

**ABORIGINAL-FOREST SECTOR PARTNERSHIPS:
LESSONS FOR FUTURE COLLABORATION**

**A JOINT STUDY BY:
The National Aboriginal Forestry Association
and
The Institute On Governance**

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1 INTRODUCTION

1.1 BACKGROUND

There is little doubt that partnerships between Aboriginal communities and Forest Industry firms represent a growing phenomenon of significant importance to the economic development prospects of many Aboriginal people.

Since its establishment in 1991, the National Aboriginal Forestry Association (NAFA) has promoted cooperation in forest management and effective working relationships with forest companies. In April 1995, NAFA conducted a brief survey¹ of such partnerships that identified a number of joint ventures and industry employment partnerships. More recently, other forms of partnerships have been formed, based on a growing trust and changing conditions within the forest sector.

In 1998, the Institute On Governance (IOG) published the results of its survey² of some thirty of the largest forestry companies in the country. A wide variety of partnerships were identified, including some that featured protection of environmentally and culturally sensitive areas; training and employment agreements; and contracts with Aboriginal-owned businesses for harvesting, silviculture, hauling and other activities related to forest management and forest industry operations. The number of joint ventures, either negotiated or being contemplated, was a significant finding of this study. The overall thrust of the survey confirmed that a transformation is occurring – a transformation that is altering the way in which forestry firms relate to their Aboriginal neighbours.

Gathering Strength, the Federal government's response to the Royal Commission on Aboriginal Peoples, recognized the growing opportunities in the resource sector by outlining a number of new initiatives in this area. One such response is a new Aboriginal Business Initiative that, through increased access to capital, expanded business services and increased Aboriginal involvement in existing programs, has the potential to play an important role in the resource sectors of the economy.

As well, Canada's *National Forest Strategy*, renewed effective May 1, 1998, commits the forest sector at large to the pursuit of business partnerships with Aboriginal communities taking into consideration traditional use and other forest values.

Despite the NAFA and IOG studies cited above, the level of knowledge about new partnerships in the forest industry and the motivations driving their creation remains weak. Aboriginal business development in the industry is dependent on effective working partnerships. A better understanding of the constraints, challenges and achievements involved and the implications for public policy will help foster confidence and innovation in the development of Aboriginal and forest sector partnerships.

¹ "Discussion Paper: Co-management and Other Forms of Agreement in the Forest Sector", April 1995.

² "Exploring the Relationship Between Aboriginal Peoples and The Canadian Forest Industry: Some Industry Perspectives", June 1998.

1.2 OBJECTIVES

The objectives of this study are the following:

- to determine with greater precision the number, type and geographic location of these partnerships;
- to gain a better understanding of the motivations behind agreements and the obstacles and challenges in developing these partnerships and making them succeed;
- to estimate the nature of the results in terms of employment, new business formation and other benefits to Aboriginal communities; and
- to gain a better appreciation of the implications of this growing phenomenon for public policy and for future action on the part of industry and Aboriginal communities.

1.3 ORGANIZATION OF REPORT

Following this introduction, section 2 gives a review of the forest industry and the factors influencing Aboriginal participation providing a context within which to view partnerships in the forest sector. The next section (3) discusses the results of a survey of Aboriginal organizations across Canada. This survey examined the number, type and geographic location of Aboriginal-non-Aboriginal partnerships in the forest sector. Section 4 details a set of best practices compiled through a review of national and international literature on business partnerships with a focus on multicultural settings. Detailed descriptions of four forestry partnerships of various forms are provided in section 5 with a discussion of lessons learned for each case study. The final section (6) lists a series of questions and issues for further exploration on the issue of forest sector partnerships.

2 FORCES DRIVING THE FORMATION OF ABORIGINAL PARTNERSHIPS IN THE FOREST SECTOR

2.1 OVERVIEW OF INDUSTRY IMPORTANCE

By any statistical measure, the forest industry is an important contributor to the country's economic prosperity. It is Canada's leading manufacturing sector and a major economic force in all regions of the country. It represented 11% of Canada's Gross Domestic Product in 1998 when combined with the logging and forest services industries. In the same year, the total value of industry exports was \$39.7 billion with a balance of trade totalling \$31.6 billion, making Canada the world's largest forest products exporter.

Total direct employment in the industry was 384,000 in 1998 and the sector contributed to the creation of another 465,000 indirect jobs or 1 in 16 jobs in 1998. This resulted in wages and salaries of approximately \$11 billion. The forest sector is the country's largest non-urban employer with over 300 communities dependent on the sector for their livelihood.

From a regional perspective, British Columbia accounts for approximately 37% of the total value of Canadian shipments, followed by Quebec with 25%, Ontario with 20%, the Prairies with 8% and the Atlantic Provinces with 7%.

The early 1990's proved to be difficult years for Canada's pulp and paper industry, which was subject to a world economic downturn coupled with significant capital expenditure associated with already-scheduled capacity expansion and environmental control programs.

Overall profits in the wood and paper industries reached a record of \$5.2 billion in 1995 compared to \$2.6 billion in 1994 and total losses of about \$3.9 billion in the 1991 to 1993 period. Difficult times returned to the industry in 1996 as profits plummeted to under \$1 billion, the result of substantially lower prices in the pulp and paper industry coupled with a 3.3% drop in shipments. To summarize employment in the past decade, there were gains in the wood products industry offsetting job losses in the paper and allied industries, for a total increase of 26,000 jobs in the forest sector.

The Forest Sector and Aboriginal Peoples

General forest industry statistics do not represent the importance that forests, and consequently the forest industry, have for Aboriginal peoples in Canada. Some 80% of First Nation communities are within forested areas and productive forests cover approximately 44% of reserve land areas. The forest has always had a profound effect on culture and way of life, providing everything from food, fuel and clothing to shelter, medicine and water transportation. The significance of these elements continues, not to mention the value that indigenous knowledge of forests and resources has in the worldview.

A variety of national and provincial policies and international agreements in recent decades have influenced Aboriginal participation in the forest sector. Some of these initiatives as well as

emerging trends in Aboriginal communities will be listed briefly below. More detailed examination of these issues can be found in the Institute On Governance report entitled *Exploring the Relationship Between Aboriginal Peoples and the Canadian Forest Industry: Some Industry Perspectives* and the NAFA report entitled *Aboriginal Participation in Forest Management: Not Just Another Stakeholder*.

2.2 INTERNATIONAL COMMITMENTS TO SUSTAINABLE FORESTRY

United Nations Conference on the Environment and Development (UNCED)

UNCED approved an action program, Agenda 21, in which the involved state governments promote sustainable development within their borders and to cooperate in a range of different areas. Significant development with respect to forests occurred in Chapter 11 of Agenda 21 and the non-legally binding “Forest Principles”. Forest elements are also found in the Rio Declaration, the Convention on Biological Diversity, the Framework Convention on Climate Change and in a number of other Chapters of Agenda 21. In many instances Indigenous Peoples’ issues converged with forest elements. Principle 22 of the Rio Declaration, for example, recognizes the role of Indigenous Peoples in development and environmental management and asserts that “states should recognize and duly support their identity, culture and interests and enable their effective participation in the achievement of sustainable development.”

United Nations Convention on Biological Diversity

Based on concerns about the degradation of ecosystems and loss of species and genetic diversity that result from human activity, the Canadian government, with the support of the provinces and territories, ratified the *United Nations Convention on Biological Diversity* in 1992. Aboriginal profile has been high around the convention. Article 8 commits signatories to “*as far as possible and as appropriate...(j) subject to national legislation, respect, preserve and maintain knowledge, innovations and practices of indigenous local communities embodying traditional lifestyles relevant to the conservation and sustainable use of biodiversity and promote their wider application.*” Aboriginal people can view the Convention, as well as other international instruments such as Agenda 21 from the Rio Conference, as strengthening their Aboriginal or Treaty rights to land and resources and their right to benefit from traditional knowledge. Further, these instruments are re-affirming and indeed, committing support for traditional, holistic approaches to wildlife habitat conservation.

By 1995 the Federal and provincial governments had developed a Canadian Biodiversity Strategy to determine the measures needed to meet the obligations of the Convention. The strategy is a product of extensive consultations that included Aboriginal organizations and points out the need to find mechanisms to implement Article 8 (j).

2.3 CANADIAN INITIATIVES INFLUENCING PARTNERSHIPS

The Royal Commission on Aboriginal Peoples

The Royal Commission concluded that the forest industry shows great potential for increasing Aboriginal self-sufficiency. It also recognized, however, the harmful impacts that current forestry practices can have on Aboriginal communities. Clear-cutting and extensive road construction for the purposes of logging clearly threaten First Nation hunting, fishing, trapping and holistic management practices. The Commission also noted the diminishing quantity of unallocated forest lands in most jurisdictions. In Ontario, for example, much of the Crown land has already been allotted under long-term licence. The Commission made the following recommendations with regard to Aboriginal involvement in the forest industry:

- provinces and territories should improve Aboriginal access to forest resources on Crown land;
- the Federal government should promote Aboriginal involvement in forest management and planning;
- provinces should encourage partnerships and joint ventures between large timber licence holders and Aboriginal firms; and
- provinces should give Aboriginal people the right of first refusal on unallocated Crown timber close to reserves or Aboriginal communities.

In addition, the Commission recommended a significant transfer of lands and resources resulting from the new Treaty negotiations that would occur in all regions across Canada. The size of these transfers would be based on two elements – the developmental needs of communities and partial compensation for past and present exploitation of a Nation’s traditional territory. Lands would be of sufficient size and quality to foster Aboriginal economic self-reliance and cultural and political autonomy.

Claims and Self-Government Negotiations

Both comprehensive and specific claims negotiations and those dealing with self-government regimes are now common features across Canada. There are some 80 negotiating tables involved in self-government across the country in which approximately 300 First Nations and other Aboriginal groups are participating. While progress has been slow in the past, these negotiations will result in First Nations and Aboriginal communities becoming major players in resource management, both as landowners and as partners in co-management arrangements. In addition, the financial settlements, which are a part of claims agreements, provide Aboriginal groups with the economic means to develop joint ventures and establish their own enterprises. (Since 1994, funds paid out by the Federal government annually for claims settlement have been in the \$3-400 million range.)

Aboriginal Title, Aboriginal and Treaty Rights

Within the last decade, the courts have rendered a number of important judgements, some at the level of the Supreme Court. These judgements have, and continue to have, important ramifications for resource-based industries, particularly the forest industry. The Delgamuukw judgement is one of the most recent and far-reaching judgements with specific implications for Aboriginal participation in forest management in British Columbia.³ Other important judgements include R. v. Sparrow, 1990, which addressed the requirement for governments to justify proposed infringements (for example through legislation, regulations or policy) of a constitutionally protected Aboriginal or Treaty right. Four related decisions clarified what would be judged to constitute a justification (R. v. Gladstone, R. v. Adams), an infringement (R. v. Cote), and an Aboriginal right (R. v. Pamajemon).

Canadian Environmental Assessment Act

The Federal government's environmental assessment process as defined in the *Canadian Environmental Assessment Act* (CEAA) provides a legal requirement on the part of Federal agencies to consult Aboriginal people when undertaking a project, approving project funding or adopting a new policy, law or regulation. Among the factors that an assessment must take into account, the CEAA makes particular note that “the current use of lands and resources for traditional purposes by Aboriginal persons” be acknowledged.

Canada’s National Forest Strategy

Another national initiative of some note is Canada’s National Forest Strategy (NFS), which the Federal and provincial governments along with some 30 non-governmental organizations, including the National Aboriginal Forestry Association, adopted in 1992. NFS has developed under the auspices of the Canadian Council of Forest Ministers (CCFM) and deals specifically with Aboriginal issues in Strategic Direction Seven. Two objectives within the NFS are as follows:

“We will increase access to forest resources for Aboriginal communities to pursue both traditional and economic development activities

We will support Aboriginal employment and business development in the forest sector”

The NFS expands on the notion of traditional and economic development above, through commitment 7.8 that suggests “establishing business partnerships and joint ventures with existing tenure holders.” The National Forest Strategy makes significant commitment to the development of Canadian criteria and indicators according to the CCFM framework.

³ In Delgamuukw, the Supreme Court of Canada required governments to recognize and respect Aboriginal title and established principles concerning the existence of Aboriginal title and Aboriginal rights. The impact of Delgamuukw on provincial forestry management practices in British Columbia will be far reaching as First Nations establish their title and rights over time. See “Consultation Guidelines”, Ministry of Forests, British Columbia, September 1999, developed to address Aboriginal issues in planning and operations.

Certification Systems for Sustainable Forest Management

Certification of forest products and of sustainable forest management (SFM) systems is the proposed means, via the marketplace, to provide evidence that wood and paper products are derived from sustainable, environmentally sensitive forest practices. The forest industry is complying with certification systems, not as a result of government regulation, but in a voluntary effort to convince consumers to continue to buy their forest products. There are, at present, two major groups in Canada developing approaches to certification for sustainable forest management: The Canadian Standards Association (CSA) and the Forest Stewardship Council (FSC). Both the CSA and FSC have developed criteria and management standards, which require appropriate levels of Aboriginal participation. For example, FSC Principle 3 requires that “the legal and customary rights of indigenous peoples to own, use and manage their lands, territories and resources shall be recognized and respected.”

FSC Canada is working jointly with NAFA on a project that is being funded by the North American Fund for Environmental Cooperation. This project will result in a *Protocol Framework for Meaningful Consultation with Aboriginal Peoples on Forest Management in Canada*. This report will analyze the gap between the current consultation process and the process that Aboriginal people would like to see on the part of both government and non-governmental organizations.

In 1996, CSA published *The Sustainable Forest Management System – Guidance Document (Z808)* and *Specifications Document (Z809)* which lay out both the requirements that an owner or forest manager must meet to gain registration and the auditing procedures to be used by the registering organization. Two criteria refer to Aboriginal concerns. Criterion 6.1 speaks to the importance of forest planning and management processes considering and meeting “legal obligations with respect to duly established Aboriginal and treaty rights.” Criterion 6.2 calls for increased cooperation between Aboriginal communities and all forest stakeholders to achieve the goals of sustainable forest management.

Section 3 of the CSA-SFM framework recognizes that Aboriginal peoples have a *unique* legal status and that they must be given the opportunity to contribute their knowledge to the management process. Another section of the SFM standard states that forest managers or owners must comply with all legislation and other requirements that relate to ownership, tenures and rights that apply to the area in question. With regard to Aboriginal and Treaty rights, the standard echoes the CCFM criteria by stating that, “Duly established Aboriginal and treaty rights must be identified and respected.”

A CSA Technical Committee continues to work at these questions of how to identify Aboriginal and Treaty rights and how to give *particular consideration* to Aboriginal communities.

Disputes over Land and Resources

Another important backdrop to recent developments has been a number of disputes that have appeared in the form of court actions, occupations, roadblocks and, in some cases, armed confrontations. Several of these have had a direct impact on private sector firms in resource-related

industries including forestry. The following is a partial list of disputes that have occurred in the 1990's:

- Ulkatcho First Nation in British Columbia (1990);
- logging in Clayoquot Sound (early 1990's);
- the dispute over logging in Temagami in Ontario (early 1990's);
- forestry dispute between the Province of Quebec and Barrier Lake (early 1990's);
- forestry dispute between Canoe Lake First Nation and Meadow Lake Tribal Council, Saskatchewan (mid 1990's);
- Lubicon land claims dispute in Alberta (throughout the 1980's and 1990's);
- numerous fishing and logging disputes involving a number of First Nations in various parts of the Maritimes (throughout the 1990's);
- Road blockades of the Apex ski resort in British Columbia (1995);
- the dispute over cutting rights involving members of the Listuguj Mi'gmaq First Nation (1998);
- Grand Council of the Crees lawsuit against Quebec's forest practices (1998);
- Aroland in Ontario (1999);
- Westbank logging on traditional territories in BC without a licence (1999); and
- New Post First Nation Road Block in Ontario (early 2000).

The impact of such disputes on furthering the cause of Aboriginal issues has resulted in both positive and negative public opinion. Nonetheless, governments have come to better realize the interrelationship between forest practices, Aboriginal rights and traditional land use activities. From an industry perspective, it makes sense in the long-term to involve Aboriginal peoples in resource decisions that affect their communities considering the increased influence Aboriginal people have gained in recent years.

Provincial Forest Policy, Tenure and Forest Licences

Constitutional responsibility for natural resources confers on provincial governments the ultimate say on how forests, other than those on Federal land, are managed and for what purposes. Such matters as sustainable forest management, as defined in the National Forest Strategy and the CCFM Criteria and Indicators, are left to the discretion of provincial government. Through forest management legislation and other policy instruments, provinces allocate forest tenure and forest harvesting licences, control timber supply and prescribe forest practices. They also determine the broad parameters on which forest-based businesses will operate.

Over the past ten years, most provincial governments have taken steps to modernize their forest policy through legislation which addresses multiple use forestry, sustainability and new realities in the forest industry. Some have implemented changes, which encourage partnerships enhancing the concept of public participation and the need to share economic benefits of forest resource development. In five provinces, new forest policy has considered Aboriginal Peoples and their organizations as potential partners.

In Ontario, the *Crown Forest Sustainability Act* (CFSA) of 1994 requires that forest management plans be prepared for all management units based on a new Forest Management Planning Manual.

Among other requirements, this manual calls for the Ontario Ministry of Natural Resources (MNR) and representatives of willing First Nation communities in, or adjacent to, a management unit in conjunction with the plan author, to produce a Native Background Information Report. This report summarizes the following items for each First Nation community:

- past resource use (including forestry, hunting, fishing, trapping and gathering);
- Native values mapping (traplines, heritage, cultural or religious sites, areas required for reserve lands, etc.);
- forest-related problems and issues over the past five years; and
- records of success or failure of negotiations aimed at achieving more equal participation of Aboriginal peoples for the benefit of forest management.

Once completed, the *Native Background Information Report* enters the public consultation process engaging Aboriginal communities and the general public. This report becomes part of the management plan and is combined with a work schedule. This package is then submitted to the Minister at which point it may be approved, modified or rejected.

The MNR has also issued *Guidelines for the Implementation of Term and Condition 77*, which are intended “to identify and implement ways of achieving a more equal participation by Aboriginal Peoples in the benefits provided through timber management planning.” The Term and Condition numbered 77 (T&C #77), of the *Timber Class Environmental Assessment* (1994) decision requires MNR to negotiate with Aboriginal peoples at the local level regarding opportunities for a more equal participation in the benefits of forest management.

Notwithstanding these provisions, many First Nation communities in Ontario have serious misgivings about the implementation of the CFSA and T&C #77. Their concern is based on the preconceived manner in which Aboriginal people will partake in forest management and the degree of discretion left to MNR officials at the local level to establish business partnerships.

The Saskatchewan Environment and Resource Management Department (SERM) has a broad mandate to “manage, enhance and protect Saskatchewan’s natural and environmental resources” resulting in the publication of the *Aboriginal Affairs Policy Framework: A tool For Decision-Making*. Among the principles in this policy document are the following:

- recognition of and respect for the legally defined rights of Aboriginal people;
- respect for Aboriginal tradition, knowledge, culture and values both in the workplace and in the field;
- involvement of Aboriginal peoples in department policy, program, planning and environmental assessment initiatives when possible; and
- maximizing capacity, self-reliance and self-determination of Aboriginal peoples when possible.

Based on these policy principles, the SERM policy framework lays out specific policy directions. One of these is a commitment to encourage and facilitate “Aboriginal participation in renewable resource-based businesses” recognizing the demographics of northern Saskatchewan and the burgeoning need for employment. Guidance for both the policy framework and the principles of

forest economic development in Saskatchewan was provided through a wide-ranging Memorandum of Understanding between SERM and the Federation of Saskatchewan Indian Nations.

As a result of this shared vision, First Nations and other Aboriginal communities in Saskatchewan have been successful in acquiring forest tenure and in negotiating favourable agreements with industry partners.

British Columbia Ministry of Forests (MoF) exercises its responsibility for timber, range and recreation resources on forested land through the *BC Forest Act* and the *Forest Practices Code*. Treaty negotiations dominate the Aboriginal agenda in the province and interim measures agreements, either completed or planned, have been compelling in bringing First Nation and industry partners to the table.

With respect to forest policy, which may promote partnerships, the MoF has promulgated *Aboriginal Rights and Title Policy* (1999) and *Consultation Guidelines* (1999) in response to the Delgamuukw decision in 1997. As well, the forest tenure system has been used as a means of facilitating Aboriginal participation. Currently, close to 100 forest tenures have been awarded to First Nations. Though most are woodlot licences or small-scale timber supply licences, they provide an opportunity for First Nations to negotiate with industry and other possible forest sector partners.

Recently, the Alberta Government has been consulting with Aboriginal communities on a policy initiative entitled *Strengthening Relationships: The Government of Alberta's Proposed Aboriginal Policy Framework*. Among other things, the new policy direction is intended to establish principles for cooperative management and to facilitate increased benefit for Aboriginal communities for forest-based development.

In Quebec, guidelines on Aboriginal affairs include objective statements regarding Aboriginal participation in forest management and economic development. On a case-by-case basis, the province has helped facilitate partnerships including two fairly large joint ventures – one at Waswanipi and the other at Obedjiwan. To encourage partnerships and harmonize traditional activities with licence holders, Quebec funds “native projects” under the *Forest Resource Development Program* to the tune of approximately \$2 million each year.

Provincial forest policy and the objectives and processes embedded in forest tenure and licencing systems determine how forest-based businesses will operate. As an extension of their authority, provincial governments strongly influence how partnerships will be structured and, in fact, who will be partners. Obtaining tenure and accompanying harvesting rights strengthens the hand of the tenure holder in establishing partnerships and relationships within the sector. As with other socio-economic and ecological objectives manifested in forest management policy, Aboriginal-forest industry partnerships are more easily achieved with policy conducive to that end.

