

# GOLIATH? NO, THAT'S THE OTHER GUY: BUILDING PARTNERSHIPS IN THE FOREST INDUSTRY

TLA Editorial

While the difficulty that contractors have faced in working with some major license holders to achieve sustainable rates and working conditions has been highlighted over the past year, it is important to recognize that one size does not fit all when it comes to contractor relationships on the coast and across BC.

Some contractors we have highlighted, like Bruce Jackson in the Interior, lamented the difficulty in working for unsustainable rates with little opportunity if any to negotiate terms (see “Exiting the Industry,” Winter 2014), while others have been forced into costly mediation and arbitration over rates and conditions.

Some contractors, however, have better relationships with those they work for and have managed to sustain their businesses while looking forward to growth.

## Howie McKamey, Goat Lake Forest Products Group

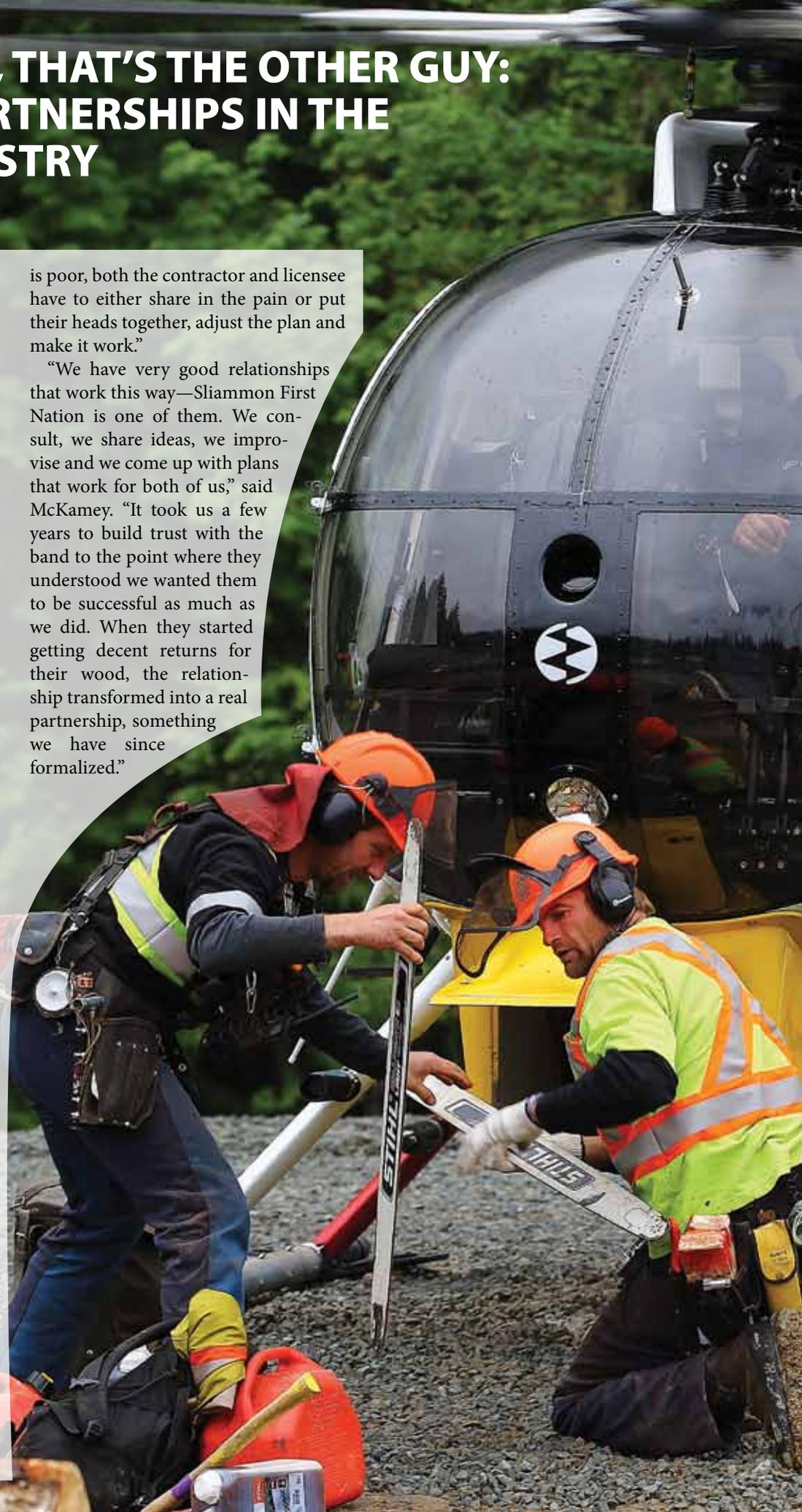
One such contractor is industry veteran Howie McKamey. McKamey partnered with Rory Maitland in 1985 and formed Goat Lake Forest Products Group. The company currently does contract logging and road building for a number of companies and understands what it takes to make it work.

