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FROM THE EDITORIAL BOARD DESK...

Happy New Year and welcome to the Winter 2019 issue of *Truck LoggerBC* magazine. Be sure to preview the information provided about the TLA's 76th Annual Convention and Trade Show, to be held January 16–18 at the Westin Bayshore in Vancouver. This year's theme, "Making it Work," covers important industry issues such as rate models, new technology, wildfire fighting, the acute labour shortage, and the recent legalization of cannabis.

If you are not already a TLA member and plan to attend this year's convention, now is a good time to think about joining to save \$460 via the members-only, all-inclusive pass, or receive separate discounts on registration and ticketed events. Passes are still available and can be purchased online at tla.ca/convention.

In this issue, we continue to cover timely industry topics and issues. For instance, following another record-setting wildfire season, we surveyed our industrial membership across the province to hear their perspectives on the past firefighting season and learn about significant concerns that could potentially be addressed before next season.

In part three of our four-part series, our Business Matters column provides a comparison between leasing versus buying new equipment in terms of the impact on your bottom line. We also take a look at federal Finance Minister Bill Morneau's proposed capital tax changes for machinery and equipment, and how it will benefit contractors.

The first two recommendations resulting from the Contractor Sustainability Review (CSR) outlined the implementation of transparent rate models that will allow contractors and licensees to negotiate rates. We break down the components of establishing hourly rates for your logging-specific equipment.

Another recommendation from the CSR is for government to invest in LiDAR for the benefit of the entire industry; we explore the pros and cons of the technology and why contractors can get excited about using it.

Prince George—featured in our forest community profile—explains how it has embraced its roots as a forestry town, and made the forest industry a strategic partner in its robust and ambitious economic plan.

Once again, we have included the annual 2019 Forestry Event Calendar in the centre spread. I encourage you to remove it and keep it on hand for the remainder of the year.

I trust you find this issue insightful and informative. If you have any feedback or comments, please contact our director of communications, Jennifer Kramer, at 604-684-4291 (extension 2) or by email at jennifer@tla.ca.▲



Dorian Uzzell
Editorial Board Chair



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A YEAR OF CREATING CHANGE

Now, more than ever, I understand the true value of being a TLA member. As the current president, I see firsthand the importance of our advocacy efforts, the amount of work required, and the impact—especially this year.

This has been an exceptional year for the TLA, with the release of the long-awaited, TLA-initiated Contractor Sustainability Review (CSR) and the government's resulting recommendations. Since its release, the TLA has been at the table together with the other associations to negotiate the implementation of the recommendations with the Council of Forest Industries (COFI), led by government-appointed facilitator Dan Miller. We are all in this together for the betterment of our industry as a whole.

We have been fighting hard for the industry to make the important and necessary changes that contractors have been demanding for years—specifically, a reasonable opportunity to negotiate rates through the recommended use of a standard rate model. It has been a challenging process that is certainly neither straightforward nor simple, but we have the bench strength of industry experts available to support us by providing advice and input. My direction to our TLA team is very specific: the status quo for contractors cannot continue. Contractors' conditions need to improve by changing the relationship with major licensees.

As an independent business owner, the new 1.9 per cent Employer Health Tax implemented on January 1, 2019 is a significant concern that I personally feel warrants our advocacy efforts. We have already sent a letter to the Minister of Finance and expressed to both the NDP and Liberal MLA caucus that it is unacceptable for the industry to be hit with this tax; from the PNL Consulting Services report for the CSR, we have learned that the tax amounts to the bulk (if not all) of contractors' net margins. In 2019 and beyond, the majority of timber harvesting contractors in this province

could literally be working for zero revenue. We have expressed our deep unease and requested that our contractors be exempted from the tax.

Old-growth logging is not a new issue, but one that continues to garner significant media attention as a result of efforts initiated by environmental activists. Our apprehension is that, if pressured enough, the government may react by reducing the amount of old-growth timber allowable for harvest, thereby decreasing the AAC; this would have a significant impact on contractors, jobs and the BC economy. Voicing our stalwart concerns about maintaining the working forest is a key strategic effort we make on behalf of the TLA membership.

In October 2018, the TLA assisted the CBC with coverage of an old-growth harvesting story on Vancouver Island. While I am disappointed that important messages were missed and inaccurate information was shared in the story that ran on the CBC National (and to a lesser extent in a subsequent online article), upon reflection, had it not been for the TLA's efforts, there would have been no forest-industry voice on this significant issue. The most important message here: simply, the diverse conservation efforts made by the industry ensure there will always be plenty of old-growth timber left on Vancouver Island, and elsewhere on the BC coast, that will never be harvested. In short, we are not running out of old-growth timber.

As a career logger and business owner for 42 years, I have a vested interest in the future of logging in BC, and have personally withstood numerous government changes and market cycles. I am troubled that various policy changes and the downturn in lumber prices may cause a double hit to the already tenuous timber harvesting contracting community in this province. Will the changes to timber harvesting and subcontractor regulation, along with implementation of the CSR recommendations, be enough to allow

my fellow business owners to survive if poor markets and operational challenges persist? We know all too well that many contractors' balance sheets are not well prepared for this type of impact. In fact, this is one of the predictions the TLA has warned about previously, and I certainly hope we are not right once again.

Now, more than ever, your support is needed if we are going to continue to bring about changes for contractors and the betterment of the entire forest industry in BC. Contractors need and benefit from the TLA's support. Consider: if not the TLA, who would speak up on the many issues affecting your business? I encourage each of you to become a TLA member—the more members we have, the stronger our voice.

There are a lot of challenges out there for contractors (and, to be honest, licensees as well), but somehow, we continue to figure out how to make it work and survive. This year, in fact, "Making it Work" is the theme of the 76th Annual TLA Convention & Trade Show to be held January 16–18. The convention provides an opportunity to network and learn from one another, so I sincerely hope you will come out to learn, ask questions and speak to my fellow TLA board directors, our staff and me about the important issues that impact your business. I look forward to seeing you there! 🌲