The Canada-United States Softwood Lumber Agreement

In April of 1996, the Canada-US Softwood Lumber Agreement (SLA) was announced, which limits softwood lumber exports to the United States from four Canadian provinces - British Columbia, Alberta, Ontario and Quebec - through an export (quota) allocation system administered by Canada's Department of Foreign Affairs and International Trade. Quota allocations were determined based on the historical trade patterns of forest companies. Aboriginal companies that are allocated a quota through the SLA have added lustre as a potential partner, much like the effect of having a forest licence. Nevertheless, the SLA is a double-edged sword as small, emerging Aboriginal companies do not have an export history and are at a significant disadvantage with respect to larger, long-established companies. The provisions initially made in the SLA for "new entrants" and "hardship cases" were minimal and have since become virtually non-existent. This situation has jeopardized the viability of existing First Nations' forest products companies and has made the initiation of new business or expansion in the industry near impossible. In addition to these direct impacts, by restricting access to the US market, the SLA decreases the economic potential of partnerships with non-Aboriginal forest companies.

2.4 CONCLUSIONS

One large British Columbia-based forest company made a useful assessment of the overall environment in which it was operating and came to the following conclusions:

- (1) Aboriginal communities will expand their influence on the use of *public* land and resources through consultation processes in each province.
- (2) Aboriginal communities will gain more direct control over natural resources on reserve land.
- (3) There will be some cases, especially in British Columbia that will expand the territory over which Aboriginal communities have direct control.
- (4) Some bands and tribal councils will have direct capital to invest as a result of treaty settlements.
- (5) The Aboriginal population will be an increasing source of employees as their numbers, skills and education advance.
- (6) [The Company] will come under increasing pressure from governments or communities to achieve diversity employment targets or quotas, especially with expansion projects.
- (7) As long as the BC land questions remain unsettled, [the company] will risk potential barricades and the need for recourse through slow and cumbersome legal channels.

These conclusions appear to be consistent with the evidence that has been presented in this section of the report with one caveat: The growing importance of international pressure to achieve sustainable forest management practices and the resulting growth in certification and labelling regimes. This pressure increases the importance of positive working relationships with Aboriginal communities.

This complex set of circumstances has resulted in an increased interest in partnership between Aboriginal companies and the forest industry. The following section will outline the types of partnerships that have emerged and provide examples from across the country.

3 THE NATURE AND EXTENT OF ABORIGINAL PARTNERSHIPS IN THE FOREST INDUSTRY

3.1 OVERVIEW OF PARTNERSHIP TYPES

We find it useful to distinguish five *types* of relationships in applying the term “partnership” in the context of the forest industry. These include:

- joint ventures
- cooperative business arrangements
- forest services contracting
- socio-economic partnerships
- forest management planning

A brief description of each of these partnership *types* is provided below, followed by a presentation of examples of existing partnership arrangements that illuminate the partnership form. It is noted that many of the examples cited here under a specific partnership *type* include elements from the other partnership *types*. Evolution of business relationships typically occurs in response to the demands of the business environment. Ideal typologies are unimportant in themselves.

It should be further noted that the partnership typology developed here blends elements of partnership *function* with partnership *structure*. Thus a partnership that relates to forest management planning - one of the categories under consideration - focuses primarily on the *function* that the partnership has been developed to carry out. Inclusion of a partnership under the category of joint venture, on the other hand, involves consideration primarily of the *structure* of the partnership arrangement.

A more complex development of partnership typologies might attempt to separate the structural categories from the functional characteristics, resulting in two separate axes for analysis. Such a technical assessment would require much more extensive case profile research, and is beyond the scope of the present project. Notwithstanding these potential shortcomings, an exploration of the range of Aboriginal-industry partnerships within the context of this blended framework is, however, helpful in illustrating some of the key factors involved in partnership-building.

The survey conducted for this section is by no means comprehensive, nor is it a random sample. Rather, the partnerships outlined here represent some of the more prominent partnerships and provide a selection of examples of the various types of collaboration.

3.2 JOINT VENTURES

For the sake of this discussion, a non-technical definition of a joint venture is utilized. A joint venture can be any partnership in which ownership of a business entity is shared between Aboriginal and non-Aboriginal parties. In addition to shared ownership, each party in the joint venture makes some tangible non-monetary contribution to the venture. The contributions on the part of the industry partners typically include expertise, technology and market connections. The Aboriginal partner often contributes access to timber resources, a labour force, regional good will, an improved corporate image and political leverage.

Joint venture business relationships are seen as a vehicle through which Aboriginal communities can build business capacity and develop their economic base.⁴ Through joint venture arrangements with established companies, First Nation companies typically run by Band-owned economic development corporations can gain entry into the local resource sector, utilizing the knowledge, experience and market positioning of a strategic partner.

The significance of joint venture arrangements to Aboriginal economic development strategies has been documented by Anderson (1997), who found that 42% of the estimated total revenues from First Nation business activity in Saskatchewan arose from joint venture companies.

It is worth noting that joint venture partnerships often lead to other forms of cooperative business arrangements. These may be between the companies involved in the joint venture or between others with commercial interests in the First Nation partner and the industry partner. Some of these arrangements are mentioned in the following examples.

3.2.1 Iisaak Forest Resources, Port Alberni, BC

Iisaak Forest Resources is a joint venture company recently formed between the development corporation of five First Nations of the Nuu-Chah-Nulth Tribal Council (Ma-Mook Development Corporation), and MacMillan Bloedel. Ma-Mook holds a 51% ownership share, with MacMillan Bloedel owning 49%. Ma-Mook has an option to buy out MacMillan Bloedel's share in the partnership.

Iisaak arose out of considerable pressures related to the environmental implications of harvesting timber in the Clayoquot Sound region on the West Coast of Vancouver Island. In the early 1990's Clayoquot Sound was the site of an intense stand off between environmentalists, First Nations people and forest companies. After attracting world-wide attention, the BC government established a scientific panel of academics, industry, First Nations, environmental groups and government. Through this panel an Interim Measures Agreement (IMA) was reached that laid out a co-management structure designed to protect First Nation interests in the maintenance of forest resources during the interim period while Treaty-making processes are underway. A government condition for funding the IMA was that MacMillan Bloedel, which held harvest rights in the area, and the First Nations enter into a partnership.

⁴ Lewis, M. 1996. Aboriginal Joint Ventures. *In Making Waves*, Vol. 7, No. 4. Centre for Community Enterprise, Port Alberni, BC.

Following the announcement of the joint venture, First Nations actively began building relations throughout the community and among environmental groups. Memorandums of Understanding have been signed between the community of Ucluelet, representatives of forest workers and environmental groups. The environmental groups will assist Iisaak in market development and consumer product testing. Cooperation has been the basis of development for gaining the confidence of the various groups involved. This process will provide political and economic stability necessary to attract investment that is required to construct a new kind of forest company in Clayoquot Sound.

Iisaak will be a small ecosystem-based operation in Clayoquot Sound. MacMillan Bloedel is currently applying to the Province to transfer the Clayoquot portion of its tenure to this new joint venture company. In addition to controlling the tenure, provisions have been created for hiring Aboriginal contractors and providing wood supply to local manufacturers. Logging is planned to begin in the Clayoquot Sound area early in the year 2000. For the First Nation partners, Iisaak represents an important opportunity to build capacity in the forest industry, employ band members, and eventually establish value-added manufacturing facilities.

Portions of the tenure designated as pristine areas will not be available for timber harvesting, although non-timber forest resources can be harvested in a sustainable manner. While timber-harvesting activities of Iisaak will remain a feature of the local economy, greater emphasis will be placed on diversification of the economic benefits available from the forest, through value-added wood manufacturing, non-timber forest products and tourism development. Environmental groups and some First Nations have proposed this new model of development. This is the first actual full-scale test of such a model in BC. Iisaak is committed to becoming a world-class example of socially and ecologically responsible forestry. Work is underway to establish a First Nations Certification program for sustainable forest management that will be endorsed by the Forest Stewardship Council (FSC). Through FSC certification, along with strategic marketing (i.e. Clayoquot Sound, Aboriginal product), it is anticipated that the company will receive a premium for their timber.

This process of building goodwill has been challenging, as there are historical tensions and cultural differences between the distinct groups involved. However, with the collapse of the local forest industry, there have been considerable incentives for everyone to join forces in an effort to achieve sustainable development.

3.2.2 Tl'oh Forest Products, Fort St. James, BC

Tl'oh Forest Products is a joint venture I-Beam and finger-joint mill owned by Nak'ol Koh Timber Limited (a company wholly owned by the Nak'azdli First Nation) and Apollo Forest Products Limited. Both partners have an equal share in the company. Development of this partnership was facilitated by the desire of Apollo to increase its harvesting operations, and by a government condition on the harvest licence for value-added production. After considering the options the joint venture with Apollo was formed after a year of business planning and negotiation. Under the joint venture, Nak'ol Koh Timber harvests timber from its seven year, 72,000 cubic metre per year, forest licence and sells the timber to Apollo Forest Products at market price. Apollo then sells trim ends (wood waste) to Tl'oh for finger-jointing and value-added manufacturing. The Tl'oh plant must combine the Apollo supply with supply from other

mills to meet its production capacity. Two eight-hour shifts, with a total 50 staff, run the plant. Of the employees at the plant, 92% are Nak'azdli members or from other nearby First Nation communities. A training program has been in place providing life skills, first aid and millwork skills.

Tl'oh has a four member board which manages the business. Operations and decision making structures are spelled out in the business plan. The value-added products produced by Tl'oh are marketed by Crystal Forest Industries, which has a member on the board. Markets for the products have been developed in Japan, the US and within Canada. The product is considered high quality and is sold in shorter lengths, which are practical features for some carpenters.

3.2.3 Eco-Link, Alkali Lake, BC

Eco-Link is a joint venture established in 1991 between the Esketemc First Nation at Alkali Lake and Lignum Limited. Esketemc is a small Aboriginal community of 400 residents, located 70 kilometres south of Williams Lake. Lignum Ltd. is a forest company established in the Williams Lake area. Each partner in Eco-Link owns an equal half of the company, although the Esketemc First Nation has the option of buying out Lignum's share at some future time.

Initially established to provide silviculture services, the company expanded into logging in 1994 and has obtained a 55,000 cubic metre per year timber supply licence. Lignum provides the technical support and organizes the harvest operations for Eco-Link.

A major new element has recently been introduced into the partnership. On June 9, 1999, the Esketemc First Nation received one of the four pilot community forest tenures announced by the Ministry of Forests. To implement the community approach in Alkali Lake, the First Nation will enter into an agreement with the province to assume forest management responsibility over 15,000 hectares of Crown Land. Indian reserve land is to be included as part of the pilot agreement area. With increased access to revenues, the band is considering log home construction and other value-added products, and the pilot agreement will be key to securing financial support for investment in value-added manufacturing.

3.2.4 Tsay Tay Dene Forestry Ltd., BC

Tsay Tay Dene Forestry Ltd. is a joint venture established in 1989 that brings together Slocan Group-Mackenzie operations, Finlay Forest Industries Inc., the Tsay Keh Dene Band and the Kwadacha Band. Each partner has a 25% share in the company. Tsay Tay forestry operations include construction, harvesting and silviculture. They have some equipment and a small sawmill but most of the revenue is generated through forest management operations. Last year the company coordinated the harvest of 400,000 cubic metres of timber. Tsay Tay develops these forest harvesting plans.

Tsay Tay also holds the contract to provide silviculture services to the partner forest companies. Contracts for the work are divided up among workers from the Bands. The joint venture provides technical support, co-management in forestry, a structure to build relationships between partners, employment and training. Last year there were a total of 112 employees, most being from the

Aboriginal communities. Approximately 50% of the employees are full time. There are monthly board meetings with representatives from all parties. The company is investigating the possibility of expanding into log home building and a log construction training program is currently being implemented.

3.2.5 Burns Lake Native Development Corporation, BC

In 1974 the provincial government sent out a call for proposals for a forest licence in the Burns Lake area. The province wanted to entice the establishment of businesses in this region of BC that would provide employment and investment opportunities for Aboriginal communities. As a result, Babine Forest Products (BFP) was formed, and has operated a mill since 1975. This mill has one of the highest recovery rates in BC, and last year produced 240 million board feet. The three joint venture partners are Weldwood Forest Company (holding a 58% share); West Fraser Forest Company (32% share); and the Burns Lake Native Development Corporation (10% share).

The Burns Lake Native Development Corporation (BLNDC) is owned by five First Nations in this vicinity. Under the BLNDC, a subsidiary company was created called Burns Lake Native Logging (BLNL). This company began as a training mechanism for the First Nations, and has gradually gained capacity. BLNL now harvests 20% of BFP's timber. More recently another subsidiary company has formed under BLNDC to perform silviculture work. BLNDC has also invested equity in other forest companies including Burns Lake Specialty Wood (49%) and Decker Lake Forest Products (12%).

While BFP and other BLNDC joint ventures have no preferential hiring policy for First Nation members, workforce profiles of these companies represent community demographics.

3.2.6 West Chilcotin Forest Products, Anahim Lake, BC

West Chilcotin Forest Products Ltd. (WCFP) is a lumber manufacturing company situated in Anahim Lake, British Columbia, approximately 300 kilometres west of Williams Lake. WCFP is made up of three equal partners: Carrier Lumber of Prince George has been in the lumber business for about fifty years; CAT Resources is a company made up of 45 local non-Aboriginal investors that live in the Anahim/Nimpo Lake area; and the Ulkatcho First Nation is composed of eight hundred band members that live in the Anahim Lake area.

In 1985, Carrier Lumber Ltd. was issued a licence for the Anahim Supply Block and a processing plant was organised in Anahim Lake. The operation of Carrier Lumber in the Anahim Lake area diminished in 1990 and until early 1994, forestry activities were non-existent. At this time, Carrier, CAT and Ulkatcho began negotiating a joint venture in order to recreate a steady economic base for the Anahim Lake area. The three companies negotiated for about a year, which resulted in the formation of WCFP. As a part of the joint venture agreement, the Ulkatcho First Nation holds the forest licence and is responsible for all silviculture obligations. The joint venture began in 1995 with a five-year non-renewable forest licence that was awarded to Yun Ka Whu'ten Holdings Ltd., a company wholly owned and operated by the Ulkatcho First Nation.

WCFP has now operated a very successful operation for the past five years. The joint venture has met many of its goals, not the least of which being an equal split in employment between First Nations and non-First Nations people. Over the past four years, the Ulkatcho First Nation has set up a number of successful businesses as a result of the joint venture. These include an archaeology company, a specialty wood products company, a forest consulting company, and an economic development corporation. In 1998, a long-term forest licence was awarded to Yun Ka Whu'ten Holdings Ltd. in order to maintain the fibre flow for the joint venture for the next twenty years. This licence adds stability to the region and allows for increased levels of investment for other ventures such as value-added industries.

3.2.7 Dezti Wood Ltd., BC

Neduchun Forest Products is a company owned by three Carrier Nation bands - Stoney Creek, Stellaquo and Nadleh Whut'en. The idea of this joint venture arose from members of the Stoney Creek Elders Society seeking a source of stability for their communities. While working to find suitable partners for the mill project, Neduchun Forest Products had contracts to clear brush and pick cones.

Dezti Wood Ltd. began value-added production in 1996 and employs more than 50 First Nations members. Based near Vanderhoof, Dezti is a joint venture between Neduchun Forest Products, Slocan, and Vanderhoof Specialty Wood Products, which produces laminated posts and beams. This joint venture includes a training component funded by Forest Renewal BC that initiated a pre-employment program.

3.2.8 Kyahwood Forest Products, BC

Kyahwood Forest Products is a joint venture between the Wet'suwet'en people of Moricetown (51%) and Canfor (formally Northwood Inc., 49%). The company is managed by Canfor under broad direction of the board which is representative of ownership. This joint venture produces finger-jointed 2x4 and 2x6 studs, and other value-added products.

3.2.9 Naha Deh Timber, BC

Naha Deh Timber is a joint venture between the Nahanni Butte Development Corporation (50%) and the Trans North Timber Company (50%) from Fort Nelson, BC. Under this arrangement, Nahanni Butte harvests the timber and Trans North processes and markets the products.

3.2.10 NorSask Forest Products and Mistik Management, Meadow Lake, SK

Meadow Lake Tribal Council's (MLTC) involvement in the forestry industry began in 1988 when the Chiefs of MLTC negotiated to purchase 50% of the Meadow Lake Sawmill from the provincial government. The remaining interest in this sawmill was purchased by Techfor Services Ltd., a company wholly owned by the mill employees. The company was renamed NorSask Forest Products Ltd. (NorSask) which holds a Forest Management Licence Agreement (FMLA) from the provincial government. The licence gives NorSask the harvesting rights over 3.3 million hectares of Crown Land in the Meadow Lake District. While the mill utilized

softwood, the FMLA required that NorSask develop the capacity to use hardwood within four years. The licence also required that residents be given priority for employment and that a co-management process be established involving northern communities. These conditions were incorporated into the business and operational plans which have driven the company forward.

MLTC later utilized its wood supply to align itself with a new pulp mill being established by Millar Western Ltd. of Alberta. Millar Western, along with the Crown investment corporation of the Province of Saskatchewan, established a company called Millar Western Pulp Ltd. to build and operate the pulp mill in Meadow Lake. Millar Western owns a controlling interest (51%) in Millar Western Pulp. Millar Western Pulp acquired a 20% interest in NorSask Forest Products - 10% from each of the two original owners, Techfor and NorSask. This left the MLTC with a 40% interest in NorSask.

NorSask Forest Products and Millar Western Pulp then established a joint venture company called Mistik Management Ltd. with each parent holding a 50% interest. Mistik is responsible for the management of all forest operations under the terms and conditions of the FMLA. Mistik is not expected to perform forestry management tasks, but rather to contract work out to operating companies. It is through these operating companies that most benefits (employment, business creation and profits) are expected to reach the First Nations members of the MLTC.

In June of 1990, the MLTC created its own operating company, MLTC Logging and Reforestation Ltd., to obtain the benefits from forest operations for the citizens of its member First Nations. Under contract with Mistik, the company provides logs to both mills and undertakes other activities such as road building, log hauling and reforestation. First Nations communities and some First Nation individuals have also created operating companies. Non-First Nations members (mostly Métis and non-status Indians) living in the 14 northern villages and hamlets of the area have also received economic benefits. Through an association of the municipal government, they have created an operating company called Norwest Logging and Reforestation Ltd.

In 1998, MLTC became sole owners of NorSask Forest Products making it the largest First Nations owned forest products company in Canada. For marketing and distribution purposes, NorSask has formed long term relationships with Seaboard International Forest Products Inc. of New Hampshire and Cascade Empire Corp. in Portland, Oregon. NorSask is also working on a partnership with Ainsworth Lumber Ltd. to build an Oriented Strand Board mill in Meadow Lake.

3.2.11 Wapawekka Lumber Ltd., SK

When a large logging contractor went out of business in 1993, the opportunity for development in northeast Saskatchewan arose. A 300,000 cubic metre supply area within Weyerhaeuser's Forest Management Licence Area became available, half of which was open for new contracts. This led to the establishment of Woodland Cree Resources Inc. that is equally owned by the development corporations of the three Woodlands Cree First Nations: Lac La Ronge First Nation, the Peter Ballantyne Cree Nation, and the Montreal Lake Cree Nation. This harvesting company became a wood supplier for Weyerhaeuser in 1994.

Wapawekka Lumber Ltd. is a finger-joint remanufacturing mill that later resulted through the relationship that developed between Weyerhaeuser and the Woodland Cree. The joint venture consists of 49% Woodlands Cree First Nations ownership and 51% Weyerhaeuser Canada Ltd. ownership. The Wapawekka mill opened in the Prince Albert area in June of 1999. This partnership is profiled in greater detail in the case study section (5.3) of this paper.

3.2.12 Peter Ballantyne Cree Nation, SK

In 1994, the Peter Ballantyne Cree Nation (PBCN) and the Saskatchewan Government signed a partnership agreement with the intent to work diligently in negotiating a Forest Management Licence Agreement (FMLA) for PBCN on an area coinciding with their traditional territory. Since that time the PBCN has been busy consulting with community members, conducting environmental impact and business feasibility studies, and seeking out potential industry partners for effective use of the estimated annual harvest of one million cubic metres of softwood. Currently, PBCN forestry rights have been secured in the form of a Term Supply Licence pending final agreement of the FMLA. Work to-date has enabled the PBCN to enter into a 50/50 joint venture named Mee-Toos Forest Products Limited Partnership with industry partner Ainsworth Lumber Co. Limited of BC. The Mee-Toos facility is now under construction and mill production is scheduled to begin in the fall of 2000.

3.2.13 Scierie Opitciwan, Roberval, QC

Scierie Opitciwan is a sawmill in Roberval, Quebec that began operation in October 1998. The mill is located on the north shore of Gouin Reservoir, some 275 kilometres west of Saint-Felicien in the Lac Saint-Jean region. The Atikamekw Council of Obedjiwan is the controlling partner in the “Societe en commandite Scierie Opitciwan” limited partnership with a 55% interest. Donohue Forest Products Inc. (a wholly owned subsidiary of Donohue Inc.) holds the remaining 45%.

The Scierie Opitciwan sawmill has an annual production capacity of 24 million board feet. Wood supply to the mill is assured by contracts granted by the Ministry of Natural Resources of Quebec for an annual volume of 120,000 cubic metres of softwood. The Opitciwan Forest Services, a company belonging to the Atikamekw Council of Obedjiwan, is responsible for forest operations.

