

# CONTRACTOR SUSTAINABILITY: A PERSONAL PERSPECTIVE

By Graham Lasure

By the time you read this our family business of three generations—and ninety years—will have left the forest industry. It was a sad decision to remove our investment as logging and road building contractors from Winter Harbour. However, it no longer made any business sense and had become a poor investment with a questionable future.

Personally, I am tired of the struggle. Like any logger, I love a good challenge. But this has gone too far for too long. I am extremely sad to displace 25 employees, many who have made Winter Harbour their home for up to 40 years. When we leave, Winter Harbour will receive its next nail in the coffin. (The first nail being the changes to commercial fisheries in the early 90s.) What remains of Winter Harbour—the store and the public post office—are likely to close, except perhaps during the summer months. W.D. Moore Logging has also been integral in numer-

ous ways to Winter Harbour which is too small to have any financial, or other, resources. We grade the road, run the solid waste facilities and help out with machines and gravel for developments. I am worried and sad for the fate of another coastal town that our family, and many others, love and have been brought up in.

## Our History: W.D. Moore Logging

The business was started by our grandfather, Albert Moore, along the shores of Quatsino Sound in about 1928. Reading through our old records, I saw many business cycles, good and bad, and learned that the licence ownership changed hands about three times.

When I started working in the business, we were contracting to Rayonier Canada and there were approximately six different licensees harvesting public timber on Vancouver Island to contract for. Times were pretty good for us dur-

ing the 70s. Rayonier believed in investing for the future with contractors and within the communities they worked in and there were enough licensees to create a competitive bidding environment for logging contractors.

The implementation of Bill 13 in 1991 was a milestone for logging contractors. It was designed to level the playing field and help everyone create and grow sustainable businesses. In the beginning, Bill 13 had a detrimental effect for W.D. Moore Logging. While it was being negotiated, our licensee at the time saw how it could have a negative affect for them. They became very aggressive in work and rate negotiations and we could never come to terms. In a nutshell, we sold back our contracts, which included everything from engineering to booming and towing, but they granted us back two Bill 13 contracts: yarding and loading, and road. After a few years of this, due to a num-

All photos: Courtesy of W.D. Moore Logging



A-frame yarding near Winter Harbour in the mid 1930s.



First generation: Albert Moore started logging on Quatsino Sound in 1928.



Second generation: Bill Moore was a TLA president and a lover of jazz music.



Third generation: Graham Lasure took over running the company in the late 80s.

ber of reasons—our rate and the low rates paid to new falling and hauling subcontractors which left us working with poor quality subcontractors—we were in financial distress.

That is when I was asked to take control of the company business. I lowered costs; I improved efficiencies and production, even to the point of cancelling the fax line and getting rid of the rental phone sets. But I still could not make ends meet.

That is when I got in touch with the TLA and I was schooled in the processes used to correctly set a sustainable rate. Despite this support from the TLA, I began negotiating my rates without much success.

During that time, however, I was able to replace our key pieces of equipment by borrowing close to \$2 million from a friendly finance company with nothing but the purchases to secure the loan. (At the time it was GE Capital, who I will forever be personally indebted to.) That kind of financing would be unheard of today. With new machinery running, we became much more efficient and I continued negotiating while barely being able to cover monthly payments. After three years, I managed to secure a rate, which I believed would be sustainable into the future as long as we could negotiate further increases as core costs such as fuel, labour

and machinery increased. Core costs increased drastically after that, especially fuel and labour, however, we eventually paid our loans and began to save some money for machine replacement.

I also diversified our risk of working for a single customer and began bidding on BC Timber Sales. We were successful on several sales and that helped us build a safe level of financial stability. This also helped increase our annual cut which continued to shrink in TFL (tree farm license) 6. To date, if I am not mistaken, TFL 6 was owned by seven different licensees. With each change of hands came a mandated 5 per cent cut in AAC, which, over time, brought us from our start of 180,000 m<sup>3</sup> down to our current level of 75,000 m<sup>3</sup>.

But just when things were shaping up for us, the licensee began to have their own financial difficulties.

The licence changed hands two more times, with each previous licensee going into bankruptcy and us losing cut each time. Of course, during each of these phases there was very little negotiating for sustainable rates as the licensees said “we can’t give you an increase as we aren’t profiting either.”