Mike Richardson, President, TLA

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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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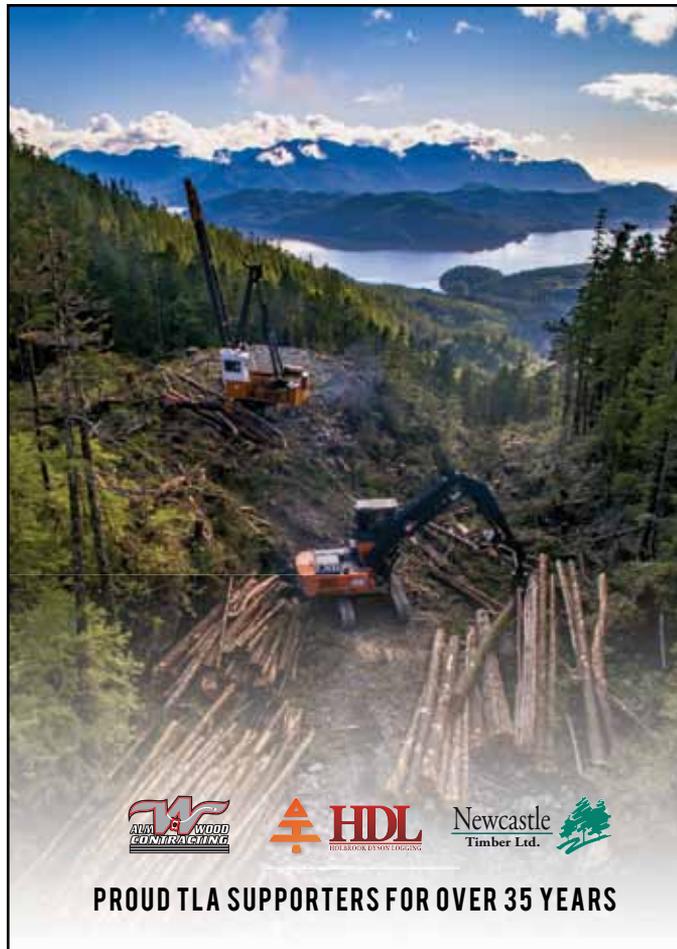
THE ILA IS ON THE ROAD

Once again, this year's forest fires season took a toll on properties, forests and the land base, along with contractors' equipment. One ILA member sustained considerable fire damage to a piece of equipment that was not covered by his own insurance policy. Since he had not selected the optional Limited Indemnity insurance coverage on the Fire Centre Equipment Information Form provided by the province, he was unable to make a claim on the damage. This is an issue that arises every year and contactors are left without insurance coverage; read "Insuring Heavy Equipment While Firefighting" on page 64 for more information.

ILA Scholarships

The ILA board of directors would like to congratulate the following winners of our 2017–2018 scholarship awards:

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As a reminder, 2018–2019 scholarship applications close on July 31, 2019. For more information on our scholarship applications, visit our website at www.interiorlogging.org.

ILA Conference & Trade Show

A yearly reminder: Mark your calendar for the ILA's 61st Annual Conference & Trade Show to be held in Kamloops May 2–4, 2019. This year's theme is Our Strength...is Your Membership. Coast Kamloops Hotel is the host location, and inside and outside displays will be set up at the TK'emlups te Secwepemc Powwow Grounds off the Yellowhead Highway in Kamloops. Registration packages and further information will be on our website at www.interiorlogging.org and in the mail soon.

We are pleased to confirm that Brandt Tractor of Kamloops is once again the sponsor of our second annual Log Loading contest, taking place at the Powwow Grounds. Prizes will be offered as follows: first place, \$750; second place, \$500; and third place, \$250.

We are pleased to report that the Interior Safety Conference will hold its 4th Annual Conference on May 2 at the Coast Kamloops Hotel in its onsite theatre. We anticipate approximately 225 attendees this year, so be sure to register and book your accommodations early.

ILA Membership

Over the past year, we have visited over 100 ILA members in their communities to hear firsthand the challenges they are facing, and also to share in their successes. From Smithers to Chetwynd and all points south, the ILA has been on the road and will continue to travel and listen to our membership in order to enhance our efforts to effect change for a sustainable forest industry. There are similar issues across the province affecting all members, but there have also been lessons learned. We share these through our travels so that they benefit members from different regions across the province.

If you would like us to visit your community or worksite, we can be reached by phone at 250-503-2199 or through our website at www.interiorlogging.org to make arrangements.▲



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CHANGES TO THE INDUSTRY — THE NEW NORMAL



The year 2018 will go down as one of the most devastating fire seasons the province has experienced. This year came on the heels of the 2017 fire season that caused the evacuation of some 65,000 people (primarily in the Southern Interior and Cariboo regions), burned over a million square kilometres of forest land, and amassed direct firefighting costs of close to \$600 million. We've heard the phrase "the new normal" from people in the industry and throughout the world who are experiencing the global effects of climate change. This is being coupled with increases in the frequency and intensity of floods and landslides.

The new normal is where we see Northwest rivers—now considered to be in the fifth year of a drought—where the streams and creeks are all but dried up, the side rivers to the main river systems resemble creeks, and the main stems of rivers such as Skeena, Nass and Nechako look like small rivers, flowing at 30 per cent of their normal volume for this time of year.

In 2017, the Northwest experienced flooding and slides that cut off access to valleys such as the Copper River and Clore Valley, significant operating areas for both regional licensees and other users such as BC Hydro, Pacific Northern Gas and visiting tourists. One year later and millions of dollars spent, access is not yet restored.

In 2018, the hardest hit area of the province from wildfires was the Northwest, where communities were evacuated, property values lost and vast areas of forest burned. The impact to communities, families and people who work there cannot be understated: it was comparable to a war.

Challenges that lie outside the industry's direct control—the loss of mature and second-growth forests through fire, coupled with 25 years of mountain pine beetle attack and amid preparations for

the impacts of a spruce bark beetle infestation—will continue to challenge an industry that has already seen the impacts of reductions in timber supply. Changes will need to be made in how we manage our forests in terms of reintroducing fire to abate and modify forest fuels, creating large landscape fuel breaks that alter fire behaviour, fire-smarting our communities, and bringing industry back into the fire prevention and suppression business as full, contributing partners. The harvesting contractor force has the local knowledge, equipment and workforce to do this work in spades.

In addition, we will need to revisit how we design and maintain our road and bridge networks so that the infrastructure is safeguarded against the imminent floods and slides we can expect from this new normal. We will need to address other challenges to our industry as well, such as retaining a financially healthy contractor force, recruiting and competing for new workers to create an environment in which businesses want to invest and people want to enter the forest industry, and reducing process-orientated red tape for cutting authorities.

The NWLA, along with the TLA and ILA, have been working for a number of years to convince government and forest licensees that a financially healthy contractor force is paramount to the success of the industry as a whole—one that has the opportunity to make a fair rate of return on investment, recapitalize on equipment to promote innovation and competitiveness, provide training and development to new workers, and be a positive contributor to our communities and the province.

The government-commissioned Contractor Sustainability Review recognized the state of the harvesting sector and the immediate need for change. Government representatives, along with the appointed facilitator, Dan Miller, are work-

ing hard to bring the harvesting sector and forest licensees together to work on the changes necessary and critical to the future of the industry.

The province has a vested interest in the sustainability of the industry, and an obligation to all communities in which forest licensees have been granted tenure on Crown lands, and the authority to harvest trees, to ensure that the harvesting sector that supplies the industry is treated fairly in its financial dealings. This obligation by government will be ongoing as long as the right to harvest on Crown land is in the control of a few. The NWLA, TLA and ILA will continue to commit significant resources to promoting this change.

Given the increasing risk of wildfire, flood and landslide events, the industry will continue to need to adapt to change by understanding the challenge of this new normal and then getting out in front of it. To be successful in all aspects of our business, we will need to view that change as just that: *normal*.▲

Trevor Jobb has worked in the BC forest industry in both the sawmilling and harvesting sector for over 40 years. He is a partner in Westland Resources, a consulting resource management company, a partner in a small sawmill, and current president of the NWLA.



