

CED PROJECT
COMMUNITY FUTURES DEVELOPMENT COPORATION
WOODTEK BUSINESS DEVELOPMENT CENTRE

A. BACKGROUND AND RATIONALE

The Prince George region has lost a significant number of jobs in its main industry, forestry, in the past few years due to industry consolidation, mechanization and market conditions. As early as 1982 mechanization began to affect job security in the local mills. Since 1996 the northern forestry industry has been in a continuous downturn with high unemployment seriously affecting the local economy. There has been an exodus of skilled labour and the real estate market is in a serious slump. Support industries are feeling pressured to diversify from their traditional focus on services to the large mills.

The region has decided that one of the ways to counter the downturn is to generate new jobs in the forestry sector through the encouragement of value added wood processing. This concept was recently outlined in two studies of the area, the "City of Prince George Multi-Year Economic Development Strategy" and The 1999 Cluster Snapshot". These documents recommended that a cluster of value added wood manufacturers be established in Prince George as a means to stimulate economic wealth in the region. Such a cluster would facilitate the diversification of the economy and obtain higher margins of value from the available fibre.

After a great deal of research, the community group involved in the project decided on a business incubator focussed on value added wood manufacturing as the means to promote this cluster. One reason for the choice is that graduates of business incubators in other jurisdictions have an 80% success rate while small businesses as a group have a 75% failure rate. The community believes that a few well - chosen and strongly supported enterprises can be "grown" into high volume value added wood manufacturers in Prince George through the services of such an incubator

B. DESCRIPTION, OUTPUTS AND PARTNERS

The incubator will be located in a downtown building provided rent-free for three years by the City of Prince George. The facility will house between 8 and 10 companies with 5 employees or less each. The businesses will enjoy the mutual support and synergy that is typical of such facilities as well as a number of services. The services to be offered (on a fee for service basis) include those listed below.

1. Core (Fulfilment) Services

These services include fibre acquisition, kiln drying, cutting to sub-dimensional sizes, establishing market channels, financing programs and limited equipment rental.

2. Wood Technology Training

The College of New Caledonia has a wood technology program and they would be the key player in delivering this service.

3. Management assistance

Like other Community Futures clients the incubator tenants will be able to access business counselling, mentoring, financing and other business support services.

4. Office Practice Services

These will include phones, office equipment and a loading dock.

Businesses will reside in the incubator for a period of no more than three years. It is envisioned that at the end of that period the business will graduate to larger privately held premises and be suitable for conventional financing.

The two main partners in this exercise are the Community Futures Development Corporation (CFDC) and the College of New Caledonia. The CFDC will take responsibility for the management of the incubator and the provision of services. The college will be responsible for wood technology training and the management assistance services.

In addition to these two main stakeholders there is an impressive list of community partners who have served on committees that studied the issue, offered expert advice during the design phase, provided in kind contributions or expressed their support to potential project funders. Some of the main partners are listed below:

- < BC Gas;
- < BC Hydro;
- < Brink Forest Products;
- < Central Interior Wood Processors Association;
- < Forest Renewal BC;
- < Innovation Resource Centre
- < Lheidli T'enneh Development Corporation;
- < BC Northern Development Commission;
- < Prince George Chamber of Commerce;
- < Prince George Development Corporation;
- < School District #57
- < Sinclair Enterprises;
- < Telus; and
- < the University of Northern BC.

C. SOURCES AND USES OF FUNDS

In addition to in kind contributions (including the very valuable loan of a building from the city) the project proponents have been able to attract significant financing for the start up of the initiative. A total of \$307,000 has been committed by the following organizations:

- < Western Economic Diversification;
- < Northern Development Commission;
- < McConnell Family Foundation at Carleton University;
- < Slocan Forest Products; and
- < Brink Forest Products.

This initial funding will be sufficient to cover start up costs of the facility such as building renovation, some capital equipment and centre salaries until the incubator is fully operational.

The operation will be a fee for service facility. Revenue is expected from rents, fees for kiln drying, cutting, lumber sales, equipment rental and marketing and sales services. Debt financing will be required to maintain an inventory of desire lumber and the subcontracted kiln and sawing operations. The main operating expenses of the operation will be staff salaries, financing costs, insurance, utilities, taxes, subcontracted services, channel marketing commissions, bad debts and waste.

