP MEMBERS & NEWSLETTER SUPPORTERS

### Welcome aboard new VIAWP members

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# VALUE-ADDED

Newsletter of the Vancouver Island Association of Wood Processors

## VIAWP Wood Showcase/Yellow Cedar Projects move forward

### Support building for Wood Showcase Facility

The vision of a combined Wood Showcase Facility/Tourism Discovery Centre for Vancouver Island is catching on. Because of its central location, growth potential, and transportation links, the Inland Island Highway's Cumberland access to the Comox Valley is the prime location for the Showcase/Discovery Centre.

The structure will create a venue that showcases the beauty of BC native wood species and the quality workmanship of Island manufacturers.

More than 12 North and Central Vancouver Island municipalities and regional districts support the project. And over 40 wood processors, artisans and First Nations' carvers have expressed interest in selling their products through the facility.

"The concept is a one-stop shop for local and international high-end builders, contractors and architects," says VIAWP President Gio Alberti. "The Showcase will provide marketing support for smaller operators, expand opportunities in domestic and international markets, and create a venue for trade missions and investors to view products and operations."

The VIAWP and the Comox Valley Economic Development Society are working in partnership on the project. The CVEDS has confirmed the interest and willingness to cooperate in the project of the owner of the property identified for the Showcase/Discovery Centre.

A recent VIAWP meeting attracted 20 companies interested in participating in the Showcase. They provided valuable input around donations of products and services, pricing and fee structures, promotional opportunities and the range of products that should be sold. The Association is seeking funding to prepare a business plan for the Showcase and will seek further input from participants.

*Association Re-launches Yellow Cedar Marketing Project*  
 The VIAWP's Yellow Cedar Marketing Project is back on the front burner with several recent product inquiries from companies in the southeastern U.S.

On August 8, 2006, the VIAWP held a meeting with companies interested in participating in the project. There was strong interest in the termite-resistance of yellow cedar and developing programs for New Orleans and other markets.

As a result of the support for the Yellow Cedar Marketing Project, the Island Wood Processors Cooperative has funded a marketing mission to New Orleans.

VIAWP member Lance Odegard, who has substantial experience in export sales and marketing, will renew contacts with lumber wholesalers and research other opportunities in New Orleans and surrounding markets.

When the marketing mission is completed, the Association will hold a meeting with paid-up VIAWP members to review the results and opportunities.



The 9,500 square foot Squamish Adventure and Visitor Info Centre, with its fir columns and eagle-wing roofing design elements, is a good example of how wood could be incorporated into the proposed Wood Showcase/Tourism Discovery Centre for Vancouver Island.

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VIAWP - Representing Independent Wood Processors on Vancouver Island

Together We Can Make a Difference!



**A**s we gear up for our October 21 Annual General Meeting and the election of a new Board of Directors, I'd like to take the time to review some of the Association's activities and accomplishments over the past year.

For much of our sector, the past few months have proved challenging. Fiber supply, adapting to the new Softwood Lumber Agreement, and declines in lumber prices in the U.S. market are, just a few of the issues our members face.

Your Association and its Board have been working to represent your interests and deliver the information and develop projects that respond to your needs.

We are fortunate to sit on the BC Timber Sales Advisory Committee (TSAC) and represent the concerns of our sector. I've worked with the two other independent value-added sector representatives on the TSAC to preserve our CAT 2 program sector and ensure that BCTS works to deliver timber sales that meet the scale and profile of our membership.

Your Directors recently represented you at a meeting with the consultants leading the BC Log Export Policy Review. We have submitted a brief to the review process to ensure our sector's interests and recommendations for improvements to log export controls are recognized.

On the Softwood Lumber front, we've worked closely with the Independent Lumber Remanufacturers Association to ensure the federal and provincial government was aware of our concerns around access to the U.S. market, potentially higher costs, and definitions around "First Mill" and "Remanufacturer." Now that the Softwood Lumber Agreement has been approved by the federal government, we want to ensure our members are kept informed on procedures for accessing the U.S. market under the new system.

As this newsletter shows there are several promising developments in the Association's Wood Showcase Facility and Yellow Marketing Project initiatives. Another good example of the Association's efforts to promote our members' products is our attendance at the BC Wood Global Buyers Mission in Whistler. Our trade show booth resulted in dozens of strong sales leads for our members and enhanced their profile.

