

UNDERSTANDING THE CHALLENGES LOGGERS FACE: ABBOTT BEGINS REVIEW

By TLA Editorial



Photo: Tree Frog Creative courtesy of Western Canadian Timber Products

When Premier Clark announced her government's contractor sustainability review for BC's timber harvesting contractors at the Truck Logger Association's 74th Annual Convention and Trade Show, David Elstone, TLA Executive Director noted that "This was the most significant announcement to affect timber harvesting contractors across the province in almost 20 years."

Following through on Premier Christy Clark's commitment, the provincial government then announced that George Abbott, along with his partners at Circle Square Solutions, would act as the independent facilitator overseeing the Contractor Sustainability Review process.

The first phase of the review will be an economic and financial assessment of the contracting sector to develop baseline information related to their overall financial health and to identify economic drivers that may impact their wellbeing within the sector. Work on this phase was completed in April by PNL Consulting Inc. of Prince George.

With the economic status of contractors complete, it will be followed up by a facilitated process to define issues (i.e. why contractor sustainability has become such an issue) and potential actions that all parties can support to improve competitiveness and the financial well-being of both contractors and licensees. This process will be led by Abbott and will include extensive interviews with contractors and licensees from across the province.

George Abbott is a former politician and cabinet minister for the province of British Columbia. Abbott was a BC Liberal Party Member of the Legislative Assembly of British Columbia representing the riding of Shuswap beginning in 1996.

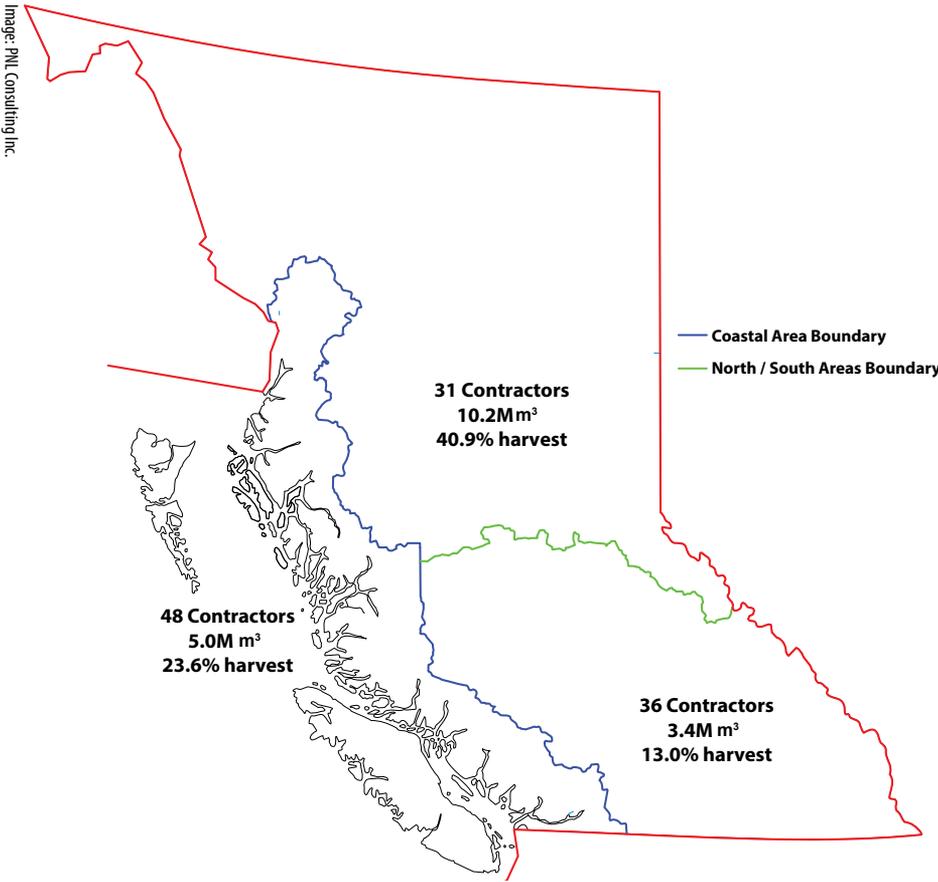
Abbott has had a long and distinguished career in politics and public service, serving in many ministerial positions. Abbott served as Minister of Aboriginal Relations and Reconciliation and government deputy house leader, Minister of Health, Minister of Community, Aboriginal and Women's Services and Minister of Sustainable Resource

Management. Abbott was appointed Minister of Education until his resignation on November 25, 2010.