Donohue is participating in managing the sawmill for the first years of operation, and in the instruction and training of sawmill workers. Furthermore, Donohue is handling the marketing of the lumber produced at the sawmill.

3.2.14 Nabakatuk Sawmill, Waswanipi, QC

The Nabakatuk sawmill in Waswanipi Quebec is a joint venture between Mishtuk Corporation (a forest services company wholly owned by the Waswanipi First Nation) and Domtar. The First Nation share is 51%, while Domtar holds the remaining 49%. This partnership is profiled in greater detail in the case study section (5.4) of this paper.

3.3 COOPERATIVE BUSINESS ARRANGEMENTS

Cooperative business arrangements are a form of partnership that shares some similarities with the joint venture, without the joint ownership arrangement. In this partnership form, independent companies enter into cooperative arrangements to achieve mutual benefits. For the sake of this discussion, cooperative business arrangements are distinguished from simple contract arrangements in that they involve a higher level of commitment between the partners, and typically address strategic corporate objectives.

To illustrate this, an Aboriginal harvesting company may, for example, choose to market its product through the established channels of a non-Aboriginal company. The Aboriginal firm gains some benefit in having a ready market for its product, and the non-Aboriginal partner gains additional cash through a small commission fee charged to sell the product. In addition, both parties gain valuable experience in working together and may identify further areas for cooperation in the future. Cooperative arrangements may be established through the negotiation of formal Memorandums of Understanding, or may involve less formalized arrangements.

Many types of cooperative arrangement can be established, as illustrated in the following examples.

3.3.1 Toquaht Enterprises, Ucluelet, BC

The Toquaht First Nation has established the Toquaht Enterprises forestry company to harvest a Timber Supply Licence it obtained from the province. The company has entered into cooperative business arrangements with Coulson Forest Products (CFP) of Port Alberni for assistance and the forest industry experience that this company has to offer. Under these arrangements CFP provides management expertise related to forest management planning and harvesting operations. CFP further funds development costs of the operations and in return processes and markets the Toquaht wood products.

3.3.2 Ditidaht Forest Products, Ladysmith, BC

Ditidaht Forest Products (DFP), a milling company wholly owned by the Ditidaht First Nation, operates a new \$3 million mill in Port Alberni. The DFP formerly held a Timber Supply Licence of 60,000 cubic metres jointly with a non-Aboriginal value-added products company. Under that partnership arrangement, DFP sub-contracted out timber harvesting, milled the lumber, and supplied the rough lumber to the value-added partner. The former partners are now in negotiation as to the future of the Timber Supply Licence.

DFP has since signed a Memorandum of Understanding with the Kulsen Group company covering cooperation on forest resource matters, mill management, technology transfer services, and the development of strategies to deal with larger forest companies. The need for marketing strategies is critical for this mill. Its daily production of 50,000 fbm far exceeds its export quota under the softwood lumber agreement of less than 800,000 fbm per year.

3.3.3 C-Ged Forest Products, BC

Gitwagnak Indian Band created C-Ged Forest Products (C-Ged) to run a mill previously owned by Westar. After being granted a timber licence from the province, C-Ged entered a joint venture with Interpac Forest Products in 1997. This joint venture dissolved but in 1998 a cooperative partnership between C-Ged and Interpac was built. C-Ged runs the mill while Interpac is responsible for capital and marketing the products. This partnership is profiled in greater detail in the case study section (5.1) of this paper.

3.3.4 Naicatchewenin First Nation and Abitibi-Consolidated, ON

The Naicatchewenin First Nation has created strategic partnerships with the Ontario Ministry of Natural Resources (OMNR) and Abitibi-Consolidated Inc. for sustainable harvesting and management of resources. Through these partnerships, Naicatchewenin First Nation will gain access to timber and other resources of the Loonhaunt Forest, allowing them to establish harvesting and forest management operations, road construction and maintenance capacity as components of a self-sustaining business. The strategic business alliance agreement with Abitibi-Consolidated was a key factor in obtaining the forest licence.

The First Nation is also developing a business plan for integrated resource management of the Gamongi'ikak Project Area. This plan will include an exploration of non-timber resource opportunities such as wild rice harvesting and the development of fish farming operations.

3.3.5 Wabigoon Anishnaabe Gitigewin, ON

The Wabigoon Lake Ojibway First Nation is in the process of constructing a nursery called "Wabigoon Anishnaabe Gitigewin". This nursery will be capable of producing 5.7 million trees annually and will be operational April 1, 2000. There is an expected requirement of 4-6 full-time staff and another 40 employees on a seasonal basis. Sales contracts have been secured with both Bowater and Weyerhaeuser for the entire crop production.

3.3.6 Kaska Forest Resources, Watson Lake, YK

Kaska Forest Resources (KFR), owned by Kaska First Nation, is a company that holds a Timber Supply Licence in the Watson Lake Forest District of the Yukon. KFR has been unable to establish its own mill to process this timber. This is due in part to the cautious approach the Yukon has taken toward granting licences. Sawmills are seen as risky ventures as there have already been three bankruptcies in the region. Therefore, the company has entered into an arrangement with South Yukon Forest Products (SYFP) under which KFR provides a long-term guarantee to supply a minimum volume of timber to the mill at a pre-determined preferential price. KFR maintains flexibility to sell timber not required by SYFP to other mills. In addition, KFR has purchased a minority equity position in the SYFP mill and holds an option to invest further under preferential terms. The arrangement also provides for employment opportunities for members of the Kaska Nation.

This arrangement has addressed the need of KFR to have a processing avenue for its timber, as a condition for renewal of its timber harvesting licence. It also addresses the need that SYFP has for a secure timber supply.

3.4 FOREST SERVICES CONTRACTING

Forest services contracting can be considered to be a limited form of partnership in which one company contracts another to provide a specific service. In some cases, the industry party may provide formal (as in a contract) or informal (non-contractual) technical assistance to the Aboriginal party providing the contract service. Generally, however, this partnership form is a straightforward business arrangement without the added complexity of explicit capacity-building elements.

The significance of contract arrangements should not be underestimated, in spite of their narrow scope and limited depth of commitment. In many cases, these arrangements have been the proving ground for the later development of higher-level cooperative business arrangements or joint ventures.

Forest services contracting can function with an Aboriginal company providing a service to an established industry firm, as well as in the opposite direction. In this latter case, First Nations may contract out specific forestry tasks to non-Aboriginal firms in situations where they have not yet developed adequate capacity to carry out the task internally. For example, in some regions, First Nations are gaining access to timber resources faster than they have been able to gear up for the management and harvesting of these resources. Contracting allows them to meet their licence-related responsibilities in the short-term, while building capacity over the longer-term.

Alternatively, some First Nations may be situated in higher-value, knowledge-based sectors of the forest industry, and choose to contract out the capital-intensive, yet relatively low value activities. Some discussion, for example, has centred on the possible niche that Aboriginal firms might establish in the area of marketing finished product while sub-contracting out the actual harvest operations.

3.4.1 Cheslatta Carrier Nation, Burns Lake, BC

The Cheslatta Development Corporation (CDC) has entered into a partnership with forest industry companies that provide forestry services within licence areas jointly held by the First Nation. The CDC holds two large forest licences to salvage timber from the Nechako Reservoir. The management boards for these licences consist of two members from each partner group.

One licence for 3 million cubic metres is held in partnership with Fiber Con, a management company based in Richmond, BC that runs until 2006. All the harvesting is done by non-Aboriginal subcontractors and is managed by Fiber Con. In return, Fiber Con provides royalties from the harvest operations back to the First Nation. The forest licence is for a 350,000 cubic metre annual harvest. In the past three years the harvest has been over 100,000 cubic metres but flexibility has been granted due to the wood salvage nature of the licence.

Following the dissolution of a partnership with Canadian Forest Products, CDC is currently attempting to gain access to the entire second licence area. Low market prices and no formal supply arrangements for sale of the wood have hindered the profitability of this operation. In

1996, Human Resources Development Canada provided funding for a training program for the Cheslatta Carrier Nation, but due to marginal profitability, this program did not take off.

3.4.2 SIB Forestry Inc., Sechelt, BC

SIB Forestry Inc. is a forest management services company wholly owned by the Sechelt First Nation. The company provides silvicultural services, site restoration and forest management planning services related both to First Nation forestry activities and also on contract to other forest companies operating in the region. SIB now has six staff members involved with resource management and planning in the First Nation territory.

Sechelt First Nation has an agreement in principle for a timber sale of 200,000 cubic metres over an eight-year period. This is a category 2 small business that requires involvement with a value-added manufacturing facility. Sechelt is currently looking for a potential joint venture partnership with a mill that can supply lumber for value-added manufacturing.

3.4.3 Horse Lake First Nation, AB

A working relationship has been established between Ainsworth Lumber Inc. and Horse Lake First Nation. Under this agreement, Horse Lake First Nation contractors harvested 15,000 cubic metres of deciduous fibre for the company in 1997. A similar contract relationship has been established with Weyerhaeuser Canada. This agreement consists of a three-year contract starting at 25,000 cubic metres and increasing up to 100,000 cubic metres by the 1999/2000 season.

3.4.4 Various Aboriginal Contractors, AB

A number of First Nations in Alberta are in contract arrangements with forest companies for timber harvest, silvicultural projects, fire suppression and various other forest management activities. For instance, Big Stone Cree First Nation is working with Alberta Pacific to generate the logging capacity of their community. The provincial government has awarded approximately ten fire suppression contracts to First Nation businesses. The Woodland Cree and Daishowa have entered into a capacity-development partnership to train First Nation members in the development of forest management plans that have an ecosystem approach and include community consultation. Whitefish Lake First Nation has a community timber allocation of 50,000 cubic metres annually which is supplied to Tolko.

3.4.5 Agency Forestry Inc., and Woodland Cree Resources, SK

Timber harvest contracts have been awarded to a number of First Nation companies by Weyerhaeuser Canada. One such contract is held by Agency Forestry Inc., a company wholly owned by the Agency Chiefs Tribal Council, representing First Nation communities in the western extreme of their harvest area. Woodland Cree Resources, owned by three Woodland Cree First Nations, holds a second contract. More detail about these arrangements can be found in the Woodland Cree Resources case profile (see 5.3 of this paper).

3.4.6 Various Aboriginal Contractors, MB

Much of the Aboriginal forest industry activity in Manitoba involves small operators who occupy a variety of functions such as harvesting, small saw mills operations, silviculture and tree seed farming. Some of the harvesters provide fibre to the province's three large forestry mills — an OSB plant in Swan River that is owned by Louisiana Pacific; the Pine Falls Paper Company that is owned by Tembec; and a mill in The Pas owned by Tolko. Aboriginal harvesting companies, such as Moose Lake Loggers and Nelson House Forest Industries (see below), furnish more than half of Tolko's fibre requirement. North of Thompson, transport of timber to The Pas is costly due to lack of summer roads and road quality. This makes harvesting and shipping marginally profitable. Tembec is in discussion with Aboriginal communities regarding potential areas for cooperation and expansion.

3.4.7 Nelson House Forest Industries, Nelson House, MB

Nelson House Forest Industries is wholly owned by the Nelson House First Nation in north-central Manitoba. The company recently purchased a 30,000 cubic metre timber allocation through auction. Currently, all the timber harvested is shipped to the Tolko mill in The Pas by rail, although the company is investigating an opportunity to purchase several small sawmills.

3.4.8 Various Aboriginal contractors, ON

In Ontario a number of First Nation and Aboriginal businesses provide harvesting and silvicultural services on contract to forest companies and government. These services include fire suppression, GIS mapping and management planning. For example, negotiations have taken place between Henvey Inlet First Nation and Westwind Forest Management Company to identify possible contracting opportunities. Another contractor example is Cree-Tech Inc. who provides GIS services for several companies. Cree-Tech offers general GIS services, which include information management that is sensitive to First Nations' interests.

3.4.9 Thebacha Forest Company, NWT

Thebacha Forest Company (TFC) is a joint venture between Salt River First Nation and Fort Smith Métis Nation in the Northwest Territories. The company was formed in April of 1997 as a private enterprise that would facilitate the participation of First Nation members in the management of forest resources. The main business source for TFC is governmental contracts for fire suppression, although the company has recently diversified into small-scale timber harvesting.

TFC is the largest private sector employer in Fort Smith, providing 121 jobs during peak fire season last year. The company's harvesting operations are small, with 1500 cubic metres of timber being supplied for a small mill operation last year. They provide planed timber for local consumption and sell some of the wood products to Igloo Building Supplies, a NWT construction supplier and manufacturer.

A new forest management proposal represents an evolution in TFC's business strategy. For many years the Territorial Government has contracted out forest management planning. Non-Aboriginal companies have traditionally received these contracts, bringing in outside professionals, often from southern Canada. TFC entered into discussions with the government that would lead to the emergence of more local forestry professionals able to conduct management activities such as forest inventories, vegetation mapping, and photo interpretation.

TFC hopes to win a forest management contract to perform these tasks, and to utilize graduates from the two-year natural resource management program at Aurora College in Fort Smith. TFC visualizes such a forest management contract as a means to establishing long-term capacity for sustainable forest management planning based on regional expertise.

3.5 SOCIO-ECONOMIC PARTNERSHIPS

Socio-economic partnerships between forest companies and First Nations can be viewed as having a foremost interest in the enhancement of capacity or community development for First Nations. From the First Nation perspective, these objectives may take priority over strictly profit motives. Generally, the industry partner enters into socio-economic partnerships as a means to facilitate a key business objective. For example, governments are increasingly calling for Aboriginal participation in forestry ventures as a condition in awarding forest tenures or timber harvesting licences. Increased interest in forest management and wood product certification may further encourage this type of partnership. All major certification schemes include consideration of Aboriginal peoples as a requirement of sustainable management.

This partnership form is of particular importance to communities that lack experience in forestry operations and which are faced with an over-riding need for human resources development which include exposure to basic business methods, basic entrepreneurial capacity-building and so on.

The assignment of specific business partnerships to the category of socio-economic partnership can be a rather subjective process, as many do not explicitly state that these principles are the main reason for the partnership. Further, many of the Aboriginal-industry partnerships, which have been included within other partnership categories, contain elements that fall within socio-economic objectives. Training, capacity-building, employment creation, and establishment in the forest sector are among the objectives that are sought by communities.

Partnerships that have been included within this category explicitly address these objectives as a primary element of the partnership through tools such as employment agreements, training programs and other formal capacity-building arrangements. Further, these partnerships generally involve First Nations that have little previous experience in the forest industry.

3.5.1 Inkameet Forestry, Oliver, BC

The Osoyoos First Nation wholly owns Inkameet Forestry. The Osoyoos First Nation has 350 members that live on their reserve near Oliver, a community of 4500 residents near the US boarder in the Interior of BC. Osoyoos First Nation has six other business lines including a golf course, several small stores and a campground.

Originally established to facilitate training, employment and local capacity-development, the company has gradually gained the capacity to expand into logging operations. Through a partnership agreement with Weyerhaeuser, a ten-year, 20,000 cubic metre, Timber Supply Licence was accessed. The partnership also included training, forest management planning, and market access. Several band members recently completed forestry technician programs.

During the partnership development process, Inkameet accessed funds from DIAND's Resource Access Negotiation Program for negotiation with Weyerhaeuser. Inkameet now owns it's own harvesting equipment and employs six forestry workers, eight months of the year.

In 1995, Inkameet received a wood lot licence for 15,000 cubic metres, and a management plan to harvest this wood is being developed. The company is currently searching for a market for the wood that will be harvested. The company also runs a silviculture business and provides silviculture services to three large forest companies, including Weyerhaeuser. Six to eight people are employed on a seasonal basis for the silviculture activities.

Last year a proposed joint venture for a post and rail plant fell through after the required forest tenure could not be accessed. Other joint ventures for value-added processing are being considered. The plans are to increase logging activities to try and gain more benefits from the active forestry developments in the region.

3.5.2 West Moberly First Nation, Moberly Lake, BC

The West Moberly First Nation identified a need to gain entry into the forestry sector. As a result they have entered into a partnership with Canadian Forest Products to jointly manage a 20-year Forest Licence and its associated 100,000 cubic metre annual allowable cut. This was awarded in the summer of 1998. A second licence is also in the works, and would raise the total allowable cut to 250,000 cubic metres.

In addition to providing a context in which the First Nation community can gain entry into the sector, this partnership is expected to create significant jobs for community members. In addition, the practices used to manage the licence area will involve an ecosystem approach more compatible with the traditional uses of the area by First Nation members.

3.5.3 742681 Alberta Limited, AB

A Memorandum of Understanding between the Aboriginal Community of Trout Lake and Carrier Lumber Ltd. is the basis for a partnership that has the objective to create employment opportunities for community members. This sawmill operation, owned 100% by Carrier Lumber, employs approximately 40 people. Of all 742681 Alberta Limited employees, 98% are from the Aboriginal communities of Trout Lake and Peerless, which are 500 kilometres north of Edmonton.

3.5.4 Wabaseemoong Independent First Nation, ON

In 1996 the Wabaseemoong Independent First Nation, with assistance from FNFP, completed a business plan for Islington Band Logging, a 5-year operating plan for the reserve and worked towards developing a licencing agreement with local forestry industry. In 1998/99 the objective has been to:

- enhance the capacity of Wabaseemoong Independent First Nation to administer and manage a larger forest harvesting business;
- increase community jobs in forest harvesting by training 10 workers in cut-and-skid operations and employing those that achieve the required skill level; and
- continue development of a positive and mutually beneficial business relationship with local forest industry.

In order to achieve these objectives the Wabaseemoong plan includes a comprehensive training course for 10 people that is designed to ensure that Islington Band Logging meets their contract commitments to the local forest industry. Wabaseemoong Independent First Nation also needs to develop 4-8 skilled loggers for sustainable community-based employment.

3.5.5 Moose Band Development Corporation, ON

In northern Ontario, the Moose Band Development Corporation is seeking to acquire a Sustainable Forest Licence (SFL) in an area north of the 51st parallel - an area the province has been considering opening up to commercial forestry operations. Several companies have expressed interest in contracting to purchase timber from the Band, should they obtain the SFL. In addition, these companies would play a key role in training employees from the Band, in sponsoring forestry students, and in carrying out forestry activities until such time as the Band gained the capacity needed to undertake these activities themselves.

The element of partnership in this case is the informal expression of a willingness to cooperate between the First Nation and the established forestry companies - willingness that will be a key factor in the province's decision to award the SFL. The partnership will become more formalized once the decision is made.

3.5.6 Windigo First Nations Council, ON

Slate Falls and Cat Lake are two member nations of the Windigo First Nations Council located in northwestern Ontario. They have begun partnership discussions with McKenzie Forest Products and Bowater Inc., respectively. The intent is to identify forestry initiatives in the region north of the 51st parallel that will support both economic development and broad community development priorities within these communities.

3.5.7 Ginoogaming First Nation, ON

In the summer of 1993 Buchanan Forest Products Inc. purchased the dormant Longlac sawmill from Kimberly-Clark. Buchanan established Long Lake Forest Products Inc. (LLFP) to operate the mill. To satisfy increasing pressures for involvement of Aboriginal peoples in regional forestry activities, LLFP entered into a partnership agreement with the Ginoogaming First Nation. Under this agreement, LLFP agreed to provide training and employment opportunities for First Nation members.

The 1993 partnership agreement signed with LLFP is seen by the Ginoogaming First Nation to be a significant step toward their goal of building a strong and prosperous community that preserves its resources and vital traditions for future generations. Although Ginoogaming First Nation does not have an ownership share in the company, or any involvement in the management of forest lands within their traditional territory, the partnership with LLFP is seen as a significant first step that has helped them to begin their involvement in the forest sector.

3.6 FOREST MANAGEMENT PLANNING

Forest management planning partnerships are arrangements in which First Nations and forest industry companies enter into partnership to share in decision-making related to forest management. These partnerships may include First Nation participation as a means to develop Aboriginal forest management capacity, in which case the partnership would have a socio-economic dimension to its structure, with its function related to forest management capacity-building. Alternatively, Aboriginal traditional knowledge may be sought as a means of improving the way in which forest management is carried out.

Some common ways in which Aboriginal knowledge has been accessed for use in forest management planning is through traditional land use and occupation studies and Aboriginal values mapping. These activities may take place in the context of varying levels of partnership commitment. In Ontario there are some cases of values mapping carried out with very little contact with forest companies. In other situations, formal committees have been established with representatives from both the First Nation communities and from the forest company.

Yet another form of forest management partnership relates to partnerships for multiple use. In these cases, the logging company works in partnership with the Aboriginal group to develop ways in which timber harvest operations can be integrated with non-timber uses. This integration can involve such activities as trapping, harvesting medicinal plants and berries, use of sacred sites, development of eco-tourism enterprises and a range of other traditional and non-traditional uses of importance to First Nation communities.

The structure of these partnerships may take the form of formal co-management mechanisms, such as the Central Region Board in the Clayoquot Sound region, or less formal consultative arrangements. An example of the later can be found between the Cree of Waswanipi and Domtar, as profiled in sections of this paper. In this instance, the process of the Cree-Domtar joint venture involves the interests of the trappers when managing for timber harvest. This process is being transferred to other Domtar forestry operations that are outside the scope of Nabakatuk, the joint venture company.

3.6.1 Tanizul Timber Limited, BC

Tanizul Timber Limited (Tanizul) is a forestry company owned entirely by the Tl'azt'en First Nation in Tache, Northwest of Prince George. Tanizul manages a 50,000 hectare Tree Farm Licence (TFL 42) that includes 120 hectares of reserve land. The TFL, awarded to Tanizul in 1982, is the only TFL held by a First Nation in the province. The administration of the TFL allows Tl'azt'en to exercise some control over land use decisions affecting part of the territory that the First Nation traditionally used for hunting, fishing, trapping and gathering activities. Conditions of the TFL do not differ from conditions on any other TFL, and consequently, clearcutting and other common forestry practices are used for purposes of efficiency and compliance with regulations.