Our Association continues to grow, adding new members in both the regular and associate member categories. I urge you to support your Association by attending the October 21st AGM.

**Gio Alberti, VIAWP President**

**Who We Are**

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**AFFILIATED ORGANIZATIONS**

Island Wood Processors Cooperative  
 Interior Value-Added Wood Association  
 Independent Lumber Remanufacturers Association  
 BC Log & Timber Building Association  
 BC Associations Cooperative of Small Wood Businesses

**VIAWP STAFF**

**Executive Director** - Roy Ostling

*Value-Added is the newsletter of the Vancouver Island Association of Wood Processors. For membership and subscription information, contact the VIAWP at:*

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**BC WOOD**



VIAWP Executive Director Roy Ostling staffed the Association's exhibit at the GBM and collected sales leads for the membership. VIAWP member Jim Barker of Barker Manufacturing created the VIAWP sign and samples for the GBM.



Alf Butterfield (left) and Dali Lin of VIAWP member TF Sawmill Inc. promoted their curved timber products and specialty lumber at the GBM.



Alan and Jeff Chen of VIAWP member Long Hoh Enterprises Canada display their mill's product lines at the GBM.

**Global Buyers Mission  
 September 7-9, 2006  
 Whistler Conference Centre**

BC Wood's 2006 Global Buyers Mission was another resounding success for BC's value-added wood products industry. The VIAWP and several member companies exhibited and promoted their products and services at this event. Here are some of the highlights:

- This year's GBM attracted 477 participants, including 208 company representatives and 190 buyers from around the world.
- Exhibit space was sold out with 89 companies participating companies and organizations.
- This year's event attracted 70% new buyers, with representatives from China, Japan, Korea, Taiwan, Vietnam, Pakistan, Ireland, France, Switzerland, Netherlands, Austria, United Kingdom, Croatia, Belgium, Italy, Mexico and the United States.
- The Hon. Rich Coleman, BC's Minister of Forests and Range opened the GBM. Ardath Paxton Mann, Assistant Deputy Minister for Western Economic Diversification delivered the keynote address.
- All buyers surveyed to date expect to purchase Canadian Wood Products within the next year.
- Media and industry publications were represented from Japan, Europe, and the U.S. and excellent promotion and exposure is expected for next year's GBM, tentatively scheduled for September 13-15.

*The success of the Global Buyers Mission is due to the coordinated support and continued partnership with Western Economic Diversification, Natural Resources Canada Wood Export Program, Forestry Innovation Investment Ltd., Canada Mortgage and Housing Corporation, International Trade Canada, Export Development Canada, and Industry Canada.*

## Forintek Update

### SOLUTIONS FOR WOOD HAS THE ANSWERS TO YOUR TECHNICAL ISSUES

*Solutions for Wood* is a program delivered in all regions of British Columbia by Forintek, Canada's wood product research institute. *Solutions for Wood* is for manufacturers of wood products such as doors and windows, kitchen cabinets and furniture, and building components to access the technical information and assistance they need to be more innovative and competitive.

The program responds to the needs of the industry with a wide variety of technical support and services that help them improve their manufacturing

efficiency, increase product quality, develop new products and enter new markets. A team of Forintek hands-on specialists provide business owners and plant managers with manufacturing advice delivered through on-site visits, best practices workshops and seminars, manufacturing and product technical assessments, and technical publications.

A major element of the *Solutions for Wood* program is to examine marketplace trends and combine them with leading-edge technologies. When implemented on the plant floor, these technologies can have a huge impact on the manufacturer's bottom line.

Key service areas are:

- Assistance with implementing practical techniques to improve product quality, lower production costs and solve production problems
- Applying technology and technical knowledge in the design and development of new products and the improvement of manufacturing processes
- Evaluating and applying national and international best practices to wood manufacturing
- Helping companies expand and develop to compete locally, regionally and internationally.



*Solutions for Wood* is supported by the BC wood products industry and Forestry Innovation Investment Ltd. (FIIL).

