

SUSTAINING THE FOREST INDUSTRY: THE LIBERAL GOVERNMENT STEPS UP

TLA Editorial



All photos: Phillip Chin

As the global economy constantly changes and the supply and demand of forest products ebbs and flows, the British Columbia forest industry is always sharpening its pencil to remain competitive and profitable.

This was the motivation behind the 2016 release of the BC government's document, *Strong Past, Bright Future: A Competitiveness Agenda for British Columbia's Forest Sector*. The Agenda contains 27 strategic actions that in aggregate show what the government and industry are doing to support the interconnected components of the industry. These components are made up of healthy, resilient forests that provide sustainable raw materials for a diverse, globally competitive industry that supports stable communities and First Nations partners.

But beyond the actions detailed in the Agenda, Premier Christy Clark announced two additional measures to be undertaken by her government to a sold-out crowd at the TLA's 74th Annual Convention & Trade Show.

First, she showed her understanding of the challenges facing our industry when she noted that the average age of a coastal faller is 57 years and a 50 per cent retirement rate is on the horizon. Together with the costs incurred by employers and individuals to get the training and develop the skills needed to work safely in our industry, it was clear to her that the forest industry was in need.

To address the challenge, she committed to work with the TLA and the other logging associations through Shirley Bond, Minister

of Jobs, Tourism and Skills Training to put in place training tax credits for on-the-ground training aimed at timber harvesting contractors in British Columbia. This will provide more incentive for contractors to hire and train new employees and ensure the decades of knowledge held by today's employees is passed on to the next generation.

BC's logging associations and the industry at large have been advocating for this type of program since the release of the British Columbia Coastal Forest Industry Human Resource Strategy in 2014. The strategy identified the need for accessible, consistent and quality training for the more than 4,700 new recruits that would be required over the next decade within the coastal forest industry.

"This initiative of training tax credits shows Premier Christy Clark recognizes the unique challenges timber harvesting contractors face in training new employees and I thank her for that," said David Elstone, TLA Executive Director. "You can't send someone to school to learn logging. So much of the work must be learned on the ground from people who've worked in the industry a long time. It's really an apprentice-type of situation. Hopefully, the tax credits will allow timber harvesting contractors to invest in training of new employees before we lose all the know-how. This work will support independent timber harvesting contractors who can't afford the added cost of training new employees but know our older workforce can't keep going forever."



To further demonstrate the support the Liberals have for the forest industry, Clark noted that since the American government has accepted all of the allegations that have been filed by the US lumber industry “you would get a more fair and impartial hearing at a judge from a pro-wrestling event” without the efforts of her government.

To counter the threats from the USA, she described the efforts taken by her government to grow the markets for BC’s wood products. Today the government is focusing on India—the world’s fastest growing economy—much the way they successfully did 15 years ago with China.

But it was her announcement of the contractor sustainability review, the first of its kind in recent memory, which drew a standing ovation from the crowd of BC contractors.

Details of the review process and timelines were provided the next day by Minister Steve Thomson. “We have engaged with your associations, we have listened, we have heard the concerns and we worked collectively across all the parts of the industry to be able to undertake this initiative that will get underway immediately,” said Thomson.

The review will be done in phases including an economic analysis of contractor finances and an assessment of that data. This will be followed by an independent facilitated process taking all the information and reviewing with a goal of finding solutions to contractor sustainability by talking to all the sectors of the industry. “We’ve committed to undertake that and to have that independent structure and process in place before March 31,” said Thomson.

So, what do contractors hope to achieve through the review process? “This is a landmark announcement for timber harvesting contractors and for the forest industry as a whole,” said Elstone. “Contractors are the economic backbone of BC’s rural communities. Ensuring they are on a secure business footing and earning a fair rate of return on their investments means we’ll continue to have long-term, well-paid jobs in BC’s rural communities and that benefits everyone.”

“If the supply chain is broken because contractors can’t deliver logs, pay their bills, invest in equipment and training, and have a few dollars left over at the

end of the year, the entire industry is threatened. This is the most important announcement for contractors in years and demonstrates that Premier Christy Clark and her team—including Minister Thomson—understand and are committed to the success of the forest industry,” said Elstone.

Reaction from the industry to the announced review was cautiously positive.

Rick Jeffery, CEO of the Coast Forest Products Association speaking on a panel the next day supported the contractor review with the caveat that we look at the entire supply chain and try to

undo that Gordian Knot of innovation. “We need to break down the institutional and relationship barriers to innovation...to make us a better performing industry.” Elstone hoped for this type of success too noting contractors are entrepreneurs at heart. However, the barriers to innovation that TLA members face need to be overcome and he was hopeful the review would find some solutions. However, he was quick to note that this is not just about rates. “Contractor sustainability can only be achieved in an environment where collaboration and sharing of risk is done.” The TLA has put



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It's a case of coast against the rest of the world and so we have to work together for mutual benefit and that we can do better.

forward many alternatives to the current situation over the past year such as market logging and CCDC2 contracts.

While contractor sustainability has been the focus of the TLA advocacy effort over the past few years and was the focus of the Premier's announcements

at the TLA convention, the sustainability of the coastal forest industry itself is perhaps the larger issue we need to keep in focus.

Over the past year, the public has often questioned the value of the forest industry. We have challenging ter-

rain, a high cost labour environment, competing land use challenges and significantly more constraints than other jurisdictions we compete with. Within this framework, attracting capital and ensuring profits that allow for continued reinvestment by all parties is com-

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petitive. It is more than just contractor sustainability and the industry leaders who participated on the “Maximizing the Potential of the BC Forest Industry” panel during the final session at the convention agreed.

While the coast is unique, we need to keep costs in line while we maximize the harvest of the entire forest profile.

Mike Hamilton of Mike Hamilton Logging (and a TLA Past President) confirmed that we need a well-funded contractor community that allows logs to get to mills since without logs, there is no mill. Don Banasky of Western Canadian Timber Products (and TLA Immediate Past President) added that we need to create an environment where everyone in the supply chain is successful.

Don Demens, CEO of Western Forest Products noted that to be sustainable, we need the support of community and a reasonable rate of return for the risk undertaken. He went on to suggest that while the coast is unique, we need to keep costs in line while we maximize the harvest of the entire forest profile so that

returns to shareholders and business owners will support further investment.

Jeff Zweig, CEO of TimberWest commented that with a generally positive global fibre demand outlook, the long-term view for the coast is very positive.

But sustainability of our industry is dependent on re-investment in innovation and technology starting at the ground level with logging and then moving through the supply chain.

All panel members acknowledged that working together to create an environment for mutual success was needed and this sentiment was echoed when the topic of contractor sustainability was discussed.

Hamilton was bullish on the need to sell logs at global market prices and his belief that this would increase the size of the financial pie from which we’re all cutting a slice. Banasky believed that mutual recognition of the costs of harvesting and then creating an environ-

ment of innovation could be a positive outcome of the review process. He acknowledged that cutting costs when you’re already having a tough time paying the bills can be a struggle.

Demens acknowledged that we could not depend on rising markets to ensure our collective sustainability. Cost control and working together will allow us all to run through the business cycle and create employment consistency. With “65 per cent of a finished lumber product in the cost of the log” we need to work together to ensure our mutual sustainability.

Zweig summed the session up well. The majors and the contractors are very dependent on each other and if one is not sustainable, neither will be. So we need to work to “grow the pie” so that the pieces we all get are larger. With coastal BC delivered log costs in the third quartile, he believes there is room for improvement. “It is a case of the coast against the rest of the world and so we have to work together for mutual benefit and that we can do better.”▲

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