Terms of the TFL also stipulate that Tanizul cannot hold ownership of its own processing facility, thereby requiring that Tanizul supply wood to other forest companies with mills in the

area. To escape this stipulation, Tl'azt'en First Nation established another corporation, Teeslee Forest Products, a joint venture agreement between Tl'azt'en First Nation (80%) and Northwood Pulp and Paper Company (20%). The mill started production in 1994 and a majority of its employees were Aboriginal. Due to market changes and inefficiency of mill equipment to process small logs, the mill lost money. Due to lack of support from their partner, the mill severed ties with Northwood in 1996 and created a working agreement with Canfor in Fort St. James. In 1997, Teeslee ceased operations and in the fall of 1999, Canfor bought out Northwood. Over the past two and one half years, Tanizul has had a working arrangement with Canfor whereby Canfor assists Tanizul with forest management responsibilities in exchange for a guaranteed wood supply from the TFL. The working arrangement between Tanizul and Canfor is renegotiated on a yearly basis, taking into consideration open-market pricing and volumes for timber to be harvested.

3.6.2 Alberta-Pacific Forest Industries Inc., AB

Alberta-Pacific (Al-Pac) is the holder of a forest management agreement (FMA) covering an area of approximately 60,000 square kilometres in northeastern Alberta. The company operates the world's largest single line pulp mill in Boyle, Alberta. In the past six years, Al-Pac has utilized its Aboriginal Affairs Resource Team to work with Aboriginal communities through a range of different programs and activities which recognize and respect the unique and special relationship that Aboriginal people have with the land. Al-Pac has acknowledged an obligation to build relationships that depend on more than profit goals. Part of this developed approach is the reliance on traditional land use studies in areas of particular interest to Aboriginal communities. The intended result of this approach is to achieve mutual benefit for the company and the First Nations involved. This requires meaningful consultation and allowance for Aboriginal input into the forest management planning process

3.6.3 Little Red River Cree and Tallcree First Nations, AB

Initiatives of the Little Red River Cree Nation (LRRCN) and the Tallcree First Nation to implement cooperative management arrangements with government and industry have been ongoing since the mid-1980's. On April 26, 1995, a Cooperative Management Agreement resulted in a Forest Management Board with responsibility to develop a Forest Management Plan to manage natural resources within the traditional use areas of LRRCN/Tallcree. The Forest Management Board created by this Agreement includes representatives from the two First Nations, Alberta Forest Service, Alberta Fish and Wildlife, Alberta Water Management and the Municipal District of MacKenzie. The Board has non-voting membership participation from High Level Forest Products/DMI, Indian and Northern Affairs Canada and Alberta Energy. The partnerships that resulted are discussed in greater detail in the case study section (5.2) of this paper.

3.6.4 Manitoba Keewatinowi Okimakanak Inc., MB

In 1988, Manitoba Keewatinowi Okimakanak Inc. (MKO) established a Natural Resources Secretariat (MKO-NRS) to assist the MKO Executive Council of Chiefs in representing the interests of the 27 member First Nations in land and natural resource use, environmental

assessment and resource development in northern Manitoba. Most importantly, MKO-NRS works to protect and enhance the exercise of Aboriginal and Treaty rights held by MKO First Nations members. MKO-NRS is assisting MKO First Nations in the conduct of potential Forest Management Plans. Combined with Traditional Land Use and Habitation studies, these plans help to understand the potential for forestry activities on reserve lands, Treaty entitlement lands and traditional lands. Potential timber harvesting areas can also be determined for sufficient timber volumes that might be available to support local sawmill operations consistent with existing land uses and the overall goals, values and priorities of the First Nations involved. Particular interest has also been expressed in securing a supply of lumber for local housing projects.

Over the past eight years, the MKO-NRS has been developing a comprehensive, computer-based, geographic information system (GIS) and satellite image analysis capability for the MKO First Nations. Referred to as the Keewatinook Land Information System, or KEELIS, this land information system is providing information support to the MKO First Nations in negotiations with governments and resource developers. Currently the MKO-NRS is supporting the First Nations of the Swampy Cree Tribal Council in their negotiations with Tolko on a number of joint initiatives.

3.6.5 Lac La Croix First Nation, ON

Lac La Croix First Nation and the province of Ontario entered into an agreement of co-existence on June 17, 1994 to address a range of issues pertaining to Quetico Park administration and forest land management and the impact of these activities on the lives of the First Nation members. The agreement was intended to foster a cooperative government-to-government relationship and ensure Lac La Croix First Nation participation in the future planning and management of Quetico area, along with a share of the economic benefits. Since the agreement was signed, a series of co-management initiatives have been jointly implemented with respect to trapping, fisheries, wilderness values (of the park) and powerboat and aircraft access.

With respect to forestry, the Lac La Croix First Nation is working on the implementation of a Memorandum of Understanding with Abitibi-Consolidated Incorporated. This MOU addresses joint management of the Namakan area of the Flanders Crown Management Unit of the company's Sustainable Forest Licence.

The MOU is designed to promote greater cross-cultural understanding and learning and to foster a cooperative and mutually beneficial relationship between Abitibi-Consolidated and Lac La Croix First Nation. In order to achieve these goals, the following activities are planned:

- community education activities;
- cross-cultural training and elder involvement;
- design of a low-impact harvesting plan (trial cutting performed last winter);
- economic feasibility study of harvesting by community residents;
- business planning for value-added forestry activities by the community;
- review by the community in preparation for making decisions with regard to co-management, (Abitibi will not harvest if Lac La Croix First Nation does not approve); and

- agreement with the Ontario Ministry of Natural Resources and/or an overlapping licencing agreement with Abitibi-Consolidated Inc.

Because of the minimal involvement of the First Nation in forestry operations in the past, the pace of participation has been decidedly slow. Some members have been involved in trial cutting over the past two years.

3.6.6 Algonquins of Barriere Lake (Mitchikanibikok) - Trilateral Agreement Quebec

The Government of Quebec and the Algonquins of Barriere Lake are the main operational partners under the Trilateral Agreement. The Minister of State for Indian Affairs and Northern development signed on behalf of Canada, recognizing its obvious interest in the environment and its special fiduciary responsibilities toward the Algonquins of Barriere Lake. A major part of the funding comes from the Federal Government. The Trilateral Agreement was signed on August 22, 1991, in an effort to promote sustainable development and the reconciliation of resource uses by Mitchikanibikok and non-Mitchikanibikok people within the 10,000 square kilometre traditional territory of the Algonquins, as identified by the agreement.

The Trilateral Agreement contemplates carrying out this goal through these stages of development:

- Phase one: studies and inventories of the renewable natural resources within the territory;
- Phase two: preparation of a draft integrated resource management plan(IRMP)
- Phase three: formulation of recommendations for carrying out the draft IRMP; and
- Negotiations: Mitchikanibikok and Quebec negotiate an agreement on carrying out the recommendations obtained.

Though the Algonquins of Great Barriere Lake claim Aboriginal title to the area, the Trilateral Agreement was not advanced as a land claim. Rather, it was put forward as an alternative to claims, as a model for co-existence, sustainability and integrated resource management.

Work to carry out the agreement has been slow with numerous setbacks and conflicts arising over the past eight years. Phase one has been completed and an important and useful body of scientific and traditional knowledge has been accumulated with respect to renewable natural resources within the territory. In May of 1998, the parties re-affirmed their commitment to the agreement and work has continued on Phase two through a process of drafting IRMP's for the 13 traditional zones that exist within the agreement area. Technical committees have been established in each zone bringing to the table forest companies and other resource users. The completion of a comprehensive IRMP is expected in April of 2001.

3.7 SUMMARY: THE EXTENT OF PARTNERSHIPS ACROSS CANADA

The extent of First Nations partnerships within the Canadian forest sector is growing. Judging by the increasing proportion of joint venture partnerships, First Nations are taking a more business-minded approach to economic development. In the west, joint venture partnerships are more evident, while in the eastern provinces, more work is being done to achieve socio-economic objectives. In virtually every province there are forest services being contracted out to First Nations communities. The Federal Government, by way of the First Nations Forestry Program, and recent court decisions such as the Delgamuukw case and the New Brunswick Court of Appeal case concerning the Dummer Treaty, has positively affected First Nations access to forest resources.

The result of these partnerships will be a positive growth in business expertise, infrastructure, technological production and improved forest management capacity at the community level leading to improved relationships for the Canadian forest industry in Canada and with implications for the global market. However, transference of knowledge and technical expertise is just beginning. Given the current role that the Federal Government plays in social and economic development in Aboriginal communities, and given the fact that present First Nation participation in the sector is by no means extensive, considerable development is necessary before First Nations can be equal partners with Canadian businesses.

The two following tables summarize the information on partnerships from this section. As noted earlier, the data presented here is not considered comprehensive, nor is it necessarily a representative sample. In our view, however, it provides a rough picture of the nature and distribution of partnerships across Canada.

Table 1: Summary of Partnership Types by Region

Partnership Type	BC	AB	SK	MB	ON	QC	Atlantic	North
<i>3.2 Joint Ventures</i>	9	0	3	0	0	2	0	0
<i>3.3. Cooperative business arrangements</i>	3	0	0	0	2	0	0	1
<i>3.4 Forest services contracting</i>	2	4	2	2	2	0	0	1
<i>3.5 Socio-economic partnerships</i>	2	1	0	0	4	0	0	0
<i>3.6 Forest management planning</i>	1	2	0	1	1	1	0	0

Table 2: The Multiple Functions of Specific Forestry Partnerships

Codes for Partnership types: **JV:** Joint Venture
 CO-OP: Cooperative Business Arrangement
 FSC: Forest Services Contracting
 S-E: Socio-economic
 FMP: Forest Management Planning

Company	Partnership Type				
	JV	CO-OP	FSC	S-E	FMP
Iisaak Forest Resources	x			x	x
Tl'oh Forest Products	x	x		x	
Eco-Link	x			x	
Tsay Tay Dene Forestry Ltd.	x		x		x
Burns Lake Native Development Corp.	x			x	
West Chilcotin Forest Products	x				
Dezti Wood Ltd.	x			x	
Kyahwood Forest Products	x				
Naha Deh Timber	x	x			
NorSask Forest Products	x	x		x	x
Wapawekka Lumber	x				
Peter Ballantyne Cree Nation	x				x
Scierie Opitciwan	x		x		
Nabakatuk Sawmill	x				
Toquaht Enterprises		x			
Ditidaht Forest Products		x			
C-Ged Forest Products		x			
Naicatchewenin First Nation		x			x
Wabigoon Anishnaabe Gitigewin		x		x	
Kaska Forest Resources		x		x	
Cheslatta Carrier Nation			x		
SIB Forestry Inc.			x		x
Horse Lake First Nation			x		
Big Stone Cree First Nation			x		
Woodland Cree (Alberta)			x		
Whitefish Lake First Nation			x		
Agency Forest Inc.			x		
Woodland Cree Resources			x		
Moose Lake Loggers		x	x		

Company	Partnership Type				
	JV	CO-OP	FSC	S-E	FMP
Nelson House Forestry Services		x	x		
Henvey Inlet			x		
Cree-Tech			x		
Thebacha Forest Company			x	x	
Inkameet Forestry				x	x
West Moberly First Nation				x	x
742681 Alberta Ltd.				x	
Wabaseemoong Independent First Nation				x	
Moose Band Development Corp.				x	x
Windigo First Nation				x	
Ginoogaming First Nation				x	
Tanizul Timber Ltd.					x
Alberta-Pacific Forest Industries					x
Little Red River Cree and Tallcree Nations			x		x
Manitoba Keewatinowi Okimakanak Inc.					x
Lac La Croix First Nation				x	x
Algonquins of Barriere Lake					x

4 MAKING PARTNERSHIPS WORK: LESSONS FROM LITERATURE

4.1 INTRODUCTION

In an effort to improve economies of scale or scope, access or pool resources, penetrate new markets and share risks, enterprises world-wide are increasingly engaging in variety of business partnerships. Global economic and social forces over recent decades have meant that many of these partnerships span national and cultural boundaries. Where governments used to be wary of the effect of inter-firm cooperation, they are now considered beneficial to the economy and are being promoted by various policy initiatives.⁵ Governments themselves, increasingly participate in a variety of forms of public-private partnerships. Inter-organizational collaboration exists in a range of forms, varying in scope and degree of commitment.

For the purposes of this paper the notion of partnership suggests a mutual contribution by two entities involving shared objectives, decision-making and benefits. Contributions may be financial, institutional or intellectual.⁶ Parties may choose to engage in the most comprehensive of partnerships; the joint venture, or may choose from a range of non-equity alliances involving significantly less risk such as licensing, contracting or marketing and sales agreements. Increasingly, partnerships are being developed around or are incorporating economic development, environmental and social objectives.

In the past, partnerships, joint ventures in particular, have been notorious for their high level of risk and poor success rate. International, cross-cultural relationships seem to be particularly vulnerable. "Surveys suggest that as many as half of the companies with international joint ventures in developed countries are dissatisfied with their venture's performance, and that the dissatisfaction rate for ventures in developing countries is even higher."⁷ While scholars acknowledge that relatively little is known about the underlying causes of successful alliances, there does exist some agreement in the literature on key success factors related to business partnerships in a variety of settings.

Most literature references for this discussion of partnership involves examples from international experiences and supporting research due to the lack of similar study in Canada. The application of lessons from international literature is worthwhile in our view, however, the relevance should be assessed on a case-by-case basis, bearing in mind the unique characteristics of the Canadian forest industry.

This section of the paper will begin with a brief discussion on culture, which will explore some of the issues around cross-cultural collaborations, specifically, those involving Indigenous Peoples as partners. Next, a summary of best practices related to joint ventures will be provided,

⁵ Magun, Sunder. 1996. *The Development of Strategic Alliances in Canadian Industries: A Micro-Analysis*, Industry Canada web site <http://strategis.ic.gc.ca>.

⁶ Zussman, David. *Partnerships: A Moving Target*, Insights: Public Management Research Centre, Vol. 4, No. 1. Spring 1999.

⁷ Beamish, Morrison and Resenzweig. International Management: Text and Cases - Third Edition, Irwin, 1997.

followed by an examination of partnership with community-based entities. Finally, a general set of conclusions will be drawn based on the research.

4.2 CULTURE AND BUSINESS

Academics have long identified *culture distance* as a significant obstacle to the success of intercultural business partnerships. *Culture distance* is defined as “the extent to which the norms and values of two firms differ because of their separate national characteristics.” Hofstede, a leading researcher in this area, sees culture, not necessarily bound by national borders, but as the characteristics of a group of people “that are conditioned by the same education and life experience.”⁸ The most common dichotomy used to distinguish cultures is the individualist/collective characteristic. In general, an individualistic society is one in which members “define themselves primarily as separate individuals and make their primary commitments to themselves.” In contrast, collective cultures are characterized by tight social networks and common goals and objectives.⁹

In the past, researchers tended to claim that collective cultures were not naturally entrepreneurial whereas individualist cultures fostered the entrepreneurial spirit. Recent research argues that “individualism and collectivism neither categorically encourage nor discourage entrepreneurship; rather they influence how its functions are accomplished.”¹⁰ In particular, the author claims that,

“Individualists show proclivities for new venture formation and making major innovations. In contrast, collectivists generate variety through group-based, incremental improvements and changes. Collectivists leverage their own resources by harnessing “clanlike” affiliations, and securing the use of the resources of other firms by building close relational ties...”¹¹

Aboriginal culture in Canada is generally considered to be collectivist while others in Canadian society can be generalized as individualist. This and other elements of the *culture distance* between Aboriginal and non-Aboriginal partners can represent additional challenges to an already challenging partnership endeavour. Understanding the implications of cultural differences and designing partnerships to incorporate these differences may improve the chances of success. In Restructuring the Relationship, The Royal Commission on Aboriginal Peoples explains business development in an Aboriginal context as follows:

“...the fundamental difference in emphasis between the Aboriginal view of economics and the beliefs of liberal capitalism relates less to the means by which wealth is created than to the appropriate distribution of resources once these have been acquired. Aboriginal cultures share a deeply embedded belief that the

⁸ Williams, J.D., S.L. Han and W.J. Qualls. 1998. “A Conceptual Model and Study of Cross-Cultural Business Relationships,” Journal of Business Research, vol. 42, no. 2, pp. 135-143.

⁹ Adler, Nancy J. 1997. International Dimensions of Organizational Behavior, South-Western College Publishing, Cincinnati.

¹⁰ Tiessen, J.H. 1997. *Individualism, Collectivism and Entrepreneurship – A Framework for International Comparative Research*, Journal of Business Venturing, September, vol. 12. No. 5, pp. 367-384.

¹¹ Ibid.

welfare of the collective is a higher priority than the acquisition of wealth by the individual...additional merit is gained by using one's skills to benefit the community.”¹²

Arguably more important than culture in influencing entrepreneurial spirit, however, is the set of social circumstances that Aboriginal communities have faced over many years. The Royal Commission asserts that perhaps “too much is made of the alleged difference between the Aboriginal approach and the ways of liberal capitalism” and that:

“...the hostility toward achievement and individual effort that is felt in Aboriginal communities is often misinterpreted, particularly by outsiders, as a product of Aboriginal emphasis on the collective and the community. In fact it is part of the pathology of loss and despair – loss of lifeways, of self-reliance and self-esteem.”¹³

Two additional points merit mention. Firstly, Aboriginal groups differ significantly from one another and can therefore not be seen as a homogenous group with a single set of values. Secondly, the development of partnerships is always situation-specific, based on a multitude of variables. For this reason “there is no “right” way to structure effort for economic activity” between Aboriginal and non-Aboriginal peoples. Instead, cultural issues must be dealt with carefully and on a case-by-case basis. A proactive approach that acknowledges differences in culture involving education on the part of both partners is, however, undoubtedly a positive step under any circumstances.

4.3 CONSIDERATIONS IN ESTABLISHING JOINT VENTURES

Joint ventures represent the most comprehensive of the partnership options. Although success has been illusive in the past, “they are still seen as an effective means of business development offering numerous advantages.”¹⁴ Given increasingly competitive global and domestic environments, firms are seeking ways to share risk, secure access to needed technology and resources, and enter new markets. A variety of recommendations are consistently made regarding the development and management of a cross-cultural partnership. Many of these recommendations are not limited to joint ventures but rather, should be considered within all business alliance options, although perhaps to varying degrees.

¹² Royal Commission on Aboriginal Peoples. 1996. Report of the Royal Commission on Aboriginal Peoples – Volume 2: Restructuring the Relationship – Part 2. Minister of Supply and Service Canada, Canada Communication Group Publishing, Ottawa.

¹³ Ibid.

¹⁴ Beamish, Morrison and Resenzweig. International Management: Text and Cases - Third Edition, Irwin, 1997.

4.3.1 Invest Significant Time and Effort in Partner Selection

Although this point may seem obvious, this is a step that, due to time and resource constraints, is often grossly neglected. In fact “identifying and selecting a partner is possibly the most important consideration in establishing a joint venture. It also may be the most difficult and time consuming.”¹⁵

(a) Ensure commitment to a cooperative mode

Organizations contemplating partnership of any kind are well advised to realistically evaluate their own capacity for working in a cooperative environment as well as assess this capacity in any potential partner.¹⁶ Clearly, if the ability and commitment to work cooperatively is lacking from either one or both of the partners, the venture is virtually doomed for failure. Too often, firms are looking for a quick fix to an immediate problem and fail to anticipate the power sharing that inevitably must be made when working in partnership. Power sharing is often a demanding task in cross-cultural situations, resulting in an even greater need for commitment to a collaborative structure.

(b) Ensure understanding of motivations and objectives of both parties

Rarely do both partners in an alliance or venture have identical reasons for participating in the collaboration. A multinational seeking a venture with a firm in a developing economy, for example, may be seeking out one or more of the following: profits, growth, new markets, synergistic benefits or access to resources. The local firm on the other hand, may be looking for diversification, transfer of technology, access to markets, or access to capital.¹⁷ It is worth spending time at the outset to express the objectives and expectations of both parties in order to reconcile differences and prevent dissatisfaction and misunderstanding later on.

(c) Start small with “engagement” period

Having an opportunity to build relationships slowly with non-equity alliances has been identified as an important way to minimize risk. It allows partners to build trust over time, assess capabilities, and provides an opportunity for partners to be exposed to the foreign culture in a relatively less pressured, lower risk environment.¹⁸ Increasing investment in smaller projects as they prove to be successful is much more desirable than writing off a large failed venture.¹⁹

¹⁵ Lane, Henry W. and Paul W. Beamish. 1990. “Cross-cultural Co-operative Behaviour in Joint Ventures in LDCs”, *Management International Review*, Special Issue 1990, pp. 87-102.

¹⁶ Ibid.

¹⁷ Data, Deepak K. “International Joint Ventures: a framework for analysis”, *Journal of General Management*, vol. 14, No. 2. Winter 1988, pp. 78-91.

¹⁸ Beamish, Morrison and Resenzweig. *International Management: Text and Cases -Third Edition*, Irwin, 1997.

¹⁹ Lane, Henry W. and Paul W. Beamish. 1990. “Cross-cultural Co-operative Behaviour in Joint Ventures in LDCs”, *Management International Review*, Special Issue 1990, pp. 87-102.

4.3.2 Awareness and Management of Cultural Differences

Research on international joint ventures has found that culture difference is frequently a source of a breakdown in effective management communications, “sometimes leading to the eventual dismemberment of the venture.”²⁰ Some concrete actions can be taken to mitigate these potential problems some concrete actions can be taken.

