

THE PAPASAY SAWMILL: AN UPDATE FOR THE MEMBERS OF BINGWI NEYAASHI ANISHINAABEK



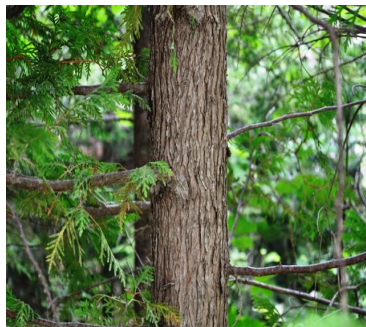
NEWSLETTER
FALL 2016

WHERE WE WERE

The Papasay Sawmill had been a vision of the previous Chief and Council for over a decade. Their dream of seeing Bingwi Neyaashi once again play a role in the forestry sector led to a series of decisions and events that has led the Sawmill development to where it is today. With many success stories along the way, this Project has gone through many stages, and it is important to remember how it has developed over the last many years.

Securing a Cedar Allocation

The former Chief and Council worked diligently to secure a cedar allocation from the Province, resulting in 13,450 cubic meters of eastern white cedar being made available to Papasay on an annual basis. While this was not enough to ensure a year-round, multi-shift operation in the commodity market, it was an excellent allocation for a smaller, value-added sawmill. This allocation will allow BNA and Papasay to progress in this development.



Securing the Support of the BNA Membership: The Land Designation Vote for the Papasay Sawmill

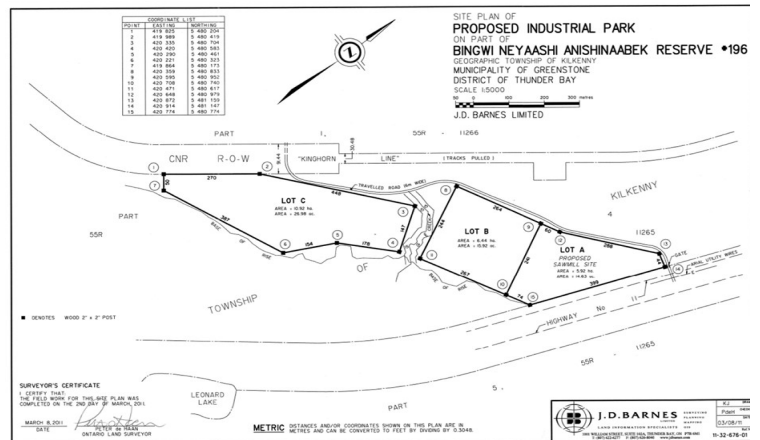
As construction progressed on the Sawmill building, concerns were beginning to be raised by the membership regarding the Project. Construction was halted until the First Nation was able to hold a “Land Designation Vote”, a process required under the Indian Act when a community wishes to designate a portion of land for a particular purpose. As BNA had yet to ratify its Land Code, this was a requirement for this Project. This Chief and Council promised the membership that a “yes” vote meant that:

- Papasay would have a “phased-in” approach to the Sawmill. Rather than starting with a large, industrial-style facility employing dozens of people over multiple shifts, it would be a scaled-down sawmill, with the vision of a true value-added operation utilizing our resources in a responsible manner; and,
- Not utilizing the Chinese investors which were a part of the original plan.

The result on August 24th, 2013 was a 57-21 vote in favour of the new, scaled down plan for the Sawmill, a strong mandate for the way forward.

Securing Public Funding

After the wood allocation, the next success story was the support provided by both the provincial and federal governments. In 2011, BNA was successful in obtaining \$1 million in funding from the Northern Ontario Heritage Fund Corporation, and an additional \$460,000 in funding from FedNor. These resources allowed for the commencement of the development of BNA’s Industrial Park off of Hwy 11, as well as the eventual construction of the sawmill building. Lot A of the Industrial Park was designated for the purposes of operating a Sawmill.



WHERE WE ARE

Release of Funds and Construction of Building

Upon the successful Land Designation Vote, the remaining funds from NOHFC and FedNor were released. With a mandate from the membership, the construction of the facility was renewed, but with a significantly scaled-down design in order to ensure that neither BNA nor Papasay would be putting any further resources into the development of the facility. This new design meant that many amenities normally found in industrial buildings - a washroom, heat, running water - had to be temporarily forfeited so that the building could be erected. However, it is these outstanding items that are critical to ensuring that our facility operates to the highest standards expected by our members.