Now in a time when licensees are showing record profits and 18 per cent ROE and contractors are lucky to get 5 per cent,

they are still unwilling to share the bounty of BC’s public resource. The public is better served by government auctioned timber through BC Timber Sales. The stumpage paid back to the public coffers is much higher than licensees pay, the investment stays local rather than being paid out in dividends, jobs stay in local communities, and everyone gets an equal chance to prosper from what is public timber.

Since the downturn of 2008 and the license sales and amalgamations, we hung on but were slowly moving backwards as rates never kept up with inflation. I took another risk and bought out another contractor to bring our volumes up to a more sustainable level—in my opinion 125,000 m<sup>3</sup>.

Things did not get a lot better; however, they did not get a lot worse either. Negotiating a truly sustainable rate—including enough for equipment replacement over time—became an unattainable goal for us. I have discussed this with many contractors and I hear the same story from them.

### Why Logging Contractors Can’t Be Sustainable

The primary reason logging contractors can’t be sustainable is licensee amalgamation. This has resulted in a near monopoly of the public forest resource which has



W.D. Moore Logging float camp in 1952; this is the largest float camp the company had before moving onto land.

given them all the power in negotiations. Logging contractors do not have much choice in who to work for if we choose to stay in the industry.

This amalgamation, and the power it has given licensees over many aspects of the industry, has been further enhanced by the changes in Bill 13 which now allow for a fair market rate determination. “Market rate” has now been interpreted across the industry to mean “lowest rate.” Many contractors are working at unsustainable rates without even knowing it, very much like I did in the beginning. I have met many contractors who think they are profiting, but their “profit” is just money that should be marked for future machine replacement.

Another serious issue since implementation of the revised Bill 13, is our inability to refuse work without risking losing our contracts. This is a serious disadvantage to the contractor when we cannot come to an agreed upon rate because we are mandated to continue logging, despite the costs. Also, if we find other work because we cannot get licensee permits or are curtailed for other reasons beyond our control, we can be called back on short notice by the licensee and are obligated to respond despite the significant overhead costs of moving our operations.

This is a high capital investment business with very high risk—fire, injury and

death, markets, regulatory change and lots of built-in non-negotiable additional costs such as environmental regulations and safety programs—compared to other industries. We deserve the chance to make a sustainable profit; after all, it is a public resource.

W.D. Moore Logging has removed our investment from Winter Harbour and the BC forest industry for these reasons and because I don’t see things changing in the future.

### Solutions For The Future

Though I’m not hopeful changes will be made, here’s what I think needs to happen to allow logging contractors to be sustainable.

1. Bill 13 needs to be revamped by defining market rates. Comparable rates cannot include businesses proven to be financially unviable by not paying their taxes, stumpage, pension plans or WCB and have gone bankrupt only to start again, with the same practices, under another entity. Market rate cannot be defined as the lowest rate.
2. Bill 13 contractors must have the right to refuse work without loss of contract if there is no agreed rate set or if they are called back with short notice after having been held from working beyond their control.

3. Licensees should not be allowed to bid on BC Timber Sales, including surrogate bidding, if they have not fully utilized their own allocated AAC.
4. The holding rule for BC Timber Sales needs to be policed. No one should be able to hold more than their allotment of sales including surrogate bidding.
5. Somehow, we must reallocate the tenures of BC back to multiple entities. We need the large licensees, but they should not be monopolistic. The current monopoly benefits only a very few and does not give maximum benefit to the public or the workers and is bad for the overall market. Monopolies are illegal in many developed nations. The USA currently has very little logging on public lands and it is all by competitive auction. This approach would also alleviate some of our softwood discussion.

Time goes on and things change. Not always for the better. Good luck to all in the future. I will miss what was once an admirable and challenging career. Mostly I will miss the people who made this industry such a great place: logging contractors.

I will leave you with a quote from one of the founding fathers of our industry, a great man with great foresight, H.R. MacMillan:

It will be a sorry day for British Columbia when the Forest Industry here consists chiefly of a very few big companies, holding most of the good timber and good growing sites to the disadvantage and early extermination of the most hard working, virile, versatile, and ingenious element of our population—the independent market logger and the saw-mill man. Our forest industry will be healthier if it consists of an many independent units as can be supported.▲