(a) Educate managers in the culture of the venture partner

Financial and operational expertise is not sufficient when managing a cross-cultural business partnership. Successful implementation of a joint venture “requires both an understanding of the business and the partners' cultures.”²¹ Culture training for managers has been largely neglected in the past. Emphasis is increasingly being placed on this important aspect of cooperative venture management. Managers of cross-cultural partnerships should be sensitized to “the impact of culture on behaviour and have some background on the social, economic, political environment and history” of the partner. Also critical, is understanding one’s own culture and the implications it has on one’s own behaviour and relationships with others.

(b) Develop joint strategy of cultural integration

Research has concluded that “knowledge of the cultural orientation of the country and its relationship to the strength of the social and structural bonds serve as key predictors of the long-term commitment in cross national business relationships.”²² To demonstrate long-term commitment companies are well advised to work together toward ensuring a mutual understanding of each partner’s culture and the possible influences on the business environment. The relationship building and goodwill created as a result of collaboration in this area can help partners work through differences or business hardships as they arise rather than prematurely dissolving the partnership.

4.3.3 Carefully Negotiate the Joint Venture Agreement

In designing the venture, partners must look at a variety of options related to equity structure, staffing and decision-making responsibility. Decisions related to these critical design elements should be made jointly by the partners. The optimal control structure for cooperative ventures depends on the nature and motivations behind the venture as well as the environment in which they will operate.

²⁰ Data, Deepak K. “*International Joint Ventures: a framework for analysis*”, *Journal of General Management*, vol. 14, No. 2., Winter 1988, pp. 78-91

²¹ Lane, Henry W. and Paul W. Beamish. 1990. “*Cross-cultural Co-operative Behaviour in Joint Ventures in LDCs*”, *Management International Review*, Special Issue 1990, pp. 87-102.

²² Williams, J.D., S.L. Han and W.J. Qualls. 1998. “*A Conceptual Model and Study of Cross-Cultural Business Relationships*”, *Journal of Business Research*, vol. 42, no. 2, pp. 135-143.

(a) Dominant, shared or independent

Partners must choose between a dominant, shared or independent control structure.

Independent

These ventures “are relatively free of the interference from either parent.”²³ This type of venture is quite rare. While, in theory, joint ventures are considered to be autonomous businesses, in practice, “numerous interdependencies inevitably exist between the joint venture and the parent companies.”²⁴ In the case of the independent venture, all strategic and operating decisions come from neither of the two parents, but rather this would be the responsibility of the management of the new entity, without interference.

Dominant

Under this design, the dominant parent's executives would make all of the strategic and operating decisions. This structure manifests itself when multi-nationals enter into partnerships with firms in developing economies as a response to “pressure from the host government or when the passive partner sees its involvement and participation as a purely financial investment with an acceptable rate of return.”²⁵

Shared

In the case of shared management ventures, both partners play an active role in the management of the joint business. This is not to say, however, that all decisions are jointly made: “they are in fact not being jointly made, but rather divided or split between the partners based on knowledge, skill, experience and understanding of the particular issue.”²⁶ This type of partnership is most common in manufacturing situations with one parent supplying technical expertise and the other providing access to and knowledge of the local market.

Researchers argue that, although more complicated, the shared control structure is preferable when collaborating with developing economies. It is critical to allocate decision making authority at a very early point, when the venture is being first being defined. A clear understanding of the expectations and contributions of each party should be a priority.

Some key decisions will inevitably have to be made jointly. Achieving a consensus on such decisions can be a significant challenge but it is believed that the value of the two sets of experience, the knowledge and skills of the two partners, and the increased information available often make consensus worth the trouble. Such an approach requires “people who are sensitive to the partners' needs and culture and who are willing to understand, learn and be persuaded, as well as being persuasive.”²⁷

²³ Data, Deepak K. “*International Joint Ventures: a framework for analysis*”, Journal of General Management, vol. 14, No. 2. Winter 1988, pp. 78-91.

²⁴ Ibid.

²⁵ Ibid.

²⁶ Lane, Henry W. and Paul W. Beamish. 1990. “*Cross-cultural Co-operative Behaviour in Joint Ventures in LDCs*”, Management International Review, Special Issue 1990, pp. 87-102.

²⁷ Ibid.

As an example, Iisaak Forest Resources, a recent joint venture between Ma' Mook Natural Resources Ltd. (First Nation) and MacMillan Bloedel has been designed with a shared management approach. Some of the management objectives are designed into the shareholder agreement including “management and staffing, means of providing contracts for First Nations and the local community, and targets for First Nation employment and training.” Any business objectives involving expanded scale or scope of the company’s operations are “captured in the unanimity provisions” and must therefore be reached by consensus.

(b) Relationships and trust

Recent literature asserts that “excessive concern with control can be counterproductive, that the management of alliances is critically concerned with attitudes and interpersonal relationships, and that attention should be paid to trust.”²⁸ Although ownership, control and other legal elements of collaboration are important structural elements of a partnership, they can undeservedly take attention away from “the even more important, dynamic, but less tangible, human relationships.” In fact, in increasingly competitive and uncertain environments strong partnerships characterized by trust and reciprocity will be seen more and more “as a strategic resource much like other resources as products and technology.”²⁹ One author claims that a venture’s “success and failure lie ultimately in the ability of the partners to keep their trust and respect for each other as they advance this business relationship into world markets and the demands of the future.”³⁰

In the case of Iisaak Forest Resources, a facilitator was hired to help with the creation of the venture. The facilitation process spanned several years and “was an important part of building trust and equalizing bargaining power between the parties.”³¹ However, the Iisaak venture is relatively young and its long-term success is yet to be assessed.

(c) Conflict Resolution and a “shotgun” clause

Many agreements include detailed requirements for the conflict resolution, even though some fear that it indicates a pessimistic view of the prospects of the joint venture.³² Some disagreement is virtually inevitable in complex relationships such as joint ventures and should be recognized by designing a mechanism to address such conflict. This gives partners the tools to proactively respond to and resolve differences, perhaps even preventing dissolution.

The design of the venture should, however, also include an agreement on how the partnership will end in the case of serious difficulty. This should be done while “heads are cool and goodwill

²⁸ Nooteboom, Bart and Hans Berger. “*Effects of Trust and Governance on Relational Risk*”, *Academy of Management Journal*. vol. 40, no. 2, pp. 308-338.

²⁹ Williams, J.D., S.L. Han and W.J. Qualls. 1998. “*A Conceptual Model and Study of Cross-Cultural Business Relationships*”, *Journal of Business Research*, vol. 42, no. 2, pp. 135-143.

³⁰ Findlay, Caroline. 1999. “*IISAAK FOREST RESOURCES LTD. –A Joint Venture Company between Ma’Mook Natural Resources Ltd. and MacMillan Bloedel Ltd*”, *Insight*, February 25.

³¹ *Ibid*.

³² Miller, Glen, Jaspersen and Karmokolias. *IFC Discussion Paper Number 29 –International Joint Ventures in Developing Countries: Happy Marriages? Statistics for 1970-1995*, International Finance Corporation, <http://www.ifc.org>.

abounds.”³³ Such an agreement generally allows either partner to buy the other’s share in the venture at a named price. The second partner generally has the option sell the shares at the named price or buy the other partners shares at the same price.

The shareholder agreement for the Lisaak joint venture mentioned above includes a provision that gives MacMillan Bloedel the right to “terminate its interest in IFR for a fair value buy-out of its shares.” This right can be exercised if the business relationship becomes unsatisfactory and IFR’s objectives are “substantially” limited.³⁴

4.3.4 Respect Principle of Fair Exchange

Partners in a collaborative venture often have varying motivators and objectives for the partnership. As indicated in relation to the selection of partners, both parties must understand these differing objectives. While partnerships are clearly expected to provide mutual benefits, managing and monitoring these benefits is often neglected.

(a) Ensure value for both partners is designed into the venture

As significant as determining the appropriate control structure of the venture is the need to clearly identify each partner's expected payoffs so that in addition to determining the various divisions of decision making authority and partner duties, a “win-win” situation should be designed into the venture. Success often depends on the partners’ long-term needs being satisfied in a reciprocal relationship. “Need refers to the requirement for skills or resources in the venture such as access to raw materials, distribution channels, labour, political connections, and local knowledge.”³⁵ Agreement on both sides as to the needs of each partner puts both parties in a better position to negotiate should they feel dissatisfied with the venture.

(b) Monitor performance for inequities

Both partners should take responsibility for monitoring the payoffs of the venture. They should be aware, not only of their own benefits or lack thereof, but also the payoffs to the partner. In order to ensure long-term success of the venture, hardship must be shared.³⁶ This is an important element of maintaining a trusting relationship and open lines of communication between partners. In addition, management should be flexible and open to making changes in the joint venture agreement as the environment and comparative advantages of partners change. The agreement should be seen as a “living document.”³⁷

³³ Beamish, Morrison and Resenzweig. *International Management: Text and Cases - Third Edition*, Irwin, 1997

³⁴ Findlay, Caroline. 1999. “*IISAAK FOREST RESOURCES LTD. –A Joint Venture Company between Ma’Mook Natural Resources Ltd. and MacMillan Bloedel Ltd.*”, Insight, February 25.

³⁵ Lane, Henry W. and Paul W. Beamish. 1990. “*Cross-cultural Co-operative Behaviour in Joint Ventures in LDCs*”, *Management International Review*, Special Issue 1990, pp. 87-102.

³⁶ Beamish, Morrison and Resenzweig. *International Management: Text and Cases - Third Edition*, Irwin, 1997.

³⁷ Miller, Glen, Jaspersen and Karmokolias. *IFC Discussion Paper Number 29 –International Joint Ventures in Developing Countries: Happy Marriages? Statistics for 1970-1995*, International Finance Corporation, www.ifc.org

4.3.5 Ensure Ongoing Management of Relationship

Even a thoroughly planned venture needs concerted, ongoing effort in managing the relationship to increase chances of success. Operating the venture “requires commitment by the corporation to persevere, and to work to achieve its target and not to quit as the inevitable problems appear.” A corporation can commit to: financial support; customer and partner support; product integrity; company employees; understanding the politics, economics and culture of partners; the building of trust and sharing of information; the building of cooperative relationships.³⁸

(a) Continued commitment of senior management early on

While commitment of managers over the long term is considered a key success factor, particular emphasis is placed on close monitoring early on. This provides an important opportunity to solve problems before they escalate as well as demonstrating management commitment and good will toward the partnership.

(b) Long-term view

Too often partners enter into joint ventures with unrealistic time frames for expected payoffs. Researchers have found that alliances often fail because a joint venture is not the appropriate choice for the scope and scale of the issue being addressed. As a result, joint ventures have been described as “permanent solutions to temporary problems.” Before even seeking a joint venture partner, managers must determine if, in fact, the current need or problem requires such a long-term solution.

Time also plays a very important role in mitigating cultural difficulties in cross-cultural partnerships. Research has shown that, as joint ventures increase in longevity, the intensity of cultural differences is moderated. “As relationships continue members in each organization become more and more enmeshed in the social networks of the other and their relationship becomes more binding, stable, and predictable.”³⁹ One author has even suggested that “if a culturally-unstable international joint venture is invested with the means for long-range development, it can be expected to attain its objectives...” and that “...time is the major factor in the success of a joint venture.”⁴⁰

(c) Well-defined communications strategy

Clearly reported relationships and a well-defined communications strategy between partners are important elements of effective joint venture management. Clear mechanisms for monitoring and control of partners are necessary although often difficult for partners to agree upon. Personal

³⁸ Lane, Henry W. and Paul W. Beamish. 1990. “Cross-cultural Co-operative Behaviour in Joint Ventures in LDCs”, *Management International Review*, Special Issue 1990, pp. 87-102.

³⁹ Williams, J.D., S.L. Han and W.J. Qualls. 1998. “A Conceptual Model and Study of Cross-Cultural Business Relationships”, *Journal of Business Research*, vol. 42, no. 2, pp. 135-143.

⁴⁰ Meschi, Pierre-Xavier. “Longevity and Cultural Differences of International Joint Ventures: Toward Time-Based Cultural Management”, *Human Relations*, vol. 50, no. 2, pp. 212-228.

relationships and trust will likely play an important role in developing mutually acceptable mechanisms. Some options commonly used include:

- financial reports
- informal visits by parent company executives
- financial audits
- formal planning systems
- staff performance reviews
- management audits

One way to ensure that partnerships remain strong is to schedule regular meetings among senior managers to review performance, express concerns and resolve problem areas. Communication must flow in two directions and must remain the foundation on which the relationship stands.

4.4 COMMUNITY-BASED PARTNERSHIPS

Experience in recent years has indicated a significant untapped potential for collaboration between small scale, community-based business and medium to large-scale commercial enterprise in developing economies. Where economic development in such environments was once left to government programs and non-governmental organizations, the important and perhaps more effective role of private enterprise is now being recognized. A study by the International Labour Office asserts that the contributions that corporations can make to a small business in a developing economies are “far wider – and often more precisely targeted and cost effective – than the many inputs provided by government organizations responsible for [small business] development.”⁴¹

Beyond the traditional “bottom line” motivations for companies engaging in business alliances, collaboration with developing economies often represent additional, more socially oriented objectives. Motivations behind such programs may, for example, include:

- improved customer and employee relations
- social (local community) responsibility
- enhancing public awareness
- improving the company’s public image
- humanitarian reasons
- enhancing government relations
- responding to government incentives and legislation⁴²

⁴¹ Wright, David L. Overseas Development Institute, London. 1992. A study of the employment effects and other benefits of collaboration between multinational enterprises and small-scale enterprises, International Labour Office, Geneva.

⁴² A recent report by The Institute On Governance entitled *Public Good, Private Gain – A Study of Canadian “Exemplary” Companies and Their Relations with Government* explores the idea of socially responsible firms and what this means to both the private and public sectors.

Regardless of the mix of expressed objectives, companies almost invariably “take the position that there must be a significant degree of direct financial and/or commercial benefit” to be derived from collaborations with firms in developing economies.⁴³

Cameco Corporation, the largest uranium producer in the world, has been very successful in stimulating economic development of Aboriginal communities in Canada by promoting partnerships. In addition to an employment program that has made the company one of Canada’s leading employers of Aboriginal people, Cameco has undertaken an aggressive business development strategy involving both “northern” employment requirements and the facilitation of joint ventures intended to result in direct and significant participation by Aboriginal people. The benefits of these efforts to the company are described as follows:

“...we gained legal compliance – we are meeting our obligations as set out in our surface lease agreements. We gained some high moral ground – we are extending opportunities to the people and communities most impacted by our operations. We gained an extremely valuable relationship with a very important constituent group of people...we also gained a close working relationship with government – we have been able to demonstrate to governments at all levels that cooperation is the key. And finally, we have gained a very important strategic advantage in what is a highly competitive global business – we are now using our experiences with [A]boriginal people in northern Saskatchewan to secure development opportunities in other parts of the world.”⁴⁴

Partnerships between parties experiencing dramatically different levels of economic wealth and security clearly face an added challenge in maintaining successful and productive ventures. A number of recommendations are made with regard to creating and nurturing these types of partnerships that can be relayed to the Canadian case of Aboriginal-non-Aboriginal collaborations.

4.4.1 Companies should be better informed and more imaginative in finding ways to collaborate

As previously indicated, there are a variety of reasons, most of which involve commercial benefit, for companies to seek collaboration with businesses and communities in the developing economies in which they work. It is in their best interest, particularly from a public perspective, to seek out creative ways to work with small business. Companies working in developing environments are well advised to work proactively to build their own capacity to work with new businesses in order to reap both social and economic rewards.

⁴³ Wright, David L. Overseas Development Institute, London. 1992. A study of the employment effects and other benefits of collaboration between multinational enterprises and small-scale enterprises, International Labour Office, Geneva.

⁴⁴ Jamie McIntyre. Cameco Corporation. 1999. *Presentation to FSIN Business Forum '99*, February 1999.

A previous study by the Institute On Governance uncovered a variety of innovative partnerships in the Canadian forestry industry.⁴⁵ Some of these include: the development of a loan fund, insistence on joint venture partnership when letting contracts, assistance with bank financing, lending of equipment to small entrepreneurs and adjusting payments to ease cash flow difficulties, as well as training and hiring programs.

4.4.2 Criteria for collaborations should incorporate local economic and human resource development objectives

Some innovative partnerships in developing countries that have been undertaken in recent years have included a clear set of social and economic objectives. For example, corporate collaborations with community-based small businesses have been designed around the following objectives:

- projects should be targeted to benefit low income groups
- projects should be economically viable in the long term
- projects may be experimental in nature and therefore too risky for commercial bank support⁴⁶

These objectives allow companies to reap the benefits that result, as is the case for Cameco, whose concerted efforts created partnership opportunities and improved business development in the north. Benefits such as improved relations with government and communities, a perception of social responsibility and increased competitiveness world-wide as a result of innovative activities in Canada.

4.4.3 Sharing or lending of management expertise

A lack of management capacity is often a major obstacle for business partnerships in developing economies. Successful collaborations in the developing world have included the provision of middle and upper management on secondment at nominal cost to the local small business. This approach was described as having “the dual advantage of offering independent management training opportunities to rising staff to show their mettle, whilst at the same time demonstrating to the government, and the public at large, that [the company] was a socially responsible organization willing to make an innovative contribution to development.”⁴⁷ The emphasis on encouraging the development of positive working relationships with local governments and the

⁴⁵ The Institute On Governance. 1998. *Exploring the Relationship Between Aboriginal Peoples and the Canadian Forest Industry: Some Industry Perspectives*, for Industry, Economics and Programs Branch, Canadian Forest Service, Natural Resources Canada.

⁴⁶ Wright, David L. Overseas Development Institute, London. 1992. A study of the employment effects and other benefits of collaboration between multinational enterprises and small-scale enterprises, International Labour Office, Geneva.

⁴⁷ Wright, David L. Overseas Development Institute, London. 1992. A study of the employment effects and other benefits of collaboration between multinational enterprises and small-scale enterprises, International Labour Office, Geneva.

sense of contribution to communities are increasingly being considered significant benefits from partnerships in addition to the more immediate, purely financial payoffs.

4.4.4 Successful collaboration depends on an explicit and corporate decision

The need for explicit and sustained managerial commitment is critical in the context of partnership with developing economies just as it is with most other partnership types. In order to prevent neglect of the partnership and to ensure ongoing observation, companies should do the following:

- clearly define the hierarchy of reasons why the program is being undertaken
- identify the department or individuals responsible for its execution
- identify and ensure understanding of the obligations of other departments or individuals in the organization to support the initiative⁴⁸

Cameco Corporation has taken just such an approach with regard to their work with Aboriginal communities in Canada.

“Our northern and [A]boriginal business development programs are now reflected in our corporate policies. They are even stated in our vision and values statements, and included in our corporate performance targets. This is the key to making everyone in the organization accountable. For example, the general manager...has these issues reflected directly in his operations annual performance targets. We track and report our performance on a monthly basis.”⁴⁹

It is important for companies engaging in this type of collaboration to recognize that special problems requiring special attention may arise. Some companies have even created new departments to deal specifically with small business partnerships.

4.4.5 Working through an intermediary to bridge the divide

Although there may be an expressed desire to collaborate, companies may find such an initiative difficult to put into operation. A lack of understanding of the constraints under which a potential partner might work in addition to cultural barriers may act as obstacles to partnership initiation. Other organizations may be in a position to facilitate understanding and partnership between organizations.

(a) Industry association

Although there is often little that a small business in a developing economy can do on its own to pursue partnerships, industry associations encompassing such businesses may be in a position to

⁴⁸ Ibid.

⁴⁹ Jamie McIntyre. Cameco Corporation. 1999. *Presentation to FSIN Business Forum '99*, February 1999.

play an important role. While it is recognized that such associations are often short of funds, they may have the means to:

- identify and investigate ways in which the members of the association might be able to set up collaborative relationships at various points on the value chain – as suppliers of goods and services or as sales agents
- negotiate with companies on behalf of their members to secure long-term contracts for goods or services
- lobby government to take appropriate measures to stimulate collaboration, specifically in relation to fiscal incentives
- set up, perhaps in collaboration with other organizations, an entity with the full-time mandate of promoting, organizing and supervising partnerships⁵⁰

(b) Non-governmental organization

Charitable, non-governmental organizations (NGO) may be valuable as intermediaries that can facilitate collaboration and communication between potential partners. They may also be in a position to offer specific skills and training in areas such as business and management. In addition, “an articulate business-oriented NGO could play an invaluable and possibly ongoing role in providing the necessary bridge between the two parties.”

4.4.6 Government role

Governments often also have a role to play in such partnerships. Although there has been a recent push toward minimizing government control, there are areas in which the government may make valuable contributions.

(a) Traditional “carrot and stick” approaches

Financial incentives for partnership in developing environments can be important motivators for collaboration. Although such incentives can not be relied upon to ensure success or longevity of a partnership, they may be a significant catalyst in encouraging partnership where there are perceived risks related to culture and level of economic development.

Legal requirements in the form of affirmative action programs and local hiring requirements may trigger a pattern of local hiring and partnership that moves well beyond the minimal requirements as trust and relationships are built and skills and capacities developed.

⁵⁰ Wright, David L. Overseas Development Institute, London. 1992. A study of the employment effects and other benefits of collaboration between multinational enterprises and small-scale enterprises, International Labour Office, Geneva.