By the winter of 2013, the newly-designed Sawmill Building was complete. That spring, we moved our 2 newly purchased Woodmizer saws (one gas, one electric), and our edger down to the new facility at BNA.



BNA Sawmill Graduates: Doug Perkles, Mike Lesperance, Rose Antosiak, Wilfred Potan, Cameron Binguis, John Fullerton, Ian Fullerton, Nathan Koronkiewitz, and John McGuire. Josh Thompson from BZA also graduated from the program.

Providing Sawmill Training for BNA Members

BNA was successful in its application to the Ministry of Aboriginal Affairs' Aboriginal Economic Development Fund for a 6-week training course. In partnership with the Confederation College and Wayne Howarth as the trainer, 9 BNA and 1 BZA member were put through a thorough course on all requirements for being a sawmill worker. Along with the mandatory safety training, the trainees received additional certification for front-end loader training, as well as chainsaw certification. Additional supports including training allowances, travel, and accommodations where required were provided to all students. All students were successful in their training. Following the course, 2 of the trainees went on to work with Wayne at his facility on Intola Road. One of them, Wilfred Potan, continued his employment for many months.

Negotiation of Sawmill Lease

Even after the BNA membership voted in support of the Sawmill Land Designation, AANDC (now INAC) refused to fulfill their fiduciary duty and provide the lease for the facility. This lease, between Papasay and INAC, lays out the basic responsibilities of all parties with respect to the operation of the Sawmill. Finally, after many months of negotiations, AANDC finally signed the Lease.

The Sawmill lease episode with AANDC represented in the clearest of terms why BNA needed to manage its own lands under the Framework Agreement for First Nations Land Management. It should not be the business of bureaucrats in Ottawa what BNA and its members choose to do on their own reserve lands. Shortly after the Lease was signed, Chief Airns signed the Framework Agreement. Going forward, BNA will operate under its own Land Code, and will no longer require INAC's permission on its future projects.

New Value-Added Equipment for Sawmill

In 2015 and 2016, BNA was successful in acquiring the funding for several new pieces of value-added equipment. Firstly, through funding from CORDA, BNA was able to acquire a Woodmizer KD450 Dry Kiln. This kiln is meant for medium-sized sawmills, much like the one Papasay is proposing to pursue. While it does not include a chamber for drying, this can be constructed separately.



Secondly, BNA was successful in acquiring funding from Nishnawbe-Aski Development Fund for 4 new pieces of value-added equipment which will provide capabilities for making shingles, rounding posts and providing other specifically-required value-added functions. This new equipment will all be purchased and transported to the Sawmill facility this fall, and will soon be put to use.

WHERE DO WE GO FROM HERE

The Re-Vamping, and Re-Vamping, of the Sawmill Business Plan

As the facility was being constructed, there was an understanding by both Chief and Council and the Papasay Board that the original Sawmill Business Plan was not going to work for this facility. It called for a large, multi-shift operation that was to produce so many board feet per year. The members voted for a smaller, value-added facility, capable of weathering the turbulent tides of the forestry sector. With support from the Ministry of Aboriginal Affairs AEDF Fund, BNA secured funding to re-vamp its business plan. We hired a consortium of experts to develop the new plan, and worked with them to ensure it met the requirements of the new, smaller facility.

While the plan did show a profitable venture, it also identified deficiencies which we cannot currently afford:

- Male/Female Washrooms (to comply with labour code)
- Running water (requires well to be drilled on site)
- Heating/building insulation (for work in winter months)
- Venting for dust (for safety of workers)
- Power (inadequate supply for operation)
- Equipment (front-end loader; outside forklift)

The total cost for this infrastructure totalled approximately \$450,000. BNA cannot commit these resources, and will not put any more of its own dollars into this Project. We therefore, again, went back to the drawing board with our Business Plan authors and forest managers, hme Enterprises. A new plan is currently being developed to move us forward.



Our New Plan: Guaranteed Contracts

One of the biggest risks with the Sawmill Project is knowing who and where we are selling to on a daily basis. While a scaled-down, value-added facility is capable of weathering market fluctuations more than a larger facility, it is still a risky endeavour. What has changed is the stability of our forest management company - Lake Nipigon Forest Management Inc. - which is run by BNA, along with its neighbours, AZA, BZA and RRIB. By pursuing opportunities directly on the forest, LNFMI is able to *procure directly* from the Sawmill. One example of this relationship is with the bridge repairs required on the Forest. With over 80 bridges requiring attention, our facility could take on these contracts. We are 1/4 owners of LNFMI, and have a positive relationship with our neighbours, so risk is minimized significantly.