WHAT ABOUT BROADCAST BURNING AS A FIREFIGHTING PREVENTION SOLUTION?

Last summer, while attending a TLA Levent in Prince George during the most devastating fire season on record, TLA member Klaus Posselt—of Klaus Posselt Logging Ltd. in Burns Lake—commented on the ability of the Shovel Lake fire near Fraser Lake to move unabated across freshly harvested pine cutblocks into adjoining stands of mature forest. Posselt had flown over some of the areas that had already burned, noting that “the large amount of pre- and post-harvest coarse and fine woody debris” that was left behind in the cutblocks provided ample fuel for the massive wildfire to facilitate its movement eastward into adjacent forested stands.

While it is undeniable that the extensive salvage harvesting of mountain pine beetle-attacked forests in the central Interior has greatly reduced the overall fire hazard, the slash load left behind in some cutblocks provides a significant source of fuel for a number of years post-harvest. Although slash piles at roadsides and landings are burned as required, there are still varying amounts of woody debris throughout the block that can act as fuel for wildfires. In the same effort of the TLA's recent survey of its membership to understand how contractors can support wildfire suppression (see page 60), northern Interior contractors have held similar discussions and concluded that a prescribed broadcast burn might be an effective method of reducing the dispersed slash load in a cutblock, and therefore minimizing the fuel source for wildfires.

Broadcast burning (referred to as a “Resource Management Open Fire” in the BC Wildfire Regulation) is the process by which slash and logging debris are burned where it lies evenly across a newly harvested area. The burning is usually done in the late fall or early spring during wet conditions and when the fire hazard is low. Prior to broadcast burning, a burn plan detailing the logistics of the operation must be submitted to the BC Wildfire Service for approval.

As an effective tool in forest management, broadcast burning has both advantages and disadvantages. Advantages include the following:

- Reduces the wildfire hazard by minimizing the fuel load over a larger area;
- Enhances wildlife habitat for ungulates and other early-seral species;
- Reduces competing vegetation, insects and disease on the site;
- Improves access for site preparation and planting activities; and
- Provides a rapid flush of nutrients in the soil, thereby increasing the survival of newly planted seedlings.

Disadvantages:

- Risk of fire escaping into adjacent stands, with related liability issues;
- Potential environmental and health concerns related to smoke emissions; and
- Can be logistically difficult, requiring significant human resources and equipment onsite and on standby (which can be costly).

While an argument can be made for both the pros and the cons of broadcast burning, the main issue of minimizing the fire hazard across the landscape should take precedence given the recent trend of large-scale wildfires in the BC interior.

In the past, broadcast burning was used to excess as a silviculture treatment, with the side benefit of greatly reducing block slash loads. Over the last three decades, however, there has been a sharp decline in the incidence of broadcast burning, mainly in response to a public outcry about air quality and the desire to reduce atmospheric carbon emissions. Tenure managers who balance the risks and benefits of this management strategy have also shied away from broadcast burning in favour of simply burning in piles near the roadside. The results have been clear.

In 2018, the Shovel Lake fire burned an area of nearly 100,000 hectares and forced the evacuation of numerous communities in and around Fraser Lake, BC. Experts suggest that fires of this scale are going to be the new norm until the remaining stands of dead pine in the Interior have been either salvaged or burned. We propose implementing management plans that include broadcast burning as a means to help reduce the fuel load over a larger area, and therefore create firebreaks in freshly logged areas.

While not yet part of a broader discussion—or considered to be the only solution—using broadcast burning as a treatment method to reduce the overall fire hazard in BC is one possible strategy that could be encouraged by government and implemented more regularly across the industry on appropriate sites. This can be done by providing financial incentives, providing knowledge and personnel that are already employed by the BC Wildfire Service, taking on some of the liability if things do not go as planned, and alleviating strict venting index requirements. In addition, the government can help the public understand that the short-term effect on air quality due to controlled broadcast burning is much less of an environmental and health risk than the large smoke emissions experienced during a single summer of wildfires.▲

Paul Schuetz has spent more than 20 years working in the Northern Interior forests with Industrial Forestry Service Ltd. His experience in timber cruising, road engineering and crew management give him unique insights into contractor issues in the north. If you have an issue you want to bring to the TLA, call Paul at 250-564-4115.

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CANNABIS IS LEGAL—NOW WHAT?

One of the most difficult areas for employers is managing and ensuring the safety of employees while, at the same time, respecting their rights to privacy and limits on drug testing. Employers, including all of those in the trucking and logging industries, now face an even more complicated legal situation following the legalization of cannabis last October. One of the most important tools for any employer in these industries is to have up-to-date workplace policies that can adequately deal with this new legal reality.

Each province and territory has enacted (or will enact) legislation providing for a variety of models for retail and distribution, and specific rules regarding public consumption. While specifics may vary, the impact on employers in every jurisdiction has some commonalities. Generally speaking, under most Occupational Health and Safety legislation, it is the employer that has the legal obligation to take all reasonable steps to ensure the safety of their employees; that is, employers have all of the responsibility, accountability and liability for workplace safety. It is, therefore, incumbent on employers to become aware of and understand the impact of legalized marijuana consumption on workplace safety. While all employers should have updated policies establishing expectations for fitness for work, employers in British Columbia will also have to consider and navigate how permissible public consumption might impact off-site smoking at the workplace.

Many employers have updated impairment or fitness for work policies, as well as zero-tolerance policies in place, and have developed accompanying communications plans to ensure employees are aware of the expectations placed upon them regarding the consumption of impairing substances. Employers should update their existing policies regarding fitness for work by amending them, or by introducing new policies to reflect

the company's policy regarding cannabis use whenever possible.

Policies outlining expectations around cannabis consumption and fitness for work, especially in safety-sensitive industries, are critical to ensuring worker safety and mitigating employer liability for workplace injuries. Allowing an impaired employee on a worksite puts the employee and other workers at risk of personal injury or harm, and exposes the employer to potential liability.

Moreover, while employer policies prohibiting the consumption of impairing substances such as alcohol and cannabis are justified, employers have a duty to accommodate disabilities under human rights legislation. This means, in certain circumstances, that the employer will need to consider whether an employee is an addict or has a prescription for medicinal cannabis, and the employer's policies will need to reflect and accommodate such employees. Employers should be sure to educate all of their employees on the new policies, and train supervisors and frontline personnel to watch for signs of impairment in their coworkers.