(b) Role as intermediary to facilitate collaboration

Some researchers recommend that governments adopt a broker-type role in promoting partnerships. Workshops on the following types of topics could be useful in this regard:

- case studies of collaborations that have, or are currently taking place
- identification of potential areas of collaboration including possible barriers
- possible measures to encourage greater collaboration and prevent exploitation

4.5 CONCLUSIONS

The literature review revealed a variety of recurring themes with respect to partnerships and collaboration across cultures. These issues appeared repeatedly in relation to joint ventures, partnerships in developing economies and literature on a variety of forms of collaboration. The following points can be considered “musts” when designing and implementing partnerships, particularly those in multicultural environments:

Think creatively

Partnerships should be tailored to each situation based on the unique set of skills, resources and the environments of the parties involved. In the case of Aboriginal community-forest industry partnership, parties are well advised to look beyond traditional options for collaboration and seek out innovative and unique alternatives for taking advantage of opportunities. Some examples of such alternatives are provided in section 5 of this paper: Making Partnerships Work: Lessons from the Case Studies.

Address possible cultural issues carefully and proactively

It is not useful to get bogged down in cultural questions that have little relevance to the business realities of a partnership. However, it is useful to have an awareness of key characteristics of cultures involved and the impacts these might have on relationships, negotiations and the ongoing operation of the partnership. An effort toward understanding the culture of partners also goes a long way toward demonstrating good will and commitment to the collaboration.

Clearly define motivations, objectives and expectations at the outset

When designing an effective partnership, it is critical that each partner conveys motives, objectives and expectations to the other. This may prevent disagreement and dissatisfaction later on and will also provide a basis upon which the partnership can be redesigned if the needs of one or both partners are not being met.

Clearly define responsibility for partnership

Allocating responsibility for the partnership illustrates commitment to the initiative and provides a clear line of accountability for the actions of each party and the success of the collaboration.

Sustained support at high levels is also key and demonstrates the importance of the partnership to all involved.

Focus on relationship-building and trust

Although this may be a more intensely felt priority in some cultures than others, trust is an essential component of any successful partnership. Gradually cultivating relationships and increasing degrees of intensity of collaboration and commitment provides a solid foundation upon which to build a partnership.

Share the payoffs and the hardships

Building in value for both partners can result from agreement on objectives and expectations on both sides. Unexpected payoffs and hardships may occur, however, and should be split fairly among partners. Parties are well advised to come to an agreement on how these would be shared early on.

5 MAKING PARTNERSHIPS WORK: LESSONS FROM CASE STUDIES

Previous sections of this paper have explored the context of Aboriginal participation in the forest industry in Canada and examined some theoretical *best practices* for partnership design and implementation. This section will describe four existing partnerships involving Aboriginal communities and the forest sector. A variety of innovative ideas are presented that have been tailored to four very specific situations. The scope, scale and nature of the partnerships described here differ greatly from one another. These examples are therefore not intended as models to be replicated. Instead they are meant to provide and spark ideas and possible alternatives for companies and communities seeking opportunities for collaboration.

Cases were chosen based on three factors. First, there was an attempt to describe a variety of partnership types that have not already been described. Second, cases were sought from regions across the country. And finally, cases were chosen based on the willingness of organizations to share their experiences and insights.

5.1 C-GED FOREST PRODUCTS AND INTERPAC

Background

The Gitwangak Indian Band is located in Northwestern British Columbia on approximately 1,500 hectares of land. Gitwangak is a member of the Gitksan-Wet-Suwet'en Government Commission. The total registered population is approximately 970, some 450 of whom live on reserve. Education and employment are significant concerns for the community. Eighty-five per cent of the population has no secondary school graduation certificate and 3% have a university degree.

The Gitwangak community has four decades of experience in the forest products industry in saw milling and planing. Since the 1970's, the community has been struggling to ensure adequate and secure employment from the forest products sector. Several earnest efforts to succeed in the industry have met difficult obstacles including a lack of management expertise, capital, and knowledge of the market as well as conflicting objectives with forest sector partners.

In 1991, Westar, the original owner of the local mill, chose to build a higher-technology facility and offered the original mill to the Gitwangak community. Westar had concluded, based on a number of studies, that the mill was no longer viable for their purposes. The community, encouraged by the prospect of eventually securing a timber licence from the province and eager to create employment opportunities, set out to prove that it could run the mill. To accomplish this, the Gitwangak created a company called C-Ged Forest Products.

With no timber licence, C-Ged was forced to buy fibre from outside sources to keep the mill running. A lack of industry experience in senior management and marketing functions resulted in the company paying an inflated price for less than optimal supply. This forced the company to incur a substantial debt. While C-Ged did eventually succeed in obtaining a timber licence from

the province, the licence was non-renewable and therefore of little use in securing capital from financial institutions. The short-term nature of the licence was not sufficient security for banks to provide adequate operating credit. As a result of these two factors, serious financial pressure was added to an already strained management capacity.

Major Events – C-Ged and Interpac	
1991	The Gitwangak Indian Band takes over a mill previously owned by Westar and creates C-Ged Forest Products to run it.
December 1996	As a result of poor management capacity and inadequate operating capital and facing a \$5 million debt, the mill was shut down.
early 1997	C-Ged enters into joint venture with Interpac Forest Products. A \$1.6 million capital injected into the mill. An additional investment expected by the community is never made causing dissatisfaction among the community. As a result of incompatible objectives (return on investment vs. employment) the venture soon fails.
1998	Under new management a new partnership is initiated with Interpac which separates responsibilities between partners based on objectives. C-Ged runs the mill based on employment priorities while Interpac provides operating capital and markets logs and lumber.

The lack of operating capital put the company at a significant competitive disadvantage vis-à-vis the larger forest products companies that had been in the business for many years. Larger, more financially secure companies are better able to respond to fluctuations in this volatile industry by holding stock for periods when wood is inaccessible (fire season, winter) or when prices rise. For C-Ged to operate in this manner would have required an estimated \$1.6 million per month in operating credit when the company had only been able to secure \$175,000. The company struggled for some time under these circumstances but a downturn in lumber prices combined with a lack of softwood lumber quota became too much for C-Ged.

In December of 1996, unable to service its \$5 million debt load, the mill was shut down, causing a spiral of defaulted mortgages on employee housing and resulting in the closure of the band office.

C-Ged and Interpac

In early 1997 Interpac Forest Products, a member of the Clark Group, and C-Ged formed a joint venture with ownership of the mill divided 49% and 51% respectively. Interpac injected \$1.6 million into the partnership for the purposes of debt reduction and the development of forestry plans. The mill, which was to be run by Interpac based on the company's return on investment (ROI) objectives, was never reopened. The community had expected a further injection of capital by Interpac for a whole log chipper for the mill that would have created some fourteen additional

jobs. Disappointingly however, this investment did not take place. As a result, the Gitwangak's employment objectives were largely neglected, causing dissatisfaction in the community. Interpac's focus on ROI conflicted with the community's socio-economic objectives and soon resulted in the failure of the joint venture.

With the arrival of Lonnie Hindle as General Manager of C-Ged in early 1998, the partnership between Interpac and C-Ged was restructured to incorporate both the interests of Interpac and the expressed needs of the community. Mr. Hindle consulted community members on their priorities for the partnership. They identified job creation as the primary objective followed by return on investment. This consultation was undertaken during and following an agreement reached with the Job Protection Commission, which involved a \$750 thousand loan from the province to finance a trial run of the mill in order to determine its viability. The mill, which is considered antiquated by industry standards, proved economical even given relatively low lumber prices. A new business plan was developed as a result and C-Ged and Interpac signed on to a new economic plan.

Under the new arrangement, C-Ged runs the mill while Interpac provides operating capital and markets logs and lumber. The arrangement has succeeded in creating a significant amount of employment for the Gitwangak. Ninety-eight per cent of the approximately 70 employees of the mill and woodlands operations are members of the local community. The partnership is currently working on securing niche markets for 'First Nation' lumber at a price premium and production has returned to the high levels achieved in the 1970's. Monthly sales are estimated at \$680,000. In addition to the mill and woodlands jobs created, this partnership has provided spin-off opportunities for many Aboriginal individuals to start their own small businesses as owner-operators of trucks, skidders and loaders.

This partnership is unique in that the functions have been clearly separated between partners. Each entity is independently responsible for managing its operations prudently. C-Ged must keep production costs under control to ensure that the operating capital and interest can be repaid to Interpac. For its part, Interpac must forecast market demand and advance capital against this production level. If prices fall to levels that cannot sustain the operations of the mill, production is simply halted until markets recover. To a large extent, this partnership does not require the higher level of compromise required for more integrated joint ventures.

After one false start, the future looks positive for this collaboration. Interpac has recognized the needs of the Gitwangak and their expertise in milling and planing. It is expected that a new partnership agreement will be in place in the next several months and the partners are expected to begin the lobbying process for a renewable timber licence. In addition, Interpac is expected to make a major capital investment in a replacement mill in the near future.

Lessons Learned

Management Expertise Understanding the Industry

The forest industry is a volatile and complex one. Many of the existing players have decades of experience in the industry, ‘deep pockets’, and an intimate understanding of the markets. New entrants must be prepared to face competitors armed with an adequate understanding of the complexities of the markets. First Nations’ companies must be well versed in business details such as the many categories of licences and types of fibre and should ensure access to qualified professionals such as registered foresters, engineers and financial experts. Many of the problems encountered in the C-Ged case were a result of a lack of understanding of the licensing, pricing, costing and marketing aspects of the business. While some of the obstacles were clearly out of the control of the company (the type of licence granted by the province), the initial closing of the mill might have been avoided if managers had better information about the industry within which they were working. While the community had substantial expertise in milling and planing and was highly qualified to carry out these aspects of the business, management expertise and adequate operational planning was lacking. In such situations it is necessary to either recruit the expertise that is lacking in the organization or enter into a partnership with a party that has the expertise required and allocate the appropriate decision-making authority to this partner.

As discussed in the literature review at the beginning of this paper, the sharing of management expertise between partners can be a way to improve management capacity. Mr. Hindle cautions that this can be difficult in the case of non-Aboriginal forest products companies partnering with First Nations because the interests of the two partners are so different. It is not, for example, useful for a First Nation business to learn how to maximize the return to shareholders if their primary objective is job creation. There may be useful aspects of management and market information, however, that can be shared between partners.

Understanding Partner Motivations

C-Ged’s objectives on behalf of the community did not coincide with their partners’ goal to achieve an optimal return on investment both in the case of Westar and the first partnership with Interpac. Mr. Hindle asserts that social objectives must be designed into the structure of the venture at the outset to avoid dissatisfaction later on. They cannot be superimposed on existing business arrangements that are inherently profit oriented. This type of proactive planning was a key finding of the literature review conducted for this paper.

A mutual understanding and agreement on each partner’s objectives has allowed the current partnership to be designed so that C-Ged is responsible for the mill and can therefore operate it such that community employment goals are met. For its part, Interpac has access to incentive programs, earns interest on the operating capital it provides, and earns a commission on sales of the mill’s production. Interpac has come a long way in terms of understanding the needs and priorities of the Gitwankak. Mr. Hindle identifies this effort toward understanding as an important element of the success of the current partnership.

Separating the Business from the Community

A serious challenge for First Nation-owned businesses is to maintain community interests as a priority while adequately distancing the operations from excessive community involvement. This can be difficult in small communities where personal relationships are expected to take precedence over business decisions. While consensus decision-making may be an important element of the community's tradition, the time required to reach consensus can put the company at risk of losing market opportunities. These types of cultural issues, discussed briefly in the literature review, are matters for which there is no simple answer and must be addressed with great care.

Role of Government

Mr. Hindle judges that the Federal government has a role to play in ensuring that First Nations efforts in the forest industry are facilitated by government policy. He asserts that current government requirements for accessing community-owned resources, such as forests, cost communities an inordinate amount of time and money and should be streamlined. He does not, however, feel that the government should be involved too closely in the formation of industry partnerships because they do not have sufficient knowledge of the forestry markets.

The Federal government should also use existing procurement policies to favour the purchase of First Nation wood. Mr. Hindle explained that a variety of departments purchase significant quantities of wood for use in parks, housing and international development projects and could represent a substantial market for First Nations businesses.

In addition, Mr. Hindle expressed a need for governments to ensure that policies intended to protect First Nation business are in fact enforced. In the past, forest products companies have been granted licences on the understanding that they would partner with First Nations but have not followed through on these commitments. According to Mr. Hindle, for the most part these companies remain unchallenged. In some cases licences are held by non-Aboriginal companies but go unused, leaving the land unavailable to First Nation logging. This occurs even though a "use it or lose it" policy exists on timber licences.

The literature review supports Mr. Hindle's recommendation that governments distance themselves somewhat from the activities of business and the creation of partnerships. It also supports the belief that governments have a role to play in ensuring that First Nations are aware of the opportunities available to them. The incentives offered by the government to encourage partnership appear to be successful to some extent but seem to become the primary concern of some companies, leaving other elements of the partnership neglected.

Mr. Hindle expressed a need for a non-government cadre of forest industry experts for First Nations to call on for advice on the industry and business management. Echoing the findings of the literature review, Mr. Hindle suggested that a First Nation industry association might be in an ideal position to perform this function. He also felt that such an association could act as a broker for First Nation forestry businesses.

Conclusions

The C-Ged case is a striking example of the need for creativity in structuring partnerships to meet the diverse needs of each participant. An earlier joint venture partnership failed to do this – reinforcing one of the principal messages of the literature review that joint ventures in multi-cultural settings are risky undertakings.

Revamping the partnership into one where the functions of the business venture were separate proved to more successful. This arrangement appears to have allowed each partner to meet different objectives while still maintaining a mutually-beneficial partnership.

5.2 LITTLE RED RIVER CREE NATION AND TALLCREE FIRST NATION

Background

Little Red River Cree Nation (LRRCN) and Tallcree First Nation are made up of five small communities situated in a remote region of Northern Alberta near Wood Buffalo National Park and have a combined registered population of approximately 3,700. Education levels are low and unemployment high (85-95%). The rate of dependence on social assistance is also high at approximately 65%. Eighty-five per cent of the population is below the age of thirty and population growth is significant, at close to 4.2% per year.

Traditionally the communities practiced a forest-based lifestyle of hunting, trapping and fishing across an area of over seventy thousand square kilometres. The last five decades, however, have seen the relocation of the population onto Indian reserves and traditional forestlands converted to farmland or used for mechanized logging. Wildlife populations have decreased and the Peace River polluted by industry and therefore made unsuitable for fishing. Many of the resources traditionally used for survival (caribou, buffalo, ducks and geese) are depleted or are no longer available to the communities. Elders have been seeking out ways to preserve wildlife and the environment and create economic opportunities that will provide them alternative means of subsistence that are environmentally sustainable as well as long-term.

During the 1950's a number of small bush mills were located in the LRRCN and Tallcree traditional area. At this time, a company by the name of Swanson Lumber ran a mill in the LRRCN community of Garden River. Community members held all mill positions and logging jobs for this facility. In the late 1960's Swanson consolidated operations of the small mills into one facility located in the emerging town of High Level, concentrating all milling positions within the town. As a result, the only jobs remaining were to harvest for the mill. This fact, combined with the mechanization of the new mill, resulted in the First Nations communities having a net loss of 50-60 positions.

In the early 1970's, the LRRCN succeeded in obtaining provincial timber quota, providing the opportunity for the community to log and sell its own wood. Throughout the 1970's and until 1989 LRRCN had a joint venture with a Métis logging contractor to supply fibre from this quota.

The mill in High Level was eventually purchased by Canadian Forest Products Ltd. (Canfor). During its ownership of the mill, Canfor provided a small number of jobs to community. The company also procured fibre from the First Nations at a price of \$0.50 per cubic metre. When the Federal government disallowed logging on parkland in 1989-90, Canfor quoted a value of \$10 per cubic metre for the fibre. It became clear at this time that the forest industry had been exploiting local resources at the expense of the communities.

The same mill was sold to Diashowa Canada Inc. in 1990-91, and a new company, High Level Forest Products Ltd. (HLFP), was formed to take over the operation.

In order to manage timber allocations, LRRCN formed two wholly owned corporate entities called Little Red River Forest Products Ltd. and Little Red River Askee Ltd. In 1989-90 Little Red River Forest Products (LRRFP) embarked on a \$2.5 million mill venture. As a result of a variety of obstacles including the isolated location of the mill and insufficient management capacity, the venture failed. In an attempt to recover from the failed venture and regain the confidence of creditors, representatives from LRRCN met with creditors and representatives from the Department of Indian Affairs to come to an arrangement for LRRFP to repay its creditors. LRRCN proposed that if HLFP would agree to pay the community a fair market price for fibre, LRRFP would repay creditors dollar for dollar over five years. A deal was struck and LRRFP succeeded in repaying its debts under the agreed terms.

Major Events – Little Red River Cree Nation/Tallcree	
late 1980's	<p>LRRCN/Tallcree elders come to policy decision that they will seek to protect traditional lands by any means available.</p> <p>LRRCN/Tallcree creates four holding companies through which timber allocations will be managed.</p>
1989-90	LRRFP embarks on \$2.5 million mill venture, which soon fails.
early 1990's	<p>First Nation representatives negotiate a plan with creditors, DIAND, and High Level Forest Products to purchase fibre at a fair market price and repay dollar for dollar over five years. This plan proves successful.</p> <p>First Nations, industry and the Province work together on a Model Forest proposal in addition to working on a co-management agreement among the three parties.</p>
1995	<p>First cooperative management agreement (CMA) is signed and includes the establishment of a Forest Management Board made up of government, industry and First Nation members.</p> <p>Volume sales agreements include letters of intent which link forest companies with the CMA.</p>
1999	A second CMA is signed, which has an expanded mandate and geographical scope and involves university research initiatives (the Sustainable Forest Management Network) as well as the First Nations, industry and Provincial government partners.

The success of this arrangement built a significant amount of trust among the parties and in particular demonstrated that LRRFP and HLFP could work effectively together. The relationship strengthened and eventually led to more comprehensive partnerships.

Co-management – First Nations, Industry, Government

Over a decade ago, elders from both LRRCN and Tallcree First Nation came to the fundamental policy decision, as a result of the degeneration of the environment around them, that they would work together to regain control over as much of their traditional lands as possible, through whatever means available.

A variety of Federal and provincial policy initiatives provided background and opportunity for collaboration in the area of sustainable resource management. Some of these include: The National Forest Strategy, the Alberta Forest Conservation Strategy, ‘Red Book’ commitments, the Council of Chiefs Political Accord with Alberta, the DIAND Treaty 8 Cooperative Management Strategy, and the Alberta Water Management Legislation Initiative, among others.

The first cooperative management agreement (CMA), signed in 1995, was sought jointly by the two First Nations and included government (the province of Alberta) and industry (HLFP and Alberta Energy Corporation). The CMA includes First Nation-government and First Nation-industry agreements that focus on the implementation of an ecosystem based resource management strategy for sustainable development. The CMA consists of a thirty thousand square kilometre area of traditional use forestland of the LRRCN/Tallcree and involves six Forest Management Units (FMU’s). With the execution of the CMA a Forest Management Board was put in place to manage these resources based on a Forest Management Plan to be developed by the Board. Board members include representatives from the two First Nations, Alberta Forest Service, Alberta Fish and Wildlife, Alberta Water Management and the Municipal District of MacKenzie. Non-voting members included HLFP and DIAND.

Around the same time, LRRCN and Tallcree also collaborated with government and industry partners on a proposal under Canada’s Model Forest Program, which would have seen their forestlands designated as the first Aboriginal-managed Model Forest. Partners on this application included the Alberta Forest Service, Alberta Fish and Wildlife, Parks Canada, and HLFP. While the proposal was unsuccessful, the First Nations see this collaboration as an important relationship-building experience that created a strong basis for further partnership with government and forest industry partners.

A new CMA has recently been negotiated and involves a memorandum of understanding that expands the Cooperative Management Planning Board and mandate. The agreement now applies to a larger geographic area including seven FMU’s and Board membership has expanded to include as voting members the province of Alberta, LRRCN, Tallcree First Nation, Municipal District of Mackenzie, Daishowa-Marubeni International Ltd., Footner Forest Products, Askee Development Corporation and Netaskinan Development Corporation. Under this memorandum the Board has committed to multi-stakeholder consultation in the cooperative planning process.

The Sustainable Forest Management Network

Included in the new CMA is a commitment by the Board to a cooperative research and planning relationship with the Sustainable Forest Management Network Caribou-Lower Peace Research

Initiative. The Network is a university-based initiative, the goal of which is to “facilitate First Nation involvement in the development of sustainable forest management strategies by integrating scientific knowledge with traditional ecological knowledge.” Projects address areas such as water quality, vegetation mapping, eco-tourism and environmental health. The co-management agreement as specified under the new memorandum effectively links industry resource management planning to the research findings of the Network.

Industry

The First Nation-Industry component of the initial cooperative management agreement signed in 1995 established a commitment between the two First Nations and HLFP for the joint planning and management of forestry operations within six FMU’s. The agreement included a long-term commitment of timber to HLFP in three of those FMU’s. The arrangement therefore links both a long-term commitment to HLFP of supply timber held corporately by LRRFP, and an agreement for the partners to collaborate on the development of complementary forestry management plans. HLFP later agreed to support additional First Nation allocation of timber in two FMU’s under the condition that they would have access to the conifer supply in these areas at fair market price. LRRFP fibre represents 20% of the HLFP mill supply.

In addition to the agreements with HLFP, LRRCN and Tallcree both have recent volume supply agreements with Footner Forest Products to supply a new oriented strand board mill. Footner is a joint venture between Ainsworth and Grant Forest Products. The province allocated tenure for various amounts of coniferous and deciduous fibre to the First Nations on the condition that supply would be assured to the Footner mill. LRRCN, for example, has been granted 55,000 m³ and Tallcree 80,000 m³ of deciduous to be allocated to Footner. A letter of intent will allocate a further 200,000 m³ to LRRCN and 45,000 m³ to Tallcree for deciduous harvest to be committed to Footner. As described earlier in the case of HLFP, the supply agreements between the First Nations and Footner are accompanied by letters of intent, which commit the company to collaborative forestry management under the CMA.

