



RUNNING ON BORROWED TIME

On May 10, 2018 the resulting recommendations from the long-awaited Contractor Sustainability Review (CSR) were publically announced by government. As indicated by the Premier at the TLA convention in January 2018, and now as part of the government mandated facilitation process following the CSR, the TLA will be at the table representing timber harvesting contractors, together with the ILA and NWLA, forest tenure holders and major manufacturers.

Prior to the July 31, 2018 deadline, the facilitated process will serve to “identify where there is consensus on recommendations that should be acted on, and also assess the costs and benefits of adopting recommendations on which there may be differing opinions.”

You can read an overview of the CSR's 13 recommendations and TLA's perception of how they impact members on page 16. In summary, while we're pleased the CSR confirms what we've been addressing for years—that contractors are experiencing declining profitability—none of the recommendations will individually have a significant impact for contractors or provide immediate relief to their financial viability.

However, collectively they will help to begin making a difference for contractors. The recommendations that challenge the current status of the financial viability and negotiating position of the majors is where the TLA's lobbying efforts will be focused. Introducing a basic rate model, contract changes and modification to Bill 13 will be the battleground where the zero-sum game concept comes into play (see Spring 2018 letter).

Prior to the announcement, I received daily calls from members eagerly asking about the anticipated CSR expressing how utterly frustrated they were with the business they conduct with major licensees.

The TLA membership is comprised of proud business owners, employers, family people, and contributors to their communities. One such member shared

his frustration with me in the following email:

*Hello David,
I always enjoy reading your reports and articles. I know you put in a lot of time and effort on our behalf and I for one really appreciate it.*

I'm keeping an eye on what's going on with the talks with the government as I'm in contract negotiations with [a major] about my Bill 13 contract. I find it very frustrating that the goal is for us to keep cutting costs and work for no profit only a wage. It was mentioned to me the profit would be realized when I sold out. Who buys a business with no profit? Last year I didn't pay any corporate tax, that's not a good sign.

If government doesn't realize that our profits are spent mainly in province unlike [the major] who is moving profits out of province, tax revenues will be reduced. There also has been a huge drop in local community support in the last few years from [the major]. Contractors such as myself can no longer afford to donate as much as I use to.

To sum up, I feel the province as a whole is losing out to this corporate bullying. Our only chance is to stick together and support the TLA. This gives us that chance.

Again, thank you David and all TLA members and staff.

This weighs heavily on me, and is exactly to the point. It clearly encompasses the essence of the contractor sustainability story and speaks to why the TLA continues to fight on behalf of its members. It conveys that there is a strong sense of urgency to get on with the CSR recommendations. Our industry and government need to embrace them, and our Minister needs to make some hard decisions.

The CSR validates the problems of the contractors and acknowledges that something must be done or licensees will be affected; and that far too many contractors in this province are running on borrowed time. Typically, in previous stronger markets, contractors have been

able to rebuild their balance sheets and improve their financial fortitude to withstand the next market downturn. That is clearly not taking place today, even with record lumber prices.

Why does this matter? Are contractors simply complaining they are not making enough money? Of course not. It matters because if contractors can't be viable, they will leave the sector, as the industry has already seen happen. In turn, the ability for sawmills and pulp mills to get the logs they need to operate will decline, which has also already begun to happen, putting the 140,000 jobs dependent on the forestry sector at risk, and destabilizing communities. The closures in Port Alberni and Winter Harbour are two very recent examples of that occurring.

If contractors aren't in a position to replenish with current lucrative markets, we are indeed on borrowed time. Changes need to be made immediately or more contractors will go bankrupt and disperse their equipment. In May, the largest ever forestry equipment auction held by Ritchie Brothers is an example of this reality.

The CSR proved TLA's assertions that contractors' financial viability and the majority of relationships are poor. Forestry is a vital resource to communities and the entire province. For the industry's sake and the communities that rely upon the forest resource, we don't want another TLA prediction to be proven right, once again, when the markets recede. It's in all of our interest to reestablish relationships between contractors and tenure holders. It's time contractors received a fair return for the public resources that we all own and support the communities that support the industry. And, it's high time that David did get on a level playing field with Goliath, for the benefit of the whole industry and BC's future.▲

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