In addition to drafting or updating impairment policies, employers should consider implementing an accommodation policy that also reflects updated language recognizing the legalization of cannabis. If an employee has a medical condition for which a doctor has prescribed medical marijuana, an employer will have a duty to try to accommodate that employee. However, employers can ask the employee to provide additional information, such as whether the employee's condition is temporary or permanent, or whether there are any associated limitations or restrictions on their ability to perform their job. The employer's duty to accommodate includes a duty to inquire. Therefore, in order to accommodate such an employee, an employer may be required to grant a leave of absence while the employee is undergoing treatment. Alternatively, the employer may be required to find a different job for the employee in cases where that is possible. However, if the consumption of medicinal marijuana is likely to cause impairment to the extent that the employee cannot perform any job, then the
(Continued to page 75)





BUSINESS PRACTICES FOR SUSTAINABLE CONTRACTORS

Part Three—Buying New Equipment: Lease vs Buy

The method you use to finance your new equipment purchase can have a significant impact on your bottom line. Should you lease or buy? This is another area in which I find many contractors struggle to make a confident decision. There is no right or wrong answer—and in some cases it makes little difference to the end result—but it is a decision every contractor needs to make at some point. Here are some things to consider that may help you decide what is best for you.

The decision to purchase or lease a piece of equipment involves several factors: available financing options; the lowest overall cost when tax and discount rates are considered; and the cash flow and tax situation of your company. If your company has different lenders with different financial covenants, it is

important to understand how purchasing and leasing could impact your financial statements in order to ensure that your decision will not put you offside with one of your lending institutions.

Tax and cash-flow considerations

When you lease an asset, 100 per cent of the payments are considered tax-deductible when they are paid (exceptions apply in the case of a large downpayment). This gives you a good match between the cash outflow to the tax deduction.

When you purchase an asset, it will be recorded for tax purposes and the associated capital cost allowance (CCA) deducted from taxable income, with only half of the depreciation allowed in year one; the interest paid will be deducted from taxable income for the period as well. Since a purchase normally requires

a downpayment, and since principal payments are not tax-deductible in year one, there is often a mismatch between the cash outflow and the tax deduction received in that first year. With large equipment purchases, this mismatch can tie up significant amounts of cash without an immediate, matching tax deduction. In the ideal cashflow world, you would receive a \$1 tax deduction for every \$1 that leaves your bank account.

For major capital purchases such as a loader, feller buncher or excavator, the tax works out roughly the same; however, the timing of the deductions is not the same. If you buy these assets, you receive a tax advantage in the early years because the tax deduction will normally exceed the lease payment amounts for those first three years. After about three years, the scale tips the other way, and

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the tax deduction becomes less than the lease payment. If you are looking for a quick tax deduction, you typically get more in the short run by purchasing. If you find a deal where the downpayment is low, or nothing at all, you will be ahead if you buy the asset. However, if you were required to make a large downpayment, the tax deduction may never exceed the cash outflow. Therefore, if your goal is to match cash outflow with tax deductions, a lease may be a better option.

Be cautious if you have always purchased your assets in the past and are now switching to a lease. Your trade-in must be disposed of for tax purposes, but your new asset is not added to your tax pool, so you could end up with a negative tax consequence in year one.

Service life considerations

If you are a contractor who wants to run new equipment all the time, we are finding that owning it can cost you more cash when you factor in the downpayment, amortization and interest. In this case, leasing may have its advantages.

Just pay careful attention and watch out for those lease administration and other hidden fees. When factoring those in, the interest rate can go from the advertised 5 per cent to much higher—in some cases closer to 12 per cent.

If you are a contractor who likes to keep machinery for the long haul, owning is almost always going to be cheaper, as the interest rates associated with leasing are typically higher.

Timing of acquisition

The purchase of a piece of equipment allows for the full amount of capital cost allowance to be deducted from taxable income in the year of purchase, regardless of the timing during the year. For operating and capital leases, only the lease payments paid during the year are deductible for tax purposes. This fact may influence your decision based on whether the lease or purchase option provides the lowest overall cost.

Final thoughts

Remember, leasing companies are in business to make money, as are those

that finance purchases (notwithstanding that financial institutions are now offering some very attractive leases). Your decision will not only affect your current bottom line and tax position, but also has the potential to influence your company's ability to obtain financing in future years. To ensure that you are not limiting your company's opportunities, be sure to consult your primary lending institution. A good business advisor can also help you determine which deal is the best for you, and help you keep as much of your hard-earned money in your pocket as possible.▲

Chris Duncan, CPA, CA, is a Business Advisor with MNP's Private Enterprise group. Chris specializes in real estate, construction and forestry businesses. Based in Duncan and serving clients across Vancouver Island, Chris draws on his unique background to deliver industry-specific advice to help business owners stay in compliance, make informed decisions and achieve their goals. Chris can be reached at 250.748.3761 or chris.duncan@mnp.ca.

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THE DEPARTURE FROM PERFECT MARKETS AND ITS IMPACT

A “perfect market” is one that features many buyers and sellers of a product or service, and each has complete information about each other. In a perfect market, it is easy to compare prices between products and services because they are the same as each other. Transactions between buyers and sellers typically result when an agreement is reached on a product or service’s value versus cost.

However, where markets are restricted by the number of buyers, the playing field is typically tilted in their favour. This is the case in the BC forest industry contracting sector, where there are many sellers of logging, tree-planting and engineering services, and it seems almost every day the buyers’ side of the market for those services is shrinking (to the detriment of sellers).

Over the past decade, there has been a significant contraction of the forest sector; today, it is dominated by a few large players, causing a departure from a perfect market. Canfor acquired Slocan in 2003 and effectively made itself one of the largest forest products companies in Canada. Shortly after, in 2004, Tolko swallowed up Riverside Forest Products to take its place in Canada’s top five, and West Fraser took over Weldwood’s assets in BC and Alberta.

In 2006, Western Forest Products bought Cascadia, (what was left of the MacMillan Bloedel Crown coastal assets previously purchased by Weyerhaeuser), followed by the purchase of Canfor’s coastal assets (the Englewood logging division on Vancouver Island). By amalgamating three large coastal companies into one, these acquisitions gave Western over 1.5 billion board feet of annual lumber capacity and 6.8 million cubic metres

of allowable annual cut from Crown-owned tenures.

In 2007, Interfor roughly doubled its Canadian company’s lumber capacity in BC after buying mills and tenure from the bankrupt Pope and Talbot. Then, in 2016, Canfor bought Wynndel Box and Lumber Ltd. and its associated Crown tenures (located in the Creston Valley) to augment its previous purchase of Tembec in the East Kootenay region.

As each of these transactions occurred, the market for logging and forestry services was reduced; as a result, contractors had fewer and fewer entities from which to choose. Evidence suggests that rates for services were negatively impacted and, in the logging sector specifically, many contractors left the business.

Paper Excellence, which owns Howe Sound Pulp & Paper, among other assets in BC, recently announced entering into an agreement to acquire Catalyst Paper Corporation—including its three facilities located in Crofton, Port Alberni and Powell River, its Surrey distribution centre, and its headquarters in Richmond, BC. This agreement effectively reduces the number of pulp log and chip consumers on the coast from three to two (given that Neucel Specialty Pulp remains closed).

In August of this year, the owners of TimberWest and Island Timberlands entered into an agreement to provide for shared use of facilities, alignment of best practices and enhanced forest stewardship.