The First Nations have been offered a 15% equity position in the Footner mill but have not, as yet, been able to secure financing to take advantage of this. A variety of proposals have been made to the Federal government for assistance, all of which have been unsuccessful.

Pricing

A US pricing index for forest products is calculated and applied to the product mix of each company in order to determine a fair market price for fibre. The pricing structure includes a floor price, which both Footner and HLFP must pay. As the mills break even and begin to make a profit, the price paid for fibre rises proportionally. The First Nations are guaranteed a triple net revenue flow. This means the LRRCN makes just over \$2 million per year on timber over management, harvesting and reforestation costs.

Diversion Clause

The First Nations volume supply agreements include a clause that allows the diversion of 30% of the supply to First Nation mills should the opportunity arise. This ensures that they will have ready access to supply for support to a First Nation initiative if another mill venture is undertaken.

Negotiating Agreements

Tenure of the timber is held corporately by the two First Nations in four separate holding companies: Little Red River Forestry Ltd., Little Red River Askee Ltd., Tipemso (Tallcree) and Netaskinan (Tallcree). Representatives from the communities, a registered forester, and the bands' legal counsel all come together to discuss the agreements. Consulting the community can be a relatively slow process but the lawyer for the First Nations notes that industry partners have been relatively cooperative and respectful of the need for consensus. He also explains that many of these are not "boiler plate" agreements but involve a variety of cultural and employment objectives. He does acknowledge, however, that some are more "sterile" than others in order to be more palatable to lenders.

Employment

In terms of employment, Footner Forest Products has committed to filling every new mill position with a local community member while HLFP has agreed to fill every job *for which capacity is demonstrated* to First Nation individuals. Mr. Webb of the LRRCN acknowledges that, thus far, the community has been lacking in the capacity to secure significant employment as a result of both lack of skills in the community and a general poor fit between forest industry jobs and local community values and lifestyle.

Relatively little has been done in these two First Nations in terms of employment and business development apart from logging operations. Aside from the failed mill venture, there was a joint venture with a Métis contractor, which had dissolved and has subsequently been reestablished. The contractor is providing some employment and training and is offering the community the opportunity for buy-out in five years. The bulk of the rest of the logging is done by non-Aboriginal contractors and involves little Aboriginal employment.

In general however, the community would prefer to stay away from logging contracts as it does not fit well with community values. Jobs in the areas of resource management and reforestation, such as environmental monitors (2 positions) and resource technicians (2 positions), are much more appealing to the communities. They have also successfully trained a group of approximately 30 community members who work seasonally as firefighters and perform other ecosystem and forestry duties for 5-6 months of the year.

Lessons Learned

Partner Selection, Relationships and Trust

Representatives for the First Nations see the evolution of the relationships among partners as a key element of the ongoing success of the CMA. Early experiences with partners in overcoming the failed mill venture set a solid foundation for additional collaborative efforts such as the model forest proposal and the previous and current CMA's. Over this period of time a significant degree of trust has developed among the First Nation and industry partners and also the province of Alberta. First Nations representatives perceive a great deal of commitment on the part of all involved, a fact which has allowed this CMA to evolve to its second stage. The experiences of this partnership, therefore, support the literature that places a high degree of importance on building and nurturing trust among partners.

Incorporating Local Objectives through Creativity in Collaboration

The CMA has successfully linked the priorities of all stakeholders in this collaboration. LRRCN and Tallcree elders want the protection of traditional lands. The needs and responsibilities of industry are to access fibre and perform resource management planning. The interest of the provincial government is commitment to sustainable development and the consideration of local views, values and needs in resource management. The First Nations have succeeded in tying their commitments to the fibre industry to sustainable forest management requirements on the part of these companies. Over the years, the parties involved in this agreement have been willing and committed to exploring new ways to collaborate on ensuring the sustainable development of the traditional lands of the First Nations in this area. This type of creativity has resulted in a comprehensive agreement involving community, industry, government and academic interests.

LRRCN and Tallcree continue to seek out additional opportunities in the forest sector. In addition to requesting financing from the Federal government to secure an equity position in the Footner mill, which has been unsuccessful to date, the First Nations have proposed a business incubator model designed for the communities by a reputable consulting firm. The model would support 15-20 Aboriginal businesses and would involve loan guarantees of approximately \$20 million. Thus far, securing this support has also been unsuccessful. This will be further discussed in the following section on the role of government.

Role of Government

Representatives for the First Nations were relatively complementary of the actions of the provincial government with regard to the CMA. They have been as generous "as can be expected" with fibre allocations to the First Nations. They have also acknowledged their own deficiency in implementing an effective integrated resource management process that should have included a comprehensive consultation process. They have supported this gap being filled by the Forest Management Board under the CMA and, as voting members on the Board, are committed parties to the agreement.

The Federal government does not get such positive reviews, however. It has been unable to provide the capital support necessary for the communities to increase their participation in the forest industry by securing equity participation in the Footner mill or by implementing the business incubator described in the previous section. First Nation representatives have attempted, unsuccessfully, to negotiate support based on pending specific claims with the Federal government. This was done by estimating the value of claims to the government and seeking a portion of this compensation in the form of capital financing for the aforementioned initiatives.

In addition, representatives for the communities note that forest industry initiatives do not fit with the Aboriginal Business Canada's current priorities, which are high technology, women and youth, and international-oriented projects. This fact adds an additional obstacle to securing support for the communities' business ventures.

Cultural Issues

The Sustainable Forest Management Network, by way of its consultations with elders in researching resource issues in the traditional area, incorporates First Nation values into the research that is then considered by industry in developing resource management plans. In this manner, issues of culture and heritage become important elements of the sustainable development objectives of the agreement.

In terms of sales agreements, legal representatives for the First Nations who negotiate on behalf of the communities note that the need for consensus within the community lengthens the process significantly. They also note, however, that industry has been relatively understanding and respectful of this requirement of the First Nations.

Conclusion

This case is an excellent example of a partnership incorporating other-than-profit priorities. It involves collaboration among First Nations, industry, both levels of government and universities, allowing the partnership to achieve a wide diversity of goals among partners. Of particular note has been the role played by the Province in granting fibre allocations to First Nations in a manner that meets industry needs and in supporting the formation of a multi-party, integrated resource management process. Also significant in the case is the fact that First Nations came to a clear decision about the need to increase control over traditional lands and set about methodically achieving this through a variety of partnerships.

5.3 WOODLAND CREE RESOURCES AND WAPAWEKKA LUMBER

Background

First Nation communities in northern Saskatchewan have made significant efforts to gain economic and social benefits from resource development activities taking place within the region. This focus has emerged through recognition that a strong economic base will be a key factor in determining their ability to implement self-government.

Significant challenges to achieving this economic base are also recognized. For example, the general education level of the Aboriginal population is significantly lower than for the area as a whole. Nearly half of the First Nations labour force in 1995 had less than a grade nine education. The labour force participation rate for First Nations in the region is also low. In 1991 it was only 38%, compared to 60% for northern Saskatchewan communities.

It is within this context that the three Woodland Cree First Nations — the La Ronge Indian Band; Peter Ballantyne Cree Nation; and Montreal Lake Cree Nation — have actively sought opportunities within the forest sector.

The level of experience in forestry varies considerably amongst the three nations, and is greatest amongst members of the Montreal Lake community. Located right in the middle of Weyerhaeuser Canada's cutting area, this community has held a moderate timber supply contract to Weyerhaeuser of 20,000 m³ for a number of years. They have their own skidders, cats and a bulldozer. The logging culture is reasonably well established in this community. Prior to Weyerhaeuser's presence in the region, Montreal Lake Cree Nation cut wood for the Saskatchewan Pulp company from 1964 right into the 1980's. Many of the community members involved in logging today are second-generation loggers, who have grown up with their fathers passing on their knowledge of logging operations and life in remote logging camps. Logging experience has been more limited in the other First Nations, and those communities have not held timber contracts in the past.

During the late 1980's, Weyerhaeuser began to recognize the growing significance of Aboriginal peoples in the regional demographic mix. Non-Aboriginal people in the region were aged while a larger number of youth in the First Nation communities ensured long-term growth in the Aboriginal population, and an increasing representation of Aboriginal people in the regional workforce. Further, the education level of the Aboriginal population was low but this level was increasing and expectations for greater involvement in the forest sector were growing.

This understanding led the company to begin to focus attention on the need to increase participation of First Nation and northern communities within their business activities in order to ensure a strong and stable future in the area.

Origins and Development of the Partnership

In 1993 an opportunity to build a business relationship between Weyerhaeuser Canada and the Woodland Cree Nations emerged. A large logging contractor went out of business, freeing up

some 300,000 m³ of timber supply from Weyerhaeuser's Forest Management Licence Area (FMLA) that could be allocated to other suppliers. Half of this amount would be allocated to existing contractors. However the opportunity to assign some of the resulting harvesting business to First Nations in the region was of interest to the company. When Agency Chiefs Tribal Council approached the company with an interest in undertaking contract logging, Weyerhaeuser responded with a harvest contract. An Aboriginal harvest company, Agency Forestry Inc., was established. While this activity did not involve the Woodland Cree, it did provide Weyerhaeuser Canada with the assurance that it was possible to do business with a tribal council in a way that did not embroil the firm in the day-to-day politics of the member communities.

Much of Weyerhaeuser's FMLA (approximately two thirds of the area) falls within the traditional territories of the three Woodland Cree nations. It was natural, therefore, to seek business partnerships with these First Nations. Weyerhaeuser Canada held meetings with each of the three Woodland Cree Bands to discuss possible opportunities. On the table were harvesting contracts for approximately 35,000 m³ of timber. While it was feasible to award individual contracts of 10-15,000 m³ to businesses from each community, the possibility for collaboration was suggested.

The communities responded promptly with a proposal for the formation of a harvest company — Woodland Cree Resources (WCR) — that would be owned equally by the development corporations of the three Woodland Cree Nations. A harvest contract was awarded and logging began in the fall of 1994.

With a focus on job creation for community members, WCR initially employed chain saw and cable skidders for harvesting. During the first years of operation, however, the company experienced equipment problems, along with problems related to employee turnover. Harvesting operations were being carried out in remote areas, with workers based in logging camps. This meant that workers had to spend periods of time away from their communities and families. These challenges were particularly significant to workers who were not experienced in the harvesting culture.

To maintain production levels, a decision was made to invest in mechanical harvesting equipment: a feller-buncher, a de-limber and a grapple skidder. Although it was recognized that the 35,000 m³ contract size would be insufficient to make these investments profitable, WCR proceeded on the understanding that Weyerhaeuser would assign additional timber allocations to the harvest company. However, this expectation was not met as quickly as anticipated and the WCR partners experienced significant financial stress for a period of time. Achieving production targets has also presented a challenge at some points along the way. One year, for example, equipment problems contributed to the need to sub-contract out some of the work, in order to meet the contract volumes.

Currently WCR employs fifteen people during ten months of the year. Members from Montreal Lake have tended to dominate this workforce, related possibly to the greater experience within this community, as well as to closer communications with Weyerhaeuser. As more members from one community become employed it is natural for other members of that community to

become better aware of opportunities. The issue of providing training and equal opportunity for members of Peter Ballantyne and La Ronge is presently on the agenda.

While the relationship between Weyerhaeuser Canada and Woodland Cree Resources is primarily a straightforward contractor relationship, some additional benefits have flowed from this arrangement. For example, Weyerhaeuser provided technical assistance in areas of basic business issues during the start-up period. This included areas such as book-keeping and the maintenance of good relationships with suppliers. During the period of financial stress, the company basically upheld its relationship with WCR as it would with any other contractor. Payment was made only when logs were delivered to the yard. However, when WCR's debt load led to small suppliers going unpaid, Weyerhaeuser cut the company some slack by breaking its own policy of not advancing cash. This allowed WCR to pay up its suppliers and ensure continued ability to operate. The company is now actively working to reduce its debt load.

Worker safety was another area where the company was able to provide some valuable advice, and Weyerhaeuser mechanical technicians regularly show up to provide assistance in equipment repair and maintenance. Alternatively, the involvement of a local Cree-owned company in logging operations carried out within the traditional territories of the Woodland Cree First Nations has helped to avoid potential land use conflicts in the region. Both Weyerhaeuser and the Woodland Cree are aware of the benefits of this relationship.

Perhaps the most significant subsidiary benefit arising from the WCR-Weyerhaeuser experience has been the strengthened partnership between Weyerhaeuser Canada and the Woodland Cree First Nations. Based upon the positive nature of this relationship, both partners decided to explore ways to take the relationship "to the next level."

A natural next-step for the Woodland Cree would be to expand their involvement in the forest sector from harvesting to manufacturing. However, high capital costs and the lack of an FMLA to feed the mill prevented direct entry into the manufacturing sector. A year of discussions with Weyerhaeuser Canada led to a decision to establish a joint venture sawmill company. The company, Wapawekka Lumber, is a new, independent company with its own management and its own Board of Directors. Located near Prince Albert, the mill began production in 1999 and uses state-of-the-art curve saw technology. This sawing method permits optimal extraction of dimension lumber from small logs by cutting along the curve of the log. At full production level, the mill employs 40 people, over half of whom were recruited from the three Woodland Cree communities. Other jobs are be created indirectly through trucking and forest operations.

The Wapawekka mill has been made possible through financing arrangements involving the three Bands, Weyerhaeuser Canada, commercial banks and government contributions. In total, \$25.5 million was required for capital and operating start-up. The joint venture partners raised \$10 million of this amount, while \$12.5 million plus \$3 million for operating expenses was financed through commercial banks. Of the funding raised by the partners, \$5.1 million came from Weyerhaeuser and \$4.9 from the three bands. Of this latter amount, 75% has been financed by a national bank. Government contributions helped in raising the other 25% of the First Nations' share.

In addition to its contribution to job creation, the mill will also create demand for additional timber harvesting, as it uses an annual volume of 280,000 m³ to produce 50 million board feet of dimension lumber per year. This added demand has created an opportunity for WCR to significantly increase its harvest levels. Last year WCR's contract was increased to 50,000 m³, and this is expected to continue to rise to the 85,000 m³ range or higher. This will put WCR in "the big leagues" in terms of logging contractors in the region.

Participation by the Woodland Cree in the forest sector is not expected to stop with their relationships with Weyerhaeuser Canada. Ultimately the First Nations hope to establish themselves as key players in the management of the forests of their traditional territories. To this end, for example, the Peter Ballantyne Cree and the Government of Saskatchewan agreed in the fall of 1994 to begin negotiating an FMLA for the Peter Ballantyne Cree Nation.

Lessons Learned

The relationship between the Woodland Cree First Nations and Weyerhaeuser Canada has developed slowly, starting with a low-risk engagement period, before jumping into more intensive partnership arrangements. In this case, the engagement period consisted of a relatively low-risk contractor relationship. This provided the opportunity for the partners to get to know each other and to demonstrate the ability to operate in a business environment. The credibility created during this experience led to deepening of the relationship and the eventual establishment of a joint venture sawmill operation. This is not to under-play the significant challenges and stresses that Woodland Cree Resources has had to overcome in the course of its operations. Rather, it has been the successful preservation of the relationship throughout these challenges that led to the strengthening of the relationship and the ongoing development of new partnerships with the company.

Partner Selection

The decision to establish WCR as a joint venture between the three First Nations of Montreal Lake, La Ronge and Peter Ballantyne has had significant repercussions. It would have been feasible for the communities to respond individually to Weyerhaeuser's offer of timber supply contracts. For Montreal Lake, they could have added this additional supply to their existing supply contract. For Peter Ballantyne and La Ronge, sole control over a supply contract would have given them sole control over hiring decisions. The advantages of working together, however, were identified early on. By establishing the partnership, WCR was able to capitalize on the existing experience within Montreal Lake, while extending the opportunity for involvement in harvest operations to the other communities. At the same time, collaboration provided the opportunity to get into mechanical harvesting. While this decision was considered risky, it has put the company in the position of being ready to dramatically expand its productivity as additional supply is allocated.

For Weyerhaeuser Canada, the decision to encourage a three-way partnership has helped to ensure the success of the Woodland Cree harvesters. If WCR has a better chance of survival than three separate companies, then the challenges to build relationships that might be caused by a business failure can be avoided. This arrangement also allowed the company to focus various informal services such as technical support and occasional internal policy bending on one, not three, companies.

Major Events — Woodland Cree Resources Inc.	
1993	Weyerhaeuser Canada begins discussions with Peter Ballantyne Cree Nation; Montreal Lake Indian Band; and La Ronge Indian Band to allocate a supply of timber that has come available due to a large contractor going out of business.
1994	Woodland Cree Resources Inc. is established as a harvesting company supplying wood to Weyerhaeuser Canada.
September 1994	Peter Ballantyne Cree Nation and Saskatchewan Environment and Resource Management sign an agreement to begin negotiating an FMLA.
March 1998	Wapawekka Lumber is formed as a joint venture between the Woodland Cree First Nations and Weyerhaeuser Canada's Saskatchewan Division. WCR's contract is increased to 50,000 m ³ in anticipation of opening Wapawekka mill. Half of the incremental increase in timber harvesting accounted for by the new mill will be contracted out to WCR, further increasing its harvest operations
May 1999	Wapawekka sawmill begins operation.

Building trust

Throughout the period of operation of WCR, each partner has become familiar with the other. As a key player from one of the partner First Nations puts it, “WCR has let us get to know each other. We have learned that Weyerhaeuser Canada is driven by its policy, so we know what to expect. They are organized, their targets are clear, and they are here for the long term.” Unlike some bad experiences that have occurred at the hands of smaller operators, the WCR experience has led to a strong level of trust that Weyerhaeuser is not a fly-by-night operation that wants to take advantage of the Cree.

For Weyerhaeuser, the experience has demonstrated that the First Nations are able to work together with them in a way that keeps community politics at arms-length from their involvement. The issue of job allocation, while important, is one example of how the

communities are able to address internal issues without having Weyerhaeuser involved in the discussion.

This trust has formed a solid base for moving the relationship into more risky joint ventures. The investment of significant funds by Weyerhaeuser and by the Woodland Cree into the Wapawekka sawmill is a clear example. This mill has been built explicitly upon a cooperative model. While Weyerhaeuser holds a majority share of the company, and four of the seven seats on the Board of Directors, decisions will be made on the basis of a super-majority. If consensus decision-making cannot be achieved, then at least five votes will be required to pass a decision.

Given the high level of community ownership in the joint venture, recognition of the close relationship between management and workers has led to a greater degree of cooperation. Union representatives were invited to come into the mill to recruit members, and membership in the union is on a voluntary basis. It is hoped that labour issues, when they arise, will be able to be resolved more through cooperation than confrontation.

Cultural Issues

One dimension of Weyerhaeuser's motivation in building relationships with the Cree was to bring the demographic mix of its business relationships more in line with that of the population of the region. The importance of workplace diversity had already been established as a corporate value throughout the various regions of operation. Significant experience in this area had been gained through the hiring of minority African-American employees in its US operations, for example.

While cultural issues were relatively minor factors in the business relationship with WCR, they have become much more important in the context of the integrated workplace environment of the Wapawekka sawmill. Having developed a strong basis for trust through the WCR experience, all partners in the joint venture mill were prepared to take a pro-active approach to cultural orientation. During the three months prior to the opening of the mill, cross-cultural training has been provided for all of the mills technical people. These sessions included visits to the communities, learning about the Treaties and learning about the Cree view of the world. Screening of prospective employees includes discussions that address their willingness to respect the culture of Cree co-workers.

Conclusions

This case reinforces the following best practices gleaned from the literature review.

- Build the relationship slowly, starting with low-risk ventures
- Be creative and flexible in supporting a newly fledged partner (e.g. advancing money)
- Take steps to build trust among partners
- Take a long-term view
- Rely on a shared control structure (with a super-majority rule)

5.4 NABAKATUK FOREST PRODUCTS INC.

Background

Waswanipi is the most southerly of the nine Quebec Cree communities, located on a regional highway about 100 kilometres southwest of Chibougamou and approximately 700 kilometres north of Ottawa. Some 750 people live in the community with another 300 Band members living off-reserve. In 1994, 189 members received benefits from the Income Security Program set up under the James Bay and Northern Quebec Agreement (JBNQA) to supplement income of those involved in traditional trapping pursuits. Another 130 members held full-time jobs. Local government institutions accounted for the largest share of these jobs. With a high youth population, the anticipated rate of new entrants into the labour force was high, and the need for job creation critical.

Situated within an intensive zone of logging operations and pulp mills, Waswanipi naturally looked to the forest sector as a potential growth area to support local economic development. Under the JBNQA, the Waswanipi community was provided with an area of 612 square kilometres (“Category I” lands under the agreement) with a timber supply of approximately 60,000 cubic metres per year. This region includes traditional traplines, which also extend into the region well beyond the community.

Since the early 1980’s, the Waswanipi Band has carried out forestry activities utilizing two Band-owned companies. Founded in 1983, Waswanipi Mishtuk Corporation was responsible for wood harvesting and road construction, while Waswanipi Apit-See-Win Cooperative was established in 1986 to carry out silvicultural contracts.

Mishtuk harvesting is mechanized, with two feller bunchers, four skidders and one de-limber owned by the company. Other equipment is rented from the band, or hired contractors to carry out specific tasks. Prior to the establishment of the Nabakatuk mill, discussed in the next section, wood that was harvested by Mishtuk was sold to sawmills in the region. Recently, there have been eight forestry companies active within the Waswanipi trapline territories.

