

ACR Aboriginal Programs Project Program Template

Program Area:	3.0	Business Development
Sub Program:	3.2	Strengthening Business Capabilities
Template:	3.2.9	Support for Aboriginal Business Start-Ups: Transfer of Management and Operations Skills
Sponsor(s):		<i>Alberta-Pacific Forest Industries Inc.</i>

1. Objective

To support Aboriginal business start-ups by ensuring that the management, technical and operational capacity to successfully run the business is in place.

2. Description

An Aboriginal logging company - Bigstone Forestry Inc. (BFI) - was developed through the joint efforts of two forestry companies (Alberta-Pacific Forest Industries Inc. and Weyerhaeuser Ltd.) and the Bigstone Cree First Nation in northern Alberta. It was structured to address several key issues: (a) capacity development in all areas of business, including the management and technical skills required to run a logging company; (b) sustainable income and employment for Bigstone members; and (c) generate profits that can be reinvested in the company to facilitate growth.

The assistance provided by the forestry companies included:

- Secondment of an experienced forester and operational coordinator as the general manager of BFI
- Purchase of all timber harvested (the forestry companies had committed 180,000 cubic metres a year of timber to be harvested - stump to roadside - by BFI) subject to meeting price and performance standards
- Placement of a representative from each forestry company on the board of directors of BFI to provide additional management support

3. Implementation

Key elements for implementation and management of this program are:

- BFI is a general partnership between the Bigstone Cree Nation and AI-Pac.
- The governance of the Aboriginal logging company is structured to ensure a business focus (versus political). That is, BFI exists to make a profit while providing jobs for community members.

- The two forestry companies pay the salary of the person seconded as general manager of the Aboriginal logging company.
- A key task of the general manager is to train Aboriginal employees in all aspects of the business including operational and management responsibilities, and to develop a transition plan that can be implemented by the end of the three-year secondment term.
- Initially, the profits are retained in the Aboriginal company to retire debt and acquire equipment as needed. Over time, the utilization of the profits may broaden to support other employment-generating business initiatives.

4. Timeframe for Results

BFI began operations in June 1999. It is expected to service its debt and operate profitably on a year-by-year basis.

5. Measurable Criteria

- Creation of a successful Aboriginal business model with good growth potential
- Creation of a sustainable and skilled Aboriginal employment base
- Creation of sustainable income, economic and other benefits for the Aboriginal community

6. Budget

The start-up costs for BFI were \$1.8 million. Bigstone Cree First Nation provided an equity contribution and the balance was financed through loans backed by timber purchase agreements from the two forestry companies. The cost of the secondment was shared equally by the two forestry companies for the three-year term.

7. Partners and Sponsors

The sponsors were Alberta-Pacific Forest Industries Inc., Weyerhaeuser Ltd., and Bigstone Cree First Nation. The logging company established was Bigstone Forestry Inc.

8. Experience with the Program

This program has been in operation for five years, and is an example of a successful industry-First Nation partnership. In that time, BFI has grown substantially. In 2000, the company owned \$1.4 million in assets (seven pieces of equipment); employed seven local Aboriginal people; had a \$640,000 contract to harvest 180,000 m³; and, was managed by the aforementioned secondment. In 2005, the company owns \$4.1 million in assets (17 pieces of equipment); employs 24 multi-skilled local Aboriginal people; has a \$3.3-million contract to harvest 265,000 m³; and is managed by a local Wabasca resident trained by the AI-Pac secondment.

9. General Applicability

While this particular example is related to forestry, this program is a model that can be applied to assist Aboriginal businesses in developing the management and operational capacity needed to be successful.

The model was used to establish JHL Logging Inc., an Aboriginal logging company that is a partnership between Heart Lake First Nation, Chipewyan Prairie First Nation, Al-Pac and the Government of Canada. JHL began operations in 2004 with nine employees and an asset value of approximately \$1.8 million. A three-year harvest contract commitment has been made by Al-Pac. It is also worth noting that in its first year of operations, JHL employees were mentored by employees from BFI.

10. Additional Information or Support

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