The company’s press release stated that TimberWest and Island Timberlands would continue to be standalone companies, with no change in control and sharing corporate services, and that there will be no significant changes anticipated to sustainable harvest levels, contractor and field workforce employment as a result of

the affiliation. However, with the subsequent announcement of a single CEO and management team for the two companies, one must wonder if the contracting of services and timber supply dynamics will be impacted as they work as a single entity to optimize operational costs.

And finally, in 2018, Mercer International signed a deal to acquire the western Canadian mill properties of Daishowa-Marubeni International (DMI). This included its Peace River pulp mill in Peace River, Alberta, a 50 per cent ownership of the Cariboo pulp and paper mill in Quesnel, BC, and a 50 per cent interest in the Peace River Logging Corporation and associated Limited Partnership (a joint venture with the Woodland Cree First Nation). This transaction effectively reduces BC Interior pulp and chip buyers by one more.

As the number of companies in the industry continues to fall, the regional distribution of their control is also intensifying. Whereas in the past it was not uncommon to see many companies operating within the same region—providing some diversity of market for contractor services—today we see the few remaining companies becoming increasingly dominant in each region. This trend only further intensifies the impacts of company mergers.

So, has the continued departure from perfect markets in the BC forest industry had an impact? For the answer, one need only look at the underlying cause of the ongoing Contractor Sustainability Review and the dilemma for tree-planting contractors struggling to recruit workers (increasingly the latter cannot make reasonable wages; see story on page 45). Simply put, when markets are not perfect, winners and losers emerge.▲

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MANAGING FATIGUE FOR LOG-HAULING TRUCK DRIVERS

By Ian McNeill

Photo: TLA Staff

Cell phones get all the publicity but driver fatigue is a leading and all-too-often unacknowledged contributor to collisions on public and private roads alike. According to the Canadian Safety Council an astonishing 20 per cent of Canadians fell asleep

at the wheel at least once over the past year. The Canadian Council of Motor Transport Administrators cites fatigue as a factor in 21 per cent of all motor vehicle collisions, causing 400 deaths and 2,100 serious injuries annually, making it the third leading cause of

collisions after alcohol impairment and speeding.

On the commercial side the numbers are even more unsettling. According to the US National Transportation Safety Board some 28 per cent of truck drivers suffer from obstructive sleep apnea



or “sleep apnea” as it’s more commonly known, as compared with just 6 per cent for the general population. The same study also identified fatigue as a contributing factor in 13 per cent of all fatal truck crashes, rising to 28 per cent for single commercial vehicle crashes including rollovers and driving off the road. As if to underline the point, the Transportation Safety Board here in Canada recently released a report calling for a “profound change” in the way fatigue is addressed by both management and workers.

That change is already well underway in the forestry sector with respect to logging truck drivers says Dustin Meierhofer, director, Transportation and Northern Safety for the BC Forest Safety Council (BCFSC). “Fatigue is increasingly part of a wider discussion in many industries, and that has sparked us to take a look at our own,” he says.

A problem of measurement

Fatigue is one of those universal afflictions, but unlike something like a blood-alcohol levels it’s virtually impossible to measure, and an individual who nods off at the wheel and has an “incident” is likely to be amped after the event and showing no evidence of the condition, that is if they are alive and even able to tell the tale.

And even if you could measure it, says Meierhofer, what constitutes impairment? “At what level does it become a safety issue?”

A glib response would be to say “falling asleep at the switch,” but nodding off isn’t the only consequence of fatigue. It doesn’t just put you to sleep, it impacts decision making and reaction time, just enough in some cases to make you misjudge a turn, forget to put in a kilometre call, or lose track of the chaser scrambling around the landing.

Although you can’t measure fatigue directly, says Meierhofer, you can at least measure some of the contributing elements and factor them into a fatigue-management strategy. These include number of days and hours worked, shifts, schedules, and the amount of time off, but of course what happens at work isn’t all there is to the equation. At the end of every day drivers go home, but to what, a nutritious meal and a comfy bed for a restful seven hours? Not always. “An individual’s own habits have a lot to do with it,” says Meierhofer. “Not managing fatigue outside work makes it a lot more challenging to manage it at work.”

Lack of sleep is obviously a significant factor, enough so that researchers liken being awake for extended periods to alcohol impairment. According to the Canadian Centre for Occupational Health and Safety, 17 hours awake is equivalent to a blood alcohol

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Setting the alarm

So we know it's there, we know it's bad, we know it affects us all differently, but what do we do to address it? The solution is to raise awareness, both at the management and driver level, and keep hammering the message home, says Meierhofer. To help in the cause the BCFSC's Trucking and Harvesting Advisory Group has available a "best practices" tip sheet managers can use to develop onsite strategies. It also offers fatigue management training courses for drivers throughout the province designed to inform them of the risk it poses, how it can be managed on both the personal and operational levels, and what the BCFSC and industry is doing to support them.

And industry is taking up the challenge, says Jeff Holland, dispatcher for the KDL Group in Fort St. James, who says the company not only has a safety management program that addresses fatigue, it hammers the message home regularly by making it a topic during annual spring training exercises and monthly "tailgate meetings."

The issue is especially challenging in the spring when it is often necessary to move from day shifts to night driving in order to avoid boggy road conditions. "That can be tough on the guys," he says, adding that planning ahead can minimize risk when shift changes are coming because it allows drivers to adjust their habits accordingly on the home front. It's also important that drivers understand the symptoms of fatigue, and act on them accordingly. "I tell them that if they're head bobbing and turning up the radio or rolling down the window in order

to stay awake when they are fatigued then they need to pull over," he says.

Jeremy Kuharchuk of Blue Valley Trucking in Vanderhoof says part of the fatigue problem can be traced back to an inability of some "old school" drivers to adapt to changes in the industry. In the "old days" the hauling season in Northern BC was typically in the seven-month range. Nowadays, in an effort to reduce inventory, licensees are operating satellite "reload" yards, transforming what was previously a seasonal job into one that runs pretty much year round. "In the old days the guys would go gung-ho, not worrying about burnout because they knew they were going to get a break," says Kuharchuk. That break is now gone, but drivers are still pushing the endurance limits, both on the job and off. "They have this mentality that they're legally allowed to work 15 hours and that's what they have to do," he says. And this can lead to bad things. "You get guys working



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15-hour days for three of four weeks and by the fourth week they start missing km calls or other important things they need to do to get themselves home at night, and it's because they are fatigued."

It isn't about money, he adds, or at least it shouldn't be. Shorter days in a longer season result in income levels that are comparable, and he describes the rates and cycle times as fair for the area he operates within. "The way the rates and cycle times are set right now if you can't survive on a 10- or 11-hour day you're doing something wrong."

Some argue that the fatigue issue could be addressed in part if mill scales were open longer, but Kuharchuk says that shouldn't be an issue. "Scale hours are not an issue if you manage your schedule properly."