D. ROLE OF THE CFDC IN DEVELOPMENT AND IMPLEMENTATION

The project is viewed as an economic development initiative of the CFDC and the College of New Caledonia. Individuals from these two organizations led the efforts to investigate the feasibility of establishing such a facility in Prince George. The two organizations pursued the concept for 4 years, researching methodologies, visiting incubators in other jurisdictions and finally undertaking a formal feasibility study and developing a business plan. The report results were favourable and there appeared to be strong industry support for the concept. The CFDC appointed a full time project manager in June 2001 to manage the set up of the facility and complete the fund raising. Renovations to the facility are underway and the incubator should be fully operational by March 2002.

The CFDC project manger is occupied with the hiring of a manager for the facility and selecting the companies or individuals who will be the first tenants. There are numerous individuals and companies that have expressed an interest in becoming a tenant. They were attracted by the newspaper stories about the facility that have appeared numerous times in the last few months. There are some small companies that are being helped by CFDC staff with the business plan preparation, which is a pre requisite for tenancy.

E. INCREMENTALITY

The value added wood processing business incubator in Prince George will be the only one of its kind in North America. There are literally thousands of business incubators on the continent (one opens every week in the United States) however most are multipurpose or high tech. This will be the only one on the continent dedicated to value added wood start up businesses.

The CFDC and the College of New Caledonia were both instrumental in realizing the vision of such a facility. The College brought wood technology experience, training experience and faculty time to the initiative. CFDC provided staff time, early stage funding and experience with project management and fund raising. Both organizations worked hard to mobilize the community behind the project. Without either one of these partners the goals of the project would not have been realized. The College had the vision and the CFDC had the credibility, the resources and the ability to make the project happen.

F. PROJECT OBJECTIVES AND OBJECTIVE ACHIEVEMENT

The project is not yet over and a true evaluation of the achievements of the venture will not be possible for some time to come. However, it is clear that primary objectives have been met.

The overall objectives are stated in the official mission of the WoodTEK Business Development Centre. These are to:

- < Contribute directly to the economic growth and development of the value-added wood-manufacturing sector;
- < Encourage the formation of new, high-growth businesses and nurture existing value-added wood manufacturing companies; and
- < Provide physical space and customized business and technical support to value-added wood manufacturing companies in the Prince George

region.

To date the proponents have accomplished the following:

- < clearly demonstrated the need for and feasibility of such a centre;
- < obtained the support of 19 community partners;
- < obtained sufficient funding for the start up;
- < received the free use of a suitable building; and
- < achieved a sufficiently positive and high enough profile that there is already a line up of companies waiting to use the facility.

G. RESULTING IMPACTS AND EFFECTS

As stated, this project is still in the initial phases and no measurable impacts have materialized as yet. The major hoped for impact is that a number of value added wood companies will be created and grow to a scale where they will leave the incubator. Some of the other impacts that the proponents hope to realize are to:

- < grow the companies so they become global players;
- < provide channel marketing services in Prince George for the first time;
- < become self sufficient by the fourth year of operation;
- < make Prince George the hub of a value added wood cluster; and
- < help revitalize the light industrial area in the east end of the city

H. LESSONS LEARNED AND IMPLICATIONS FOR FUTURE PROJECTS

1. Make the project goals realistic

The original project scale was reduced to make it more manageable and in response to the industry feedback regarding the project. The idea is to start small and ramp up as the methodology is validated. Beginning small also increases the chances of success.

2. Do your homework

The project proponents proceeded very slowly and did their “due diligence” on the concept. This both reassured them and their partners of the validity of the concept. The final steps were a formal feasibility study and business plan.

3. Be open to the real result of your research

Proponents of such a concept should accept the fact that it may not be suitable for their area. Do not decide on its suitability before thoroughly researching it. It may not work in one area just because it worked somewhere else.

4. Obtain the support of the community

Community buy-in is crucial to the credibility and ultimate success of the initiative.

5. Recruit a dedicated board and manager

There must be an effective manager in place to work with a committed board. The board must be champions of the incubator and not of the organizations they represent. The manager and the board must have a shared vision of the venture.

6. Provide the right mix of services

The incubator is designed specifically for Prince George. It has the mix of services that will meet the needs of the clients in the region. Such a project must provide the services that meet the needs of the client and must be consistently aware of what they need.