Similarly, other business players have shown interest in procuring directly from our facility. One of these companies - Carillion - is the Hwy Maintenance Contractor for our region, and we are in talks with them about providing some of their fence posts and other requirements that they have for their Hwy work. Again, if we

can negotiate an agreement whereby they procure directly from our Sawmill, risk is minimized, and our facility has a real opportunity for future success.



Working with AVTB on Wood Supply

Along with the marketing piece, ensuring that our facility has the wood supply it requires for its operation is another critical issue we are working through. In meetings between LNFMI and AV Terrace Bay - with whom LNFMI has a 5-year wood supply agreement with - a relationship is developing whereby the company is looking to support BNA and Papasay in commencing its operation. One of these ways is in ensuring that we have a load of in-kind SPF (spruce/pine/fur) so that our new employees will be able to have enough fiber to get the facility started. We hope that the wood will be delivered to the site this fall.

The relationship with AVTB is still in its infancy. The company has become a critical consumer of fiber from the Lake Nipigon Forest, and the supply that LNFMI has provided the facility in Terrace Bay has been important for its continued operation. We hope to continue to build upon this relationship, and hopefully continue to work with AVTB on our Sawmill going forward.



NEXT STEPS.....

Complete New Business Plan and Pro-Forma

While initial numbers have been studied showing that this scaled-down operation would become profitable, further study is needed. De-risking the Sawmill Project is only possible through diligent planning and preparation.

Complete Infrastructure Requirements for Sawmill

In order to minimize expenditures, we are looking at every way possible to make the operation work without burdening the First Nation with further costs. Innovative solutions have ranged from utilizing Papasay's backhoe as a makeshift front-end loader (through changing of teeth of bucket), to building an awning outside for sawing to eliminate dust concerns (using the inside for value-added production), to selling our electric saw for another gas-powered saw (in order to eliminate issues of power constraints). We will continue to work with our forest managers to find solutions.



Get all Required Licences for Sawmill

BNA will work with the foresters in hme Enterprises in order to ensure that all licences and permits for the facility are appropriately obtained prior to the commencement of the Sawmill operation.

Hire General Manager and Workers for Sawmill

BNA and Papasay understand that any future Sawmill operation will only succeed if there is a strong, competent, and experienced Sawmill Manager at the helm. This individual will be required to manage the employees, administer their payroll, ensure a timely wood-supply for the facility, and work with consumers and customers in satisfying their demands and needs, to list a few of his/her expected duties. We are fortunate to have several BNA members who were trained as Sawmill workers who have shown promise, and who would make excellent employees.



Commence Operation

Only after all steps are complete will we commence operation. Ideally, we would commence in the spring. However, the days of making promises to the membership are over. We will commit to you that we will open the facility once we are sure all is in place for a successful operation. This will obviously be brought to the membership prior to commencement.

Phase 2/3/4: TBD.... Our planning will lead us to what products will be manufactured inside the Sawmill, as well as looking at other new, innovative ways to utilize the facility, including looking at issues of local food production and processing. These plans are in their infancy, and the opportunities are endless. We will inform you of the results of the planning as they become available, and look forward to working with the membership to make this Project a reality.

The Case for Value-Added Sawmills: *“The Papasay Sawmill is a great value-added project which will be able to quickly adapt to market forces and fill a gap in the local lumber supply. Being able to utilize a variety of tree species in the facility allows it to create its own regional niche market, while stimulating the emerging value-added wood sector in the area.”* - Scot Rubin, Forester, Lake Nipigon Forest Management Inc.

“Value-added sawmill operations provide communities with long-term employment opportunities that are not tied to the fluctuations of a commodity market. Find that niche product and capitalize on it!” - Brian Kurrika, former manager of applied research at the Confederation College's Bio-Energy Learning and Research Centre.

“A small sawmill in a First Nation community can build knowledge and capacity, and provide jobs and pride. Skills are learned and lumber is used in the community to build wood products. Wood products can be shared with nearby communities and can be sold to local and regional markets. During the last forest industry downturn many of the larger commodity sawmills curtailed operations, but most of the small local and regional sawmills continued operating in NW Ontario. It is my belief based on the communities I have visited that there is an opportunity for First Nations to operate small sawmills and wood working shops to supply their community's needs. This would contribute to a small internal economy. It would keep dollars in the community that now leak out when houses are furnished.” - Percy Champagne, FP Innovations