Ultimately the log hauling side of operations has to develop a different culture, he says. "If we're going to move forward as an industry we're going to have to put more focus on professionalism; the guys have to stop living on sandwiches and coffee and being up 20 hours a day," he argues, adding that the long-term viability of the industry

is going to be threatened if the business is unable to offer careers to young people who want more out of life, including things like families, hobbies and a chance to relax at the end of a working day. "If you don't give the young ones coming into the business a professional atmosphere nobody is going to haul logs when they can go work at the mill for \$30 an hour and only have to work eight hours."

According to David Elstone, executive director of the TLA, the solutions are not as straightforward as we might want them to be. "We are beginning to understand fatigue as a serious problem, but it is unfair to say it is solely a drivers' lifestyle that is the cause. It is the culture within the industry including truck scheduling, season duration, timber supply resulting in longer-haul distances, and fair compensation that all need to be factored in."

More could be done to address fatigue at all levels and sectors, and more will be done, says Meierhofer. Technology may

offer some solutions (see below), but ultimately the surest solution is to ensure that both management and drivers understand the risks of fatigue and the benefits of minimizing it, both on the job and off. "It's got to be a combined effort at all levels," he says. "We must work collectively on protocols for managing it throughout the industry, but it remains challenging; how do we implement change and still manage our business in a way that meets our objectives?"

It's a good question, and in the meantime the surest solution is to keep the pedal to the metal when it comes to raising awareness and developing a more professional log-hauling culture.▲



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Making it worse

According to the Mayo Clinic, fatigue can be aggravated by a number of factors including: use of alcohol and drugs, too much physical activity, too little physical activity, lack of adequate sleep, use of medications including antihistamines and cough medicines, and unhealthy eating habits. The clinic has also found that chronic fatigue can often be a sign of underlying disease, anything from anemia and cancer to diabetes and heart disease. Chronic fatigue sufferers are advised to consult their doctor.

Technology to the Rescue?

Technology developers are working on solutions that may reduce the number of road incidents related to driver fatigue. Guardian, developed by Seeing Machines of Australia, uses in-cab sensors to monitor levels of fatigue and distraction. Face- and gaze-tracking algorithms measure head position and eye closure, and when "safety parameters" are exceeded the machine sets off audio alarms and seat vibrators. A forward-facing camera also captures

critical information about road conditions at the time of an "event."

Readiband by Fatigue Science is another possible solution. The wrist bands initially measure baseline levels of fatigue risk in individual drivers. That risk is then presented in a "SAFTE Alertness Score, which relates directly to real-world safety factors like reaction time, decision-making ability, and lapses in attention," claims the company's website. Drivers use the information to set goals on the way to improving their Alertness Scores, reducing them over time to safer, less fatigued levels.

The BC Forest Safety Council has been testing both options in a joint pilot project with industry since April. "We are currently working on the report regarding this initiative with TimberWest," says BCFSC's transportation director Dustin Meierhofer. "Results will be available in the near future [and] we continue to look at technology as one of many opportunities to aid in addressing fatigue management."



Grow Your Business

Our Forestry Group is backed by a full-service global law firm with a wide range of experience representing clients across the country on issues affecting the forestry sector. We provide you with the advice you need to succeed in today's economic environment and to unlock new business opportunities.

Visit us at **Booth 307** at the Annual Truck Loggers Association Convention & Tradeshow.

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MAKING SURE B.C.'S FORESTRY SECTOR HAS A STRONG, SUSTAINABLE FUTURE

By Premier John Horgan

From day one, our government has been about people. We're working every day to make life better for people all over the province. That means investing in good-paying, sustainable jobs in every corner of B.C., including in B.C.'s iconic forest industry.

The forest sector is a cornerstone of economic activity in British Columbia, supporting families, communities, and jobs across our province. As a major manufacturing and export industry, there are forestry jobs all over B.C. In rural and remote communities, forestry employs more than 57,000 British Columbians and supports over 7,000 businesses. One-third of our exports are forest products, which means that forestry jobs also extend into urban B.C., in occupations such as transportation, warehousing, shipping, towing, customs, accounting, sales and marketing, and others.

Given forestry's long history in B.C., it would be easy to view the industry as part of the "old economy"—different and apart from our growing technology sector. Fact is, forestry is a significant customer for parts of B.C.'s technology industry, and technology is central to every part of modern forest management.

Today's foresters use satellite-enabled technologies to see through the forest canopy, to direct harvest planning, monitor site conditions and respond more effectively to wildfires. Drones are used to cost-effectively scan large areas of forest. Technology makes harvesting operations safer and allows remote-controlled machines to access slopes that would be too dangerous to harvest by hand. Modern lumber manufacturing is high tech too, using scanners to optimize the use of each log and computer-linked machinery to guide each step of processing logs into lumber. New products, like Cross Laminated Timber (CLT), create additional jobs and value from our lumber, and make it possible to build strong, safe skyscrapers from wood.

Wood products are used in tall applications and small ones, from the 17-storey Brock Commons student residence at UBC to the 2,000 new supportive

modular homes that were built in 22 communities during 2018, to help address B.C.'s homelessness crisis. Wood building materials can also help British Columbians tackle climate change and spur a greater demand for top quality manufactured wood products as a clean, natural, healthy, renewable building material.

Government is working with First Nations, communities and the industry to develop a fair, lasting strategy to strengthen forestry all over B.C. I asked Forests Minister Doug Donaldson to lead the Coastal Forestry Revitalization Initiative, which will renew our forest policy framework, help to expand domestic manufacturing, encourage getting more value out of every log, provide new opportunities for First Nations, and encourage innovation and a better business climate.

We're moving forward on our government's commitment to implement UNDRIP and to build a true partnership with First Nations based on rights, respect and reconciliation. In the forest sector, we're continuing to explore ways Indigenous communities can benefit from forestry activities on their lands. The Province recently entered into a unique community forest agreement for the Qala:yit Community Forest—the first of its kind in B.C. The Pacheedaht First Nation, BC Timber Sales, Cowichan Lake Community Forest Co-operative, and the Province are all working together to create good jobs and more opportunities for people in the Cowichan Lake communities. Partnerships like these will inspire new ventures and processes of working together, protect the environment, promote economic opportunity and growth, and manage land and resources.

