



## AN INDUSTRY IN TRANSITION

Forestry in the Interior has been in a constant state of transition driven by economic and environmental influences since the beginning. The current factor driving a change in the way forest licensees operate in the Central Interior centres around a transition from salvaging relatively flat terrain forests devastated by the mountain pine beetle (MPB) to targeting forests on steeper slopes infested by spruce beetle and balsam bark beetle. These changes in operating focus and species priorities are forcing logging contractors to either adapt or risk being left out in the cold.

Beginning in 2001, the BC Interior saw a rapid increase in its Allowable Annual Cut (AAC) in response to the MPB outbreak. The goal was to salvage as much timber as possible while it was still merchantable and restore affected areas to a productive state which would mitigate the depth of the eventual AAC downfall. Concurrently, Interior sawmills and logging contractors made changes to their operations in order to handle the extra volume provided to them through the AAC uplifts.

By 2004, the AAC in the Prince George TSA reached almost 15 million cubic metres—though the economic downturn starting in 2007 would only see about 70 per cent of this harvested. In 2011, the AAC started to decline as a result of the subsistence in the MPB epidemic, and the continued inability of the industry to harvest the AAC due to lack of sawmilling capacity.

However, the AAC projected for 2022 and beyond will be less than half of the volume available to the forest industry in the mid-2000s. This reduction in timber supply will continue the trend in sawmill closures that commenced in 2008 with the US housing collapse. These forecast sawmill closures will force contractors to become more competitive when bidding on new contracts; require them to invest in new technology in order to operate on the differing terrain, and in some cases, may require contractors to relocate.

The end of the MPB epidemic has not only resulted in a decline in AACs throughout the Interior, it has also forced loggers to transition their harvesting techniques. To operate successfully in response to the transition to steeper terrain and different species, contractors must acquire the expertise, equipment and technology to safely and successfully operate in substantially more challenging terrain. More time must be spent training, and more money has to be spent on equipment in order for contractors to stay competitive in their business.

To alleviate some of the negative impacts of this transition, there are a number of strategies that can be implemented by logging contractors, licensees and government so that everyone benefits through the transition:

1. Contractors can form good working relationships with licensees, invest in new equipment and technology to handle the steeper ground and bigger trees, and train employees on new technology to operate safely on tougher terrain.
2. Licensees can provide longer-term contracts, which would go a long way to ensuring contractor sustainability and provide the financial security necessary for logging companies to make investments in new equipment. Harvesting rates should also reflect contractors' operating costs associated with new training and new equipment. Operational planning of cutblocks and roads should be improved in the field, and strategies should be implemented that are specific to the more challenging terrain, such as proposing landings in favour of roadside processing.
3. The government's recent commitment announced by the Premier to explore TLA proposed solutions to the skilled labour shortage (i.e. a training tax credit) will also go a long way in helping contractors recover the cost of training employees on new equipment for working on

steeper slopes and filling seats in equipment sitting empty today.

The Contractor Sustainability Review identified transparency and communication as being necessary to forming productive and long-lasting relationships between licensees and contractors. As New Zealand logging contractor Dale Ewers explained during his presentation at the 76<sup>th</sup> Annual TLA Convention & Trade Show, forming good working relationships with licensees can prove to be profitable to both parties, and can greatly improve the safety of workers through innovations and advancements in the way logging is done. This win-win situation could be realized through long-term agreements that would allow contractors to reinvest in their company without having to worry about whether their costs can be recovered over time.

During this time of never-ending change, a move beyond the culture that had forest companies squeezing contractors for their last penny must start with government, licensees and contractors working together to make the transition as smooth as possible.▲

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