For more information, visit: <http://www.solutionsforwood.ca>

For further information, please contact:

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### Mark your calendar for these upcoming Forintek One-Day Workshops

- Wide Belt Sanding (BC/IT Oct 24<sup>th</sup>) call Jenny Rice for more info 604-222-5671
- Lumber Drying Workshop ( Nanaimo, December 6th TBA), call Dave McRae for more info 250-713-1721
- Lean Manufacturing – 8 Module Series ( Delta TBA, January 22), call Jenny Rice for more info 604-222-5671
- Hardwood Sawing and Grading Workshop ( Nanaimo January TBA) Dave McRae for more info 250-713-1721

## VIAWP AGM coming Sat., Oct 21 – Financing Alternatives, Marketing Updates

Mark your calendar and plan to attend the upcoming VIAWP Annual General Meeting.

**Time and Date:** 10 a.m., Sat., October 21  
**Location and Host:** Quality Bayside Resort Parksville, BC

The morning will include update on the Association's Wood Showcase Facility and Yellow Cedar Marketing Projects and presentations on improving your business's insurance coverage and reducing its costs and how to put technology to work to more effectively manage your log and lumber inventory.

After lunch (provided) Dennis Mawhinney, with 20 years consulting experience and five years as an owner/operator of a value-added manufacturing plant will speak on Alternative Sources of Financing for Your Business. Copies of his Guide to Investment Capital for Value-Added Wood Manufacturers will be available free-of-charge at the AGM.

The day will wrap up with reports on the Island Wood Processors Cooperative, BC Timber Sales, Log Export Policy Review and the Softwood Lumber Agreement and Election of the 2006-2007 VIAWP Board.

**Why you should attend the AGM:**

*Your involvement makes a difference* – Several VIAWP Directors serve on both the Co-op and VIAWP Boards. It's critical that members help share this workload by putting their names forward for election to the Board.

*Network* – The October 21st AGM provides an opportunity to renew connections with VIAWP members and services providers.

*To register for the VIAWP AGM, contact the VIAWP Office by phone (250) 754-3270 or fax at 250-754-3250 or email [vianwp@telus.net](mailto:vianwp@telus.net)*

## Panalpina offers VIAWP members preferred shipping rates

Panalpina's business was built on a simple premise: to help you get your goods to market quickly and economically, wherever that market might be.

Panalpina has become one of Canada's leading International Freight Forwarders and Customs Brokers.

With 500 owned offices in 75 countries with over 14,000 people and agent partnerships in 62 countries we offer transport and logistics services in co-operation with first class carriers. We are an asset free company and have contracts with all major steamship lines and airlines and are able to pass on the savings to you.

We provide solutions including:

- ◆ Sea Freight and Air Freight Services
- ◆ Full Container Loads (FCL)
- ◆ Less-than-Container Load (LCL)
- ◆ Import / Export
- ◆ Transborder
- ◆ Letter of Credit Negotiation
- ◆ Certification and Legalization of Documents

- ◆ Transport Insurance
- ◆ Door to Door Service
- ◆ Preferred rates for VIAWP members

For rates and more information please contact:

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## Putting technology to work to improve your log and lumber inventory

TradeTec Computer Systems Ltd. has been in operation for 20 years. We are dedicated to not only delivering the finest software and hardware products available for forest-product companies, but also to providing unsurpassed customer support services.

Pioneered by David Ranger, who created a solution using his radio technician experience and knowledge of the forest industry to create one of the first handheld scaling applications, TradeTec has grown into the industry leader it is today.

TradeTec now represents and supports software applications in place throughout North America and around the world.

The TallyWorks-Lumber sales and inventory-management system sets the industry standard for precise and efficient lumber tracking, from the order desk, through to the Sawmill and value-added processes to shipping, invoicing and reporting. It offers a complete and scalable solution for small, medium or large sawmills. Using barcode tags for unique identification of each mill-produced package, the system enables up-to-the minute inventory reporting and on-line error checking for constant, trouble-free control.

TallyWorks-Reman includes all the power and function of TallyWorks Lumber. TW-Reman allows you to manage your inventory from purchasing through to sales and shipping. Use TW-Reman to map your finished goods to multiple raw material options and keep inventories as low as possible. TW-Reman has powerful costing tools and allows you to measure falldown and trim loss and profit-

loss (using integrated market pricing tables) and dynamically manage product lines, machine centers and multiple inventories. Effective sales and margin information is immediately available to all authorized users to help you understand business decisions before they are made.