Across B.C., 2018 was another devastating wildfire season, with over 1.3 million hectares of land impacted by wildfires. Hundreds of industry contractors assisted the BC Wildfire Service in fighting the fires and keeping communities safe. Thanks to everyone's dedication and hard work, not one life was lost. Acting on lessons learned during 2017

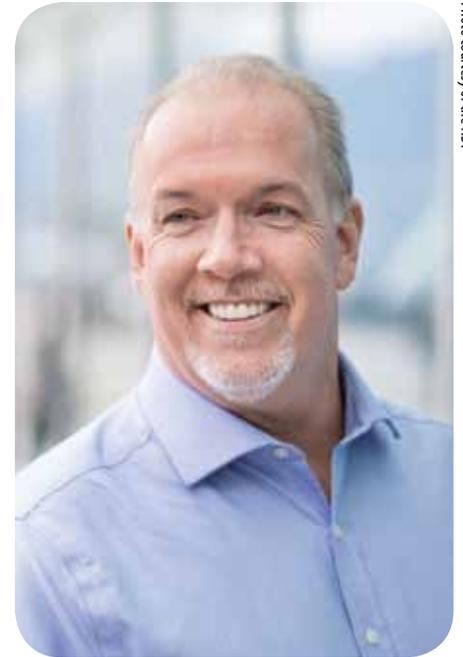


Photo courtesy of the NDP

and 2018, as well as the recommendations from the report by George Abbott and Chief Maureen Chapman, the BC Wildfire Service is looking at changes to be better prepared for 2019 wildfires.

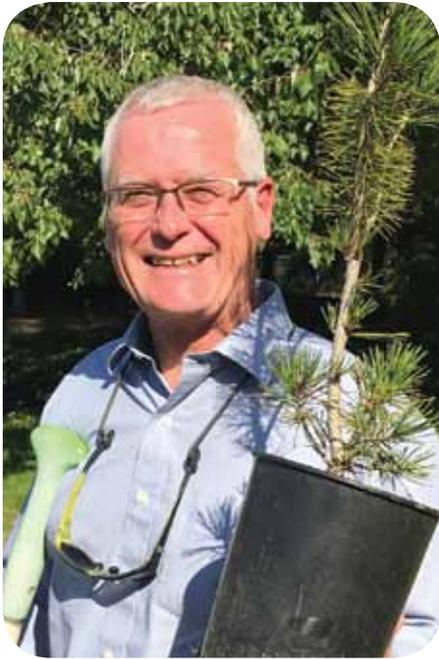
The TLA selected a theme of "Making it Work" for your January 2019 convention, representing so much that is going on across the forest sector, as well as your organization's 75 years of representing logging contractors and other members. In that regard, I am pleased that Dan Miller has been able to help logging contractors and licensees reach agreement to work together on developing rate models and rate determination factors.

Looking forward, B.C.'s forest sector continues to explore innovative ways to make better use of our vast resources. Together with partners in all parts of the industry, our government is working to grow demand for our wood products, design services, and building technologies, and to expand foreign markets for B.C. lumber. We're working hard to make sure B.C.'s forest industry has a strong, sustainable future—for everyone. I look forward to working with you and continue building a better British Columbia.▲

Making Forestry Work

By Doug Donaldson, Minister of Forests, Lands, Natural Resource Operations and Rural Development

Photo: Courtesy of Ministry of Forests, Lands, Natural Resource Operations, and Rural Development



Our government is committed to a sustainable economy that works for all British Columbians. I can't think of a more sustainable sector than forestry. In my time as Minister, I've been impressed with all those I've met who work in the sector, and their hard work and passion.

Forestry directly employs 57,000 people in over 140 communities in all regions of the province. For many communities, forestry is the main economic driver—contributing to the local tax base to fund community or recreation centres and in providing jobs for many families.

As Premier Horgan noted in his message, forestry is innovative and a quick adopter of modern technology; however, it still faces challenges—and one of those challenges—climate change—is one that we all face. Resilient forests can be a key factor in a long-term climate change strategy.

Unfortunately, the 2018 wildfire season was again record-breaking, with over 1.3 million hectares of land burned. This again highlighted the need to do more to help prevent wildfires, protect people, and mitigate potential damage. At the end of October we released our action plan to address the 108 recommendations brought forward by George Abbott and Chief Maureen Chapman

after their review of the 2017 wildfire and flood seasons.

In September, I was proud to announce the new \$50 million Community Resiliency Investment program. The program takes a holistic approach to wildfire risk reduction and fuel management treatments, and will consider fire prevention activities on provincial Crown land and private land—in addition to local government and reserve land. These actions will help keep British Columbians safe and protect homes, possessions, livestock and pets.

Wildfire risk reduction activities are also undertaken by the government-funded Forest Enhancement Society of B.C. To date, over \$163 million has been allocated for wildfire risk reduction, reforestation, forest rehabilitation, wildlife habitat restoration and raising awareness of the FireSmart program.

Our government believes that the 21st century holds bright promise for the forest industry, with new processes, products and markets. This is why over the last year, we have invested \$1 million in new and upgraded programs specifically in forestry at six public post-secondary institutions around the province. This includes new programs being piloted at North Island College in Campbell River, Vancouver Island University in Nanaimo, and a new program at University of British Columbia for a new undergraduate bio-economy degree.

The San Group in Port Alberni has announced it plans to invest up to \$70 million in a new sawmill and recently Paper Excellence announced its intent to acquire Catalyst Paper, which includes mills in Crofton, Port Alberni and Powell River. These investments indicate confidence in the forest sector.

However, we need to do more to ensure that the benefits generated by forestry activity are more equitably shared with all forest sector participants. That's why the Premier has tasked me with the Coast Forest Revitalization Initiative. I hosted meetings with coastal forest stakeholders in June and again in September. Ministry staff have been reviewing the over 200 ideas received.

We're committed to working with First Nations, communities, licensees, contractors, and labour to strengthen the sector and process more logs in B.C. to support B.C. jobs. We will have more to say about this in the new year.

And, as I write this, I'm about to lead my second trade mission to Asia. It will be the largest-ever, and in addition to some TLA member companies, we'll be joined by a larger number of First Nations than ever before. While we continue to diversify our wood products beyond 2x4s to pellets, cross-laminated timber, and everything in between we also need to grow Asian markets and reduce our reliance on the U.S. South Korea is a growing market as it has realized the benefits of wood construction in areas prone to earthquake. Japan, a valued customer for over 40 years, continues to appreciate the high-quality, high-value products from the Coast. China has come to recognize the environmental benefits of building with wood and is interested in wood construction to help reduce its greenhouse gas emissions. I look forward to being able to report out on a successful mission.

Last but not least, I want to thank everyone for their hard work on the Logging Contractor Sustainability Review. I understand from Dan Miller that you had many thoughtful conversations and that there was lots of collaboration between the parties. I also want to thank George Abbott and Circle Square Solutions for their initial work that Dan was able to build from. Final recommendations came to me at the end of the year, and I look forward to speaking to this more at your convention on January 18.

While there are some challenges, I am confident that if we all work together, we can “make forestry work.”



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MAKING IT WORK

It has been said that operating in BC's forestry sector is not for the faint of heart. This is very true as businesses looking to succeed will have to navigate a host of government policy changes, new technology, upcoming collective agreement negotiations, skilled labour shortages, and most importantly, relationships as identified in the Contractor Sustainability Review.

The Westin Bayshore is SOLD OUT!