“For a licensee-contractor relationship to be meaningful to both parties, there has to be a willingness to share in both the good times and tough times. There has to be a willingness to share ideas and adjust operations when markets are poor,” said McKamey.

What does McKamey mean by this? “The licensee has to be prepared to say, ‘This is a good block or these markets are decent so we can share in the opportunity and pay better rates,’” said McKamey. “Then, when markets turn or wood profile

is poor, both the contractor and licensee have to either share in the pain or put their heads together, adjust the plan and make it work.”

“We have very good relationships that work this way—Sliammon First Nation is one of them. We consult, we share ideas, we improvise and we come up with plans that work for both of us,” said McKamey. “It took us a few years to build trust with the band to the point where they understood we wanted them to be successful as much as we did. When they started getting decent returns for their wood, the relationship transformed into a real partnership, something we have since formalized.”





McKamey used this example of how this partnership functions. “Recently, a large block we were to log this summer was determined to be marginal due to slumping markets. But rather than just drop rates or cancel the project, together we walked the block and adjusted the layout, improvised and made it work for the both of us. The key to this relationship is that both parties understand how important it is to have both of us succeed. It is the type of relationship where the licensee puts a value on quality work, input from the contractor and the need for a timely delivery of logs.”

Then, McKamey has relationships that are not relationships at all. “It is always

an 'us against them' discussion with no mutual benefit. I can honestly say that there is little incentive to improvise or exchange ideas to improve efficiencies and work within the rates needed in these relationships only to have the licensee reap the benefit and lower the rate at the next contract negotiation," said McKamey. "Looking forward—as I said in the contractor panel at the last TLA convention—we plan to transition our business to customers who want to work with us as partners."

**Ted Beutler,  
Aggressive Timber Falling**

Ted Beutler began his career in 1986 doing cedar salvage in the Squamish area and within two years formed his first company; Aggressive Cedar Products. In 1990, he shifted gears and formed his current company, Aggressive Timber Falling (ATF). ATF has multiple structured divisions of professional hand fallers, which serve forestry operations throughout BC, primarily in heli-logging, right-of-way clearing, and he also operates in Alberta.

Needless to say, Beutler has worked for a cross-section of prime contractors and

license holders across the coast keeping his 60-man crew busy. Beutler attributes his 25 years of operational success to his highly skilled and loyal team, long-term alliances and honorable business relationships. Today, Beutler works primarily as a sub-contractor to a large prime contractor in a relationship that has evolved over 20 years.

"We have the same mindset in that we both have to be successful if either one of us is to be successful. We both need continuity of work in order to operate," said Beutler. "ATF provides a consistent, skilled workforce to meet their labour needs and they provide the volume and the logistical support we need. Together we can take on the work we both need to sustain our companies and service our customers. We treat each other with respect. This compares to some I have worked with who treat contractor health with indifference."

**Graham Lasure,  
W.D. Moore Logging & Topknot Timber**

Graham Lasure started in the bush in 1977 as a chokerman. Since then he worked his way through all logging jobs and took over management of W.D.

Moore Logging in 1990. While the company has been contracting for one major licensee on the north end of Vancouver Island since 1928, they recently formed Topknot Timber to contract for Richmond Plywood (Richply).

"Richply holds a forest license and focuses on making high quality plywood products. Their expertise is in manufacturing and log trading, not logging. For that they rely on Topknot Timber," said Lasure.

"Richply does the layout and permitting and once in place, we agree upon rates, log specs and delivery schedules. After that we are left on our own as compared to our other operations. We are experts at what we do and we are at our most efficient when unhampered by outside influences. That is what makes our relationship with Richply so positive. It isn't always about higher rates, it is about having the flexibility of being allowed to do what you are good at and be judged solely on results. It should go without saying that safety and forest practices are also results based," notes Lasure.

This arrangement allows TopKnot and Richply to work together and it helps ensure the profitability of both companies.

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Issues do come up. But since both companies are relatively small, they are able to deal with them quickly and one-on-one, so as not to jeopardize the program.

**Dave McNaught,  
Seaspray Log Scaling**

Dave McNaught has operated Seaspray Log Scaling for over 28 years in Nanaimo and like other contractors, has worked for many tenure holders across the coast over the years from Haida Gwaii to the Cowichan Valley.