TallyWorks-Logs is an advanced woodlands inventory system and log procurement solution for either hand-scale and/or a weight-scale logging operation. "TLO" helps you to maximize productivity throughout the production cycle. Managing Cruise Inventory and Log Sales, Log Inventory and Contractor Payables. It provides broad flexibility and comprehensive tracking and information management capabilities in real time. The software is available for a variety of applications including weigh-scale, hand scale, sample expansion, hardwood, softwood, and more.

All these solutions provide hundreds of detailed and configurable reports, which are also exportable to Microsoft Excel. As well, users can utilize the built-in Data Mining Wizard to mine the database for key information throughout the production process for data on importing, sales, inventory, stumpage, waste accruals, and more. It provides seamless connectivity to completely automate the transfer of information, saving you valuable time and eliminating expensive data re-keying errors.



TallyWorks is a scalable solution that can fit any size organization. Providing handholds with printing and file export capabilities up to full management information systems that integrate with any and all financial systems on the market today, we feel we have a solution that will help you manage your business.

**For more information contact:**  
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## Building a sound financial relationship with your banker

The following is a reprint of an article prepared by VIAWP Director Charles Roach, who was previously Manager, Commercial Financial Services, HSBC Canada

While there are many things that your bank may be looking for, it is likely that one of the more important issues to them is are that you are getting them accurate financial and other information in a reasonably punctual manner and annually an accountant-prepared-balance sheet and income statement.

In reviewing your information the bank will probably place the most emphasis on the following three things:

- The past cash flow that the company has generated.

- The relationship between the debt (borrowed money) and equity (your money) in your company.

- The security that the assets of the company or you or someone else can provide to them as security for any loans.

Cash Flow is generally calculated by adding the net income or loss for the year to any interest expense on borrowed money plus any expenses which are not actually paid out in cash (like depreciation) and any items that are extra-ordinary (one off type things like a consultant fee when the consultant will not be back the next year).

This total needs to be enough plus a surplus to enable the company to make its principal and interest payments on borrowed money. For example if it costs the company a dollar a year to pay for its debts and if the cash flow is a \$1.25 or more then that would be a good position to be in.

Relationships between the amount of debt and equity on the balance sheet should not be more than the range of \$3 in debt to \$1 in equity.

In this example the bank would have \$3 in your company for every \$1 of yours. Banks like to see in the 2:1 range as a more comfortable position. A further relationship that is important to you and the bank is that the company should have more dollars in current assets than current liabilities, in the 1.2:1 range would be a good number. For example, the company would have \$1.20 in accounts receivable, inventory, cash etc to pay for each \$1.00 in accounts payable, wages etc.

From a security standpoint, banks will finance varying percentages of the various assets that your company uses and the maximum amounts are usually loaned when the cash flow of the company and the relationships on the balance sheet are at or better than the minimum amounts that the bank would like to see.

Some examples would be accounts receivable at 75%, inventory at 50%, your plant at 65%, new equipment at 75% and used at 60%. The repayment of any loan is generally over a slightly shorter period than your accountant would depreciate the assets at or the life of the asset might be. For example if a machine was to be depreciated over say 5 years the bank may want the loan paid out over 4.

*In reviewing your information the bank will probably place the most emphasis on the following three things. The past cash flow that the company has generated, the relationship between the debt (borrowed money) and equity (your money) in your company and the security that the assets of the company or you or someone else can provide to them as security for any loans.*

When considering an expansion in your company and preparing your business plan it is important that you consider how the costs of that expansion will effect the balance sheet relationships, cash flow and security.

Preparing a projection of the cash flow and the balance sheet and income statement in the business plan for you to consider before going to the bank is important so that you can decide if the effect is acceptable to you from a risk and financing standpoint. For example, initially, your cash flow may decline as you expand and get up to speed and find your market and finance your higher levels of inventory and accounts receivable. Does the company have enough cash along with your bank line to pay for this? The bank will generally consider many of the same issues that you do in making these decisions.

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