Alternate Hotel:

The Coast Coal Harbour Hotel:
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Room	WEDNESDAY, JANUARY 16, 2019	Start Time	End Time
Westin Foyer	Registration Open	7:00 a.m.	5:00 p.m.
Upper Foyer	Continental Breakfast <i>Enjoy a coffee and snack before the sessions begin.</i>	7:00 a.m.	8:00 a.m.
Stanley Park Ballroom	Welcome <i>Mike Richardson, President, TLA</i> <i>Musqueam First Nation Welcome & Blessing</i>	8:00 a.m.	8:30 a.m.
Stanley Park Ballroom	The Inside Story of the Political Battle for BC A behind-the-scenes look at the dramatic rise and fall of BC Liberals, the return to power of the NDP, and what it means for British Columbia's volatile political climate going forward. <i>Rob Shaw, The Vancouver Sun</i> <i>Richard Zussman, Global BC</i>	8:30 a.m.	9:30 a.m.
Stanley Park Ballroom	A Look Forward Business investment decisions will be made based on what we will likely have to work with regarding the forecast of forest product markets and the global economy. <i>Paul Quinn, RBC</i>	9:30 a.m.	10:15 a.m.
Upper Foyer	Coffee Break	10:15 a.m.	10:45 a.m.
Stanley Park Ballroom	Get Ready - USW Collective Agreement 2019 In 2019, collective agreement negotiations will begin on the BC Coast for loggers and sawmill workers. Contractors were frustrated by being left out of the last collective agreement negotiations and then forced to absorb associated embedded costs. This panel will provide an update on recent negotiation trends seen so far in the Interior and what to expect for the Coast. <i>Michael Kilgallin, Roper Greyell LLP</i> TBA	10:45 a.m.	11:45 a.m.
Stanley Park Ballroom	Keynote Lunch - The New Zealand Style of "Making It Work" Dale Ewers of Falcon Forestry Equipment, whose companies include 14 logging operations spread throughout New Zealand, speaks to conference delegates about a range of innovative new logging systems that his large team of loggers and equipment designers have developed and implemented. Dale will share his views on how New Zealand's timberland owners and contractors work to achieve success in their forest industry. <i>Dale Ewers, DC Equipment Manufacturers of Falcon Forestry Equipment</i>	12:15 p.m.	1:30 p.m.
Upper Foyer	Coffee Break	1:30 p.m.	1:45 p.m.
Stanley Park Ballroom	Making Technology Work for You Using technology to deliver efficiencies in data management, communications, and drones—in other words how tech can make your business better (particularly for supervisors). Electronic time cards - Sara Hipson, TimberTracks Inc. Remote communication - Aaron Gowanlock, Townsend Bros. Construction Co. Ltd. Drones for logging operations - Mark Standley, Work Safe Inc.	1:45 p.m.	3:15 p.m.
Stanley Park Ballroom	Wildfire Fighting - What Contractors Saw and What Needs to Change Contractor concerns observed during the 2018 wildfires and discussions on how to improve the provincial government's effectiveness in forest fighting in 2019. <i>Moderator: Chris Cole, TLA</i> <i>Peter Scharf, Interfor</i> <i>Les Husband, BC Wildfire Service</i> <i>Anthony Boyd, KDL Group</i>	3:30 p.m.	5:00 p.m.
Lower Foyer	President's Welcome Reception	5:00 p.m.	7:30 p.m.

TICKETED

Room	THURSDAY, JANUARY 17, 2019	Start Time	End Time
Westin Foyer	Registration Open	7:00 a.m.	5:00 p.m.
Upper Foyer	Loggers' Breakfast Buffet <i>(complimentary for TLA members)</i>	7:00 a.m.	8:30 a.m.
Cypress Room	Annual General Meeting: For TLA Members Only	8:00 a.m.	10:00 a.m.
Stanley Park Ballroom	Big Picture Issues for Small Business A higher elevation view of the broad issues affecting small businesses that have been introduced by the NDP government—new taxes, policy changes, commitment to UNDRIP—learn how these speakers are making it work (or not). <i>Stewart Muir, Resource Works</i> <i>Terry Teegee, BC Assembly of First Nations</i> <i>Laura Jones, Canadian Federation of Independent Business</i>	10:00 a.m.	11:15 a.m.

Room	THURSDAY, JANUARY 17, 2019	Start Time	End Time
Upper Foyer	Networking Time	11:15 a.m.	12:15 p.m.
Stanley Park Ballroom	Leaders' Luncheon TICKETED	12:15 p.m.	1:30 p.m.
Grand Ballroom	Trade Show Opens	1:30 p.m.	5:30 p.m.
Grand Ballroom	Trade Show Networking & Coffee	1:30 p.m.	2:00 p.m.
Stanley Park Ballroom	Labour Shortage - What Are We Going to do About It? If the forest industry is to continue benefiting from global markets, who are the stakeholders that we expect will deal with the aging workforce and an acute skilled labour shortage? Contractors need people TODAY! What is the strategy and who is trying to help fill the gaps? <i>Lucy Sager, All Nations Driving Academy</i> <i>Dan O'Brien, O'Brien Group</i> <i>John Betts, Western Forestry Contractors' Association</i>	2:00 p.m.	3:15 p.m.
Stanley Park Ballroom	Legalization of Cannabis Cannabis is now legal in Canada. The Supreme Court of Canada has issued a new decision that sets out employee obligations and employer rights relating to drug policies, testing, addiction and discipline. While the incompatibility of cannabis in the workplace seems obvious, there are several complex issues that require a deeper understanding and analysis. This panel session will prepare workplaces of all sizes on the proactive steps that can be taken generally and what reactive options can be applied individually, when cannabis shows up in the workplace. <i>Tom Yearwood, Denning Health Group</i> <i>Sarah Leamon, Sarah Leamon Law</i> <i>Shelley-Mae Mitchell, Borden Ladner Gervais LLP</i>	3:30 p.m.	5:00 p.m.
Stanley Park Ballroom	Loggers' Dinner & Comedy Theatre Reception 5:30 p.m. - 6:30 p.m. Dinner 6:30 p.m. - 8:00 p.m. Comedian 8:00 p.m. - 9:00 p.m. TICKETED <i>Tim Nutt, Comedian</i>	5:30 p.m.	9:00 p.m.
Cypress Room	Loggers' Lounge After some laughs with our comedian, continue the good times with friends in a lounge environment along with music and libations.	9:00 p.m.	12:00 a.m.

Room	FRIDAY, JANUARY 18, 2019	Start Time	End Time
Westin Foyer	Registration Open	7:00 a.m.	5:00 p.m.
Stanley Park Ballroom	Let's Talk Business Over Breakfast Grab a coffee and breakfast and head into the session. Business matters discussion on issues such as succession planning, negotiating, business structure, starting and ending your business(es) and whether or not to buy or lease. This is your chance to get advice on critical issues affecting your business. <i>Chris Duncan, MNP LLP</i> <i>Peter Pringle, JLT Canada</i> <i>Andrew Johnston, The Inland Group</i>	7:30 a.m.	9:00 a.m.
Stanley Park Ballroom	Rate Models - Hourly Equipment Rates The development of standard rate models was the first recommendation of the Contractor Sustainability Review. In support of this