The Apit-See-Win Co-operative carried out silvicultural contracts both related to the Band’s forestry activities, as well as for other forest companies operating in the region. Activities include site preparation, tree planting, and pre-commercial and commercial thinning treatments. The Apit-See-Win technical team consisted of six people with skills in forest management, Cree resource use issues and GIS technology. In addition, the Co-operative hired some forty seasonal workers to carry out silvicultural projects. The Apit-See-Win forestry team also provided forest planning and management services for Mishtuk Corporation. On average, the Co-operative scarified and reforested an average of 200 hectares and carried out pre-commercial thinning of 50 hectares each year.

In order to streamline management and administrative tasks, the Apit-See-Win Cooperative was shut down in March 1999, with all its activities transferred to Mishtuk Corporation. Mishtuk is

now responsible for forest management, silviculture, and timber harvesting activities, and the Apit-See-Win technical staff now work within the structure of Mishtuk.

Up until 1991, the logging methods utilized by Mishtuk within the community's landbase mirrored those of the other forestry companies. Large clear cuts of up to 400 hectares were utilized, with no formal regard for the coexistence of other resource use on the same land. This led to internal community tension, with traditional trappers and other community members concerned about maintaining the Cree relationship with the land on one side of the issue, and proponents of job creation on the other. In response to these concerns, Mishtuk modified its harvest methods to a "checkerboard clear felling" approach — the first use of this forest management technology in the region. Under this approach, cut blocks are no larger than 40 hectares, and within these blocks only a third of the mature trees are harvested at one time. Distribution of the blocks ensures that trapping and other traditional activities can continue within the region.

Origins and Development of the Partnership

Forestry activities carried out by Mishtuk and by the Apit-See-Win Co-operative provided an important source of employment for members of the Waswanipi community. However, by the late 1980's community leaders recognized that in order to play a larger role, they would need to expand their forestry operations. Further, this expansion would be an important key in trying to develop a form of forest management that supported coexistence with the Cree trappers.

Barriers were identified that needed to be overcome to achieve this expansion. First, there was a need to access a larger amount of forested land in the form of a forest management and supply contract (CAAF). To obtain a CAAF from the provincial government, however, one requirement is a sawmill. The cost to establish a mill was well beyond the financial resources of the community, so funding would be necessary. However, to secure the funding required to establish a sawmill, not only did potential backers want to see a secure wood supply in place, they also demanded a demonstration of the expertise and management experience associated with running a commercial mill.

When a forest concession of some 60,000 cubic metres became available in the late 1980's, the Band approached the Quebec government to express their desire to obtain the CAAF for this area. Quebec agreed to reserve the area for the Band for a period of five years. The Band was required to put down \$250,000 as a guarantee that they would take action. This amount would be refunded if and when a mill was successfully launched. With a timber supply in place, Mishtuk began discussions with forest companies related to the possible establishment of a partnership. These discussions dragged on for several years with no result. By the spring of 1993, the Quebec government wanted evidence that planning was taking place for the CAAF area for use in logging activities. They requested the presentation of a detailed business plan.

As a result of this pressure from the province, Mishtuk obtained funding from a Federal government program and proceeded to hire a company to prepare business plan for a sawmill. The results of this plan suggested that a mill would require a further allocation of timber in order

to reach a cost-effective scale of production, and that a significant funding contribution from government sources would be required. The Federal government, through Industry Canada, was supportive in principle to the idea of assisting in the funding of a sawmill. They insisted, however, that the Band team up with an experienced partner before making any funds available.

Major Events — Nabakatuk Forest Products Inc.	
1983	Mishtuk Corporation established to oversee Waswanipi’s timber harvest contracting activities.
1986	Apit-See-Win Cooperative established to carry out silvicultural work.
Late 1980’s	Quebec agrees to reserve a timber supply and management area for the Waswanipi Band, provided they establish a sawmill to utilize the wood supply within a five-year period. Mishtuk begins discussions with a forest company about a joint venture mill, however the negotiations proceed slowly and the company pulls away from the table after a year and a half.
June 1993	A detailed business plan for a sawmill is prepared for Mishtuk Corporation and presented to the province.
Spring 1994	Four companies are invited to submit proposals for a sawmill joint venture. Domtar is selected as the industry partner best suited, and negotiations toward a protocol agreement begin.
Spring 1995	Quebec officially registers the CAAF to Mishtuk. Mishtuk and Domtar sign the protocol agreement and begin working together to achieve the objective of developing a mill.
Fall 1996	Formation of Nabakatuk Forest Products Inc. with first Board meeting and start of site preparation.
Winter 1997	Three-month training program begins to train workers in sawmill operations.
June 12, 1997	Official opening of the sawmill.

Four companies were invited to submit proposals to enter into a sawmill partnership. Three of them responded. Specific criteria were established that included the willingness of the company to meet the community’s need for socio-economic benefits such as jobs, training and other factors related to financing and purchase agreements of mill by-products. Although Mishtuk Corporation had not previously carried out contract work for Domtar, discussions with the company suggested that Domtar would be the most responsive of the candidates to the special needs and demands.

The selection of Domtar as the mill partner was based on several considerations. First, this company already operated a processing mill within 80 kilometres of the community of Waswanipi. That meant that rough lumber produced at the joint venture mill could be easily shipped out for finishing. Secondly, Domtar held a CAAF within the Waswanipi trapping territories. The Cree hoped that by working in the context of a joint venture sawmill, Domtar would become more willing to work with trappers to develop modes of coexistence in their logging operations. In addition, it was anticipated that spin-off benefits such as harvest and silvicultural contracts could most readily be obtained from Domtar, given the proximity of its forest management area.

In May 1994, Mishtuk and Domtar agreed to begin negotiating a formal protocol agreement that would set out the nature of their partnership and the responsibilities and expectations of each partner. In March 1995, the Quebec government officially registered the CAAF to Mishtuk Corporation, clearing the way for Domtar and Mishtuk to sign the protocol agreement.

This protocol agreement addressed issues directly related to the operation of a sawmill, as well as several side issues of importance to the Waswanipi Cree. For example, the preamble to this agreement sets out the fact that the venture would be operated for profit. Within this for-profit context, Mishtuk is recognized to have the additional responsibility of addressing the needs and expectations of community members for social benefits in addition to profits. Among the key elements within the protocol agreement is a contract in which Domtar agrees to purchase wood chips from the mill for a period of ten years. Domtar also agrees to purchase rough lumber from the mill at a price clearly tied to market prices, with a clearly spelt-out payment schedule.

The protocol agreement also spelled out that Domtar would work with a newly established committee representing Cree trappers that would review Domtar's annual harvesting plans within Domtar's CAAF, in relation to the trapping activities of Waswanipi members. This collaboration was intended to ensure that Domtar's logging activities would avoid areas of key concern to the trappers which included trapping lines and related issues such as fish spawning areas, burial sites, and so on. The agreement also included a settlement of a long-standing lawsuit against Domtar by the Band related to mercury pollution from a Domtar pulp mill alleged to have impacted Waswanipi's commercial fishery.

With timber supply and a partner in place, a long process of negotiation with various government agencies began to nail down funding. The capital cost to establish the Nabakatuk mill totalled \$5.2 million. The Waswanipi Band and Domtar each put up \$1.1 million, while Industry Canada provided a further \$1.2 million. The remaining resources required to build and operate the mill were provided in the form of a loan from Domtar to the new company. Funding of \$425,000 to train workers for the mill was provided by Human Resources Development Canada and by the Cree School Board. Nabakatuk is set up as an independent joint venture company held by Mishtuk Corporation and Domtar, with Mishtuk holding a 55% share and Domtar 45%. The company's Board of Directors is composed of seven members, three from Domtar and four from the community of Waswanipi.

Nabakatuk began operations in the summer of 1997. Operating on two shifts, the mill workforce is comprised of 30 native employees, mostly from the community of Waswanipi, and three non-

native managers. When the harvesting, forest planning and silvicultural activities of Mishtuk are considered, the employment impact of forestry involvement is even more significant. Some 60 community members are employed year-round, and during the summer, seasonal work pushes this number up to over 100 people involved in the sector.

Plans for Phase II of the partnership are currently under way. This phase will involve a \$13.5 million investment to install drying kilns, a planer mill, a heavy equipment garage and a computer-based optimization system for the sawmill itself. While this phase will involve considerable financing commitments from outside sources, considerable interest has already been indicated. Under the protocol agreement and through Mishtuk Corporation, the Cree will retain control of the Board of Directors, throughout any evolution that may occur within the partnership.

Lessons Learned

Partner Selection

The path to partnership in the Waswanipi sawmill was a journey that took many years. The complexity of issues ranged from internal community discussions about jobs versus traditional pursuits, to coordinating financial commitments from several sources including government, to dealing with regional Cree politics. Within this context, one potential partner lost interest and walked away. In the end, Domtar was able to maintain a commitment to stay at the table and take a long-term view of the process.

An interesting aspect of this partnership is the formal way in which the industry partner was ultimately selected. Due to the presence of many forest companies in the region, and to the availability of a wood supply controlled by the Cree, Waswanipi was able to choose its partner on the basis of its own criteria. Although Domtar and the Cree had had little business dealings with each other in the past, the formal approach of inviting proposals seems to have been successful in selecting an appropriate partner.

Understanding Partner Motivations

The forests of the Quebec Cree territories have seen a rapid expansion in logging activities over the past decade. This expansion has corresponded to a general push by the province and the industry to open up more northerly regions to logging activities as forests in the south have been depleted. It also corresponds to the increasing production of Quebec mills of dimension lumber for export. At the same time, Aboriginal populations within the region have become increasingly concerned about the impact of this expansion on their ability to carry out traditional lifestyles and activities based on the forest. Protests and blockades against logging activities south of the Waswanipi Cree territories had been established by the Algonquins of Barriere Lake around the time that Waswanipi began negotiating for the CAAF. The Cree of Waswanipi had also launched a lawsuit against the Domtar pulp mill claiming that mercury pollution had negatively impacted Waswanipi's commercial fishery.

Clearly, the opportunity to work as partners in a forestry joint venture held promise to create favourable relations between Domtar and Waswanipi and avoid the disruptions and ill will generated through confrontation. For both partners, the prospect of settling the mercury lawsuit out-of-court was a further incentive for cooperation rather than expensive legal confrontation. Domtar was further motivated by the prospect of accessing a significant flow of rough lumber to its planer mills, in addition to the potential for profits generated by the sawmill venture itself.

Waswanipi was clearly interested in creating jobs in the forest sector, while respecting the rights of the community's trappers. While they had considered the option of establishing a mill on their own, the need for capital and expertise meant that an established partner was needed.

Careful negotiation of the protocol agreement has helped to avoid potential misunderstandings during the implementation of the partnership arrangement by clearly outlining the basis for working together. This formal agreement addresses issues directly related to both the operations and business of the sawmill. These issues include the long-term chip contract, purchase and payment schedules for the rough lumber produced by the mill and the arrangements to be made in the event of expansion of the partnership. The agreement also addresses some of the side issues of critical importance to the community of Waswanipi, such as the establishment of a trappers committee to review Domtar's harvest plans.

In addition to the solid basis created by the protocol agreement, membership on the Nabakatuk Board of Directors has provided representatives of Cree and Domtar with the opportunity to meet on a regular and frequent basis. This has helped to improve communications and enhance information flow that, in turn, has helped to improve relationships between the Waswanipi community and the forest company.

Contributions of management expertise

The involvement of an experienced partner has provided considerable benefits to the Nabakatuk joint venture in the area of management of costs and cash flow. For example, harvest contractors working for Mishtuk were previously paid upon delivery of logs to the roadside. The cost of these logs would then need to be carried as inventory until the mill was ready to saw them. Domtar advisors have led the mill to change this policy so that contractors are instructed when to harvest, in order to ensure that timber harvest coincides with the mill's sawing schedule. In this way log inventory is reduced, helping to mitigate cash flow problems.

Domtar specialists have also worked with Mishtuk forest planners to design road construction and cutting patterns to benefit the mill operations. This includes targeting areas for harvest so that the size distribution of logs fits with the mill's optimal demand. For example, too many small or large logs supplied all at once would make less effective use of the mill's current set-up than a proper mix of sizes. Company engineers have also assisted in the design of road construction schedules that take account of terrain and optimal time of year. Nabakatuk has implemented a mosaic-cutting pattern, in order to enhance the coexistence of logging with trapping activities. One outcome of this is that more roads must be constructed in order to supply the logs required. This road network will become an asset for future logging activities from these same mosaics, but in the short-term has added to the cost of timber supply.

For its part, Mishtuk has applied its expertise in managing relations with trappers within the CAAF. Individuals holding traditional responsibility for the management of activities taking place within their trapline, or *tallymen*, are consulted prior to road construction and harvesting. This provides them an opportunity to suggest changes to where the roads are built, or to identify sensitive areas that require special care. Domtar has picked up on some of these processes within its own CAAF.

Role of Government

Various levels of government played their parts in influencing how the Nabakatuk partnership was formed. The initial objective of the Cree was to gain management influence over the CAAF that became available within their traditional territories. Provincial requirements that the CAAF be tied to a sawmill played a factor in encouraging the community to establish a mill. This also led the community into a period of intensive debate over the merits of jobs versus the impacts of logging. Quebec also requested that a business plan be developed. That process brought in the Federal government, initially to fund the costs of the business plan, and later to contribute to the capital requirements of the mill itself. This contribution did not come without strings attached, as the Federal parties wanted to see an experienced partner involved before they would supply funding.

Conclusions

This case reinforces many of the lessons found in the literature: the importance of partner selection; building the diverse needs of the partners into the agreement; the synergies that can result from a carefully planned partnership; and taking a long-term perspective.

The case also illustrates the important role that government can play in setting out conditions for partnerships to develop in an effective manner.

6 CONCLUDING OBSERVATIONS ON KEY ISSUES

Based on the results of the research conducted for this study, there appear to be three broad sets of issues that could be usefully discussed among Aboriginal, industry, and government leaders and officials.

1. How can Industry and Aboriginal communities and businesses take better advantage of the growing opportunities for partnership in the forest industry?

- Knowledge of each other

The forest industry is capital intensive and can be volatile for new entrants. Research for this paper has indicated that an intimate knowledge of the industry is a critical component of successful and long-term initiatives. Workshops on key elements of the forest industry could usefully include a discussion of the sources that First Nations might approach for effectively gaining sufficient industry knowledge. It is essential that First Nations companies and the general industry learn the mutual benefit that can be gained through collaboration. Mechanisms for conveying these opportunities and ways to facilitate collaboration could be addressed at focused workshops.

- Knowledge about partnerships, options and experience of others

Aboriginal communities face unique circumstances, often differing greatly from one to another. Some First Nations have relatively long-standing experience in the forest industry and have established skill sets in areas such as logging, milling and silviculture. Others have relatively few technically recognized skills and little management expertise. It is critical that communities select partners with whom they have a strong relationship and a significant amount of trust. They must also design partnership structures that are appropriate for their situation and the resources at hand, a task which will often require a high degree of creativity. The case studies in the paper are intended to present some of the multitude of possibilities in designing a partnership in the forest industry.

- Determining community priorities

In terms of partner motivations and the principle of fair exchange, the literature review identifies the need for both partners to agree on the value of the partnership. The C-Ged-Interpac case clearly illustrates the risk of failure if community priorities are not incorporated into partnership initiatives. Given the diversity of Aboriginal communities, the priorities for partnership will vary greatly. Innovative methods must be sought to assess priorities and incorporate unique community values into business relationships.

- Best practices in business development, employment, training, and protecting sensitive sites

Mechanisms for developing capacity where it is lacking and identifying sources of capital support are long-standing concerns for Aboriginal communities, industry partners, and government. The case studies identify several players key to improving the capacity for First Nations to exploit business and employment opportunities. The roles and potential roles for forest industry partners, government and First Nations themselves in this regard require innovation and willingness to share both risk and benefit.

Incorporating cultural and environmental objectives into business partnerships adds an additional challenge to designing effective partnerships. The Little Red River Cree Nation/Tallcree case presented in this paper illustrates successful and innovative cooperative management among industry, government and First Nations. This case may prompt discussion as to other ways that both First Nations and partners can work toward the preservation of traditional land use activity.

2. What is the role of government in forging Aboriginal-industry partnerships?

Opinions on the optimal scope and nature of the role of governments are mixed. It is quite obvious that provincial governments could utilize their legislative authority to develop forest policy that favours Aboriginal-industry partnerships. Acquiring tenure and forest licences are vital to Aboriginal community development. With tenure or forest licences in hand, Aboriginal partnerships become more attractive to non-Aboriginal firms. With few exceptions, the awarding of such tenure rights to Aboriginal companies is a new phenomenon. All four case studies conducted for this report illustrate the importance of tenure to Aboriginal participation in the forest industry. As well, Aboriginal forest values could be accorded more weight in consultation and forest management planning processes thereby assuring Aboriginal Peoples that their concerns or issues, such as traditional land use, will be addressed.

The literature review and case studies did identify several other possible government functions in terms of supporting Aboriginal-industry partnerships:

- provision of capital to complement limited Aboriginal equity,
- facilitation of co-management initiatives,
- provision of tenure and forest licences,
- assistance in gaining market access (e.g. softwood lumber quota or favourable provisions in trade agreements),
- provision of training programs, and
- forest research to address key Aboriginal forest issues and support to partnership building, e.g. the Model Forest Program of the Canadian Forest Service

There seems to be a consensus that government should not have a lead role in negotiating partnerships and should not be involved closely with the ongoing operations of any Aboriginal company.

Additional suggestions were raised during discussions with case study participants that require further exploration. These include:

- (a) the government's obligation to better enforce existing regulations;
- (b) the potential for better use of government procurement policies that would result in more contracts for Aboriginal businesses; and
- (c) the potential for improving Aboriginal business opportunities through the more effective operation of the government's regulatory authority relating to forests on First Nation reserves.

3. How does Industry Benefit?

Partnerships are not created unless there is mutual benefit to all parties involved. In the forest sector, the overlapping interests of various segments of society in forested lands requires that there be cooperation in management and a sharing of benefits from the resource base. In the past, resource development activities have excluded Aboriginal Peoples. However, there are now numerous other forces driving the formation of Aboriginal partnerships in the forest sector (see part 2 of this paper).

Forest companies can benefit from partnerships with Aboriginal communities in a number of different ways:

- (a) From an operational point of view, there is access to the Aboriginal labour force, an established knowledge of the land base within the Aboriginal community and Aboriginal partners can bring investment capital and infrastructure support to partnerships.
- (b) Partnerships can be integral components of land claim settlements and to tenure arrangements which address Aboriginal interests in certain lands thus bringing greater certainty of wood supply.
- (c) From a management point of view, Aboriginal participation through partnerships is a step toward Sustainable Forest Management and achievement of certification (see page 9).
- (d) From a public relations point of view, corporate image can be improved through sensitivity to social, environmental and Indigenous Peoples' issues.

These benefits not only have individual value, but they also affect one another positively. In a general sense, the overall greatest benefit of Aboriginal partnerships is the stability brought about through a long-term shared vision of what the proposed forestry operations will encompass.

4. What are possible roles for other actors?

Both the literature review and discussions with case study contacts highlighted the potential value of an Aboriginal non-governmental organization (NGO) that could support Aboriginal companies to negotiate and design partnerships. Such an organization could be a resource for much-needed advice on the industry. In addition, some have suggested that the same organization could act as a broker, facilitating Aboriginal-forest industry partnerships. Some have suggested that an industry association for Aboriginal businesses could take on such a role, a notion supported by the literature review.

Other players in the non-profit sector may have roles to play in helping partnerships establish themselves and prosper. For example, industry associations in the forest sector have from time to time played a role in documenting partnership activity and advising their members. The recently formed Aboriginal Human Resources Council is another potential player. Its mandate is to seek partnerships with businesses to improve access to jobs for Aboriginal peoples.

Conclusion

The preceding list of key issues is meant to provide a focus for further discussion on how partnerships can be developed with minimal misunderstanding. Growth in Aboriginal - forest sector partnerships has been greatly assisted by the presence of government policy which holds that Aboriginal people should derive benefit from the forest resources that surround their communities. Both the Federal and provincial governments have a major role to play in this area. As noted, the five provinces that were mentioned in section 2 of this paper have developed policy more conducive to partnerships involving Aboriginal communities. To-date, activities are far from ideal, but solutions can be found through sharing of information.

Studies that investigated international and Canadian cases (sections 3 to 5 of this paper) suggest trends in partnerships between industry and indigenous communities. Integral building blocks for constructing a successful partnership were discussed, which include:

- an understanding and awareness of each culture and acknowledgement of differences
- well thought out and involved partner selection and clarification of each partner's role
- clear communication leading to open and informed decisions
- expectations of relationship and benefits based on a long-term perspective
- not hurrying any stage of the development process

Using this knowledge of existing partnerships can positively affect current endeavours in two ways. Learning can take place through the example of those partnerships that have or have not succeeded. Determining the shortcomings of unsuccessful partnerships is as important as finding the sources for successful partnerships. The recognition of shortcomings will only make future decisions easier. In terms of successful partnerships, these can direct those starting out, where the methods that work can be applied and improved upon.

The number, type and location of partnerships is not balanced across Canada. This is demonstrated in Tables 1 and 2, which show that there are more joint ventures and forest services contracting in the west and more socio-economic partnerships in the east. This pattern, while not based on an exhaustive survey, is a strong one and suggests a variation in policies and Aboriginal-forest sector relations, motivations and intentions across the country.

To encourage successful partnerships, which create increased employment, new business development, and other Aboriginal community benefits, there are many obstacles to be overcome. The process must be innovative, with implementation applicable to the needs and structure of individual communities. For the benefit of industry, such partnerships are capable of stabilizing operations, improving timber supply and market access, and enhancing corporate image. Government policy and legislation conducive to Aboriginal partnerships must still be developed and put into action and this must be done cooperatively, involving industry and Aboriginal communities and their organizations.