



## ARE WE A SUNRISE OR SUNSET INDUSTRY?

The stunning cover photo of this issue, taken by TLA member Ryan Stayner (whose father was on the cover in 1995), was initially chosen for its silhouette of the super snorkel set against the colourful horizon.

At first glance, I questioned whether the sun was rising or setting when the photo was taken; upon reflection, this can also be considered an apt metaphorical query about the current state of the timber harvesting industry.

If we consider ourselves a sunset industry, then we are suggesting we are a traditional business positioned as over-mature in the business cycle, with its future prospects diminishing just like a setting sun.

With issues such as a shrinking timber supply caused by a declining allowable annual cut, the mountain pine beetle epidemic, sawmill downtime in the Interior, and curtailed operations and pressure for increased old growth preservation in the Coast region, there is very good reason to consider this cynical perspective—that the sun is indeed setting over our industry.

Given lower lumber prices, in combination with 20 per cent duties on lumber exported to the US and higher stumpage rates, lumber producers are once again suggesting they are struggling (despite having strong and healthy balance sheets). This suggests that rate increases for contractors are all the less likely now. Are we heading back to the dark days of 2008–2010 when work became sparse and rates were reduced?

Add in the reality that the majority of contractors are in dire financial straits. Even prior to the recent downturn in markets, many had questioned how long before they might exit the industry. If weaker lumber markets persist, I can foresee more contractors moving toward the exits given that they simply won't have the financial strength to tighten their belts if asked to by licensees.

Add in the difficulty for contractors of finding skilled personnel to run their equipment and supervise operations given the sector's demographics and the growing potential of other sectors (e.g., LNG) to draw workers away.

Add in contractors' equipment leaving the country—especially grapple yarders, which are not easily replaced (in fall 2018, six were sold overseas to international competitors). At the same time, BC Interior licensees have been advertising for steep-slope contractors.

Add in continued rationalization of the sawmill capacity in the Interior as the availability of economic timber declines. Evidence of such continues, with West Fraser announcing the permanent curtailment of approximately 300 million board feet of lumber production located in the heart of the past mountain pine beetle epidemic. According to West Fraser's press release, some 135 employees will be affected, but it does not mention the contractors and the rest of the supply chain that supports that 300 million board feet of lumber production capacity.

Add in the double dip of the new Employers Health Tax with the Medical Services premiums in 2019: a lot, if not all, of many contractors' profits will be paid to provincial taxes. It is not acceptable to take away the incentive to be in business, particularly for high-risk, low-margin contractors.

Add in a brewing battle for harvesting old-growth timber in the Coast region.

Add in legislative changes for professional reliance, and potential changes to forest policy and land-use planning.

Considering the sum impact of these challenges, it is a wonder we have a forest industry at all in the province. And yet we do.

Somehow, in some way, the industry always finds a way to “make it work”—which just so happens to be theme of the 76th Annual TLA Convention & Trade Show. Our industry survives—not always without pain, but it endures.

While my comments convey plenty of doom and gloom, I believe we have every reason to take a sunrise perspective. Changes are coming and we can look forward to them.

First, we should acknowledge the federal government for making a bold move in support of businesses by accelerating capital write-offs—it should help contractors that are profitable. The only gap is that the logging sector should also receive the same benefits as the manufacturing sector: 100 per cent write-offs of new equipment acquisitions in the first year.

Second, we know the BC Premier intends to change the status quo, as stated in his mandate letters to his ministers and his remarks at the 2018 TLA convention. We are waiting to see what will come of it, but when it does it could bring opportunity—or possibly retrenchment.

And, most importantly, the contracting community awaits the conclusion of the Contractor Sustainability Review (CSR) that will culminate in a decision by Minister Donaldson. Last fall, the TLA met with COFI, ILMA, ILA and the NWLA in facilitated discussions with Dan Miller that resulted in the submission of our final arguments in November. There was agreement on some, but not all, of the CSR's 13 recommendations, with much of the heated debate centred around Bill 13. Based on Minister Donaldson's decision, it could be the dawn of a new era. For the sake of the industry, I truly hope it is.▲

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