McNaught is always on the lookout for new recruits to his 20-person crew of scalers. "With the demographic we all face, we need to constantly recruit to address our future needs." He utilizes a pre-screening process to find suitable candidates as potential scalers. "We take them out on the job at a local dryland sort and try them out for a few days working with our most experienced crew. You can tell right away their attitude and aptitude for the job."

Where a candidate is identified, they are encouraged to take the scalers course offered by North Island College (that is supported by the TLA) to get their license and then Seaspray can put them

to work in a training role. This is where the positive relationship Seaspray shares with its clients really pays off for everyone involved.

"A scaling trainee is typically added to the normal crew and they learn over time. As a contractor, we can't afford to pay for training, but our clients recognize the need for this mentorship and have consistently helped out financially. In the end, we maintain production at the rates we are paid and the industry gets new trained recruits. It is good for everyone," says McNaught.

"I recognized that not all licensees are the same," said David Elstone, TLA Executive Director. "It would be unfair for us to paint them all with the same brush, especially since many are our TLA members. While some license holders work to squeeze every last cent out of the contractor citing 'industry standard' or 'fair market' rate, in meeting with member licensees over the past five months I learned that many recognized the value of contractor sustainability. It is not just lip-service—they walk their talk."

**Dave Martin,  
A&A Trading**

Dave Martin is the Vice-President of A&A Trading. His firm manages over 800,000 cubic metres of timber annually via their tenure holdings, rental of quota, through tenure management agreements with a cross-section of smaller tenure holders and, of course, with timber sales.

Martin is quick to note that like the contractors, not all licensees operate the same way, but they all have the same sustainability challenges. From Martin's perspective, "working cooperatively with contractors is a key to our business. All of us working together with a long-term 'team' focus will also ensure the sustainability of the industry."

A&A sees planning and engineering as the key to ensuring conditions are optimal for contractors they hire. They go to great lengths to ensure boundaries, roads and access are all in place and that it works when the contractor comes in to log. "There is a noticeable shortage of engineers today and it is challenging our business and our relationships with contractors. We all have to plan better and even when we do, thing like markets, stumpage and social



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pressures can challenge us and our contractors. Two-way communication ensures we work through the issues that come up," said Martin.

Not all trees are created equal when it comes to hiring contractors, which presents another challenge for A&A. On the BC coast, there is a wide range of tree values, sizes and volumes per hectare and the costs to get them to market on a sustainable basis for both parties, varies. This inevitably challenges negotiations when per cubic metre rates are entertained.

When it comes to negotiating, some contractors, like Sladey Timber, prefer an annual rate while others like to negotiate rates on a block-by-block basis. "In Sladey's case, however, we negotiate a lot of detail up front and once we come to terms on rates and conditions, we are done and it works for both of us over the year," said Martin.

In the end, Martin admits: "We are not perfect. The costs of managing the resource are extreme and the regulatory environment we work in makes perfect project execution in an imperfect environment very challenging. When we are trying to address delivered log costs,

working together with contractors to ensure the regulatory requirements of logging operations are consistently fulfilled helps us tremendously."

**Clint Parcher,  
Coastland Wood Industries**

Clint Parcher is the Vice-President of Fibre Supply for Coastland Wood Industries Ltd. based in Nanaimo. Coastland is one of the largest veneer and core producers in North America with a consumption of 850,000 cubic metres annually. Parcher is responsible for handling over 2.8 million cubic metres of logs through three custom sort and mill yards. Needless to say, Parcher deals with many contractors in securing fibre for his mill.

"We work with two or three very competitive contractors who have logged with us for many years in the BC Timber Sales program," said Parcher. "I cannot ever remember having to negotiate a rate with our contractors. We both look at the sale and when the contractor gives us a price they know they have to be competitive to get the job and that we have to be competitive to get the sale. It works both ways."

Parcher continues, "When we do get a sale, we then work with the contractor to schedule harvest and delivery since we know they have other clients as well they must work around. For them, timber sales are filling gaps in their annual program while for us, any one timber sale only provides a portion of our annual log demand. So flexibility from both of us ensures it actually works for both of us."

"By working with the contractor before we bid to iron out rates and delivery schedules, it allows the contractor to optimize their crews and equipment over the year and in doing so, we can be sure they will be there to work for us. It is a good relationship," notes Parcher.

Forest products production on the BC coast is a competitive global business and all stakeholders need to work together to ensure each other's sustainability. Negotiation and recognition of each party's issues can and does ensure sustainability in many cases. Industry standard rates, arbitration and rate models that are one-sided are not the answer. The examples above are clear evidence of that.▲



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