During his term in the Ministry of Sustainable Resource Management, Abbott worked with industry, environmental, and First Nations groups to complete the Great Bear Rainforest agreement.

"George Abbott's experience working with the forest industry through developing the Great Bear Rainforest agreement means he has the on-the-ground experience needed to facilitate the Contractor Sustainability Review," said Jacqui Beban, TLA President.

At the time of writing, the results of the economic review of the financial status of BC's logging and road-building contractors were complete and in the hands of Abbott. The financial trends supporting the review are based on 122 contractor companies who harvest an estimated 26 per cent of the average provincial harvest. These companies provided 597 year-end financial statements from 2011 through 2016 for use in the PNL report.



This map shows the number of contractors who contributed to the PNL report, how many million cubic metres those contractors log and what percentage of the overall harvest it makes up.

The boards of the TLA, ILA and representation from the NWLA met with Abbott and Assistant Deputy Minister Dave Petersen (who is spearheading the project for government) at the recent ILA conference and trade show to review the financial report and to discuss next steps.

Petersen commented that the government goal was to allow Abbott to identify why contractors are doing poorly from a financial perspective and then work with all industry stakeholders to find solutions. The timeline for Abbott's report is targeted for the end of the year.

So, what is next? Given their financial position, it is unlikely that contractors will be able to sustain the next industry downturn (which may already be upon us as duties are assessed and imposed on BC lumber shipments to the US) like most did during the 2009 recession. That is because prior to 2009, contractors were in better financial shape and had the equity and financial reserves to support the industry through the downturn. This time, given contractors have continued to experience steady decline in their financial positions since the recession, the



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entire industry may be at risk of widespread contractor failure or exodus.

For Abbott, the task will be to understand why the contractors are doing so poorly. Why they can't attract skilled workers. Why it is difficult to secure financing. Why they have difficulty working with many tenure holders. Why, in the face of record breaking profits being reported by the majors, they are still fundamentally unsustainable. Then Abbott will make recommendations on what can be done to improve the overall scenario. And to be clear, this is not just about rates. Many contractors want to talk to Abbott about the conditions they are required to work under.

So, if it is not about the rates, what else could change that would allow contractors to do better financially, while at the same time ensuring the overall competitiveness of the industry? The examples are many and include operational issues, regulatory constraints and legislative roadblocks that prevent contractors from maintaining a sustainable financial future.

On the operational side topics generally related to the inability of contractors to do their work without interference

from the majors they work for. Examples included lack of acknowledgement of impacts from delays in operations (such as getting timely permits), phase congestion that reduced contractor production, fundamental disagreements on things like cycle times and a general lack of recognition for the costs of equipment and logging on steep slopes.

themselves, again preferring to share with Abbott alone.

If you are a contractor and you have ideas on how to make your and/or the industries' financial performance and competitiveness better, we encourage you to meet with George Abbott. All discussions with Abbott and his team are in strict confidence and no issues

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On the regulatory front, the Bill 13 arbitration process topped the list along with cut block waste and scaling issues related to stratum design that penalized some contractor's deliveries.

On the legislative side, frustration about the use of a standard industry rate and consolidation of tenures were both top of mind for contractors.

It was not hard to find contractors willing to share their concerns and solutions with us, but they all wanted to remain anonymous, preferring to speak directly to Abbott about their ideas. As for solutions, most contractors also preferred to keep them to

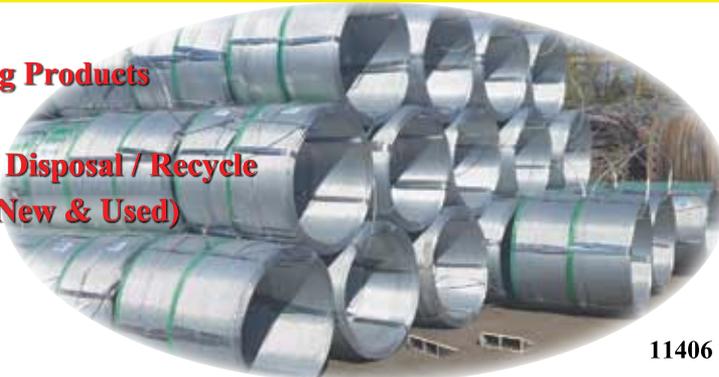
or ideas will be attributed to any single contractor. The TLA or ILA can make arrangements for you to meet with him, just contact David Elstone, TLA Executive Director, at david@tla.ca or 604.740.2814 or Wayne Lintott, ILA General Manager, at wayne@interiorlogging.org or 250.503.2199 or Ken Houlden, NWLA General Manager, at houlden@telus.net or 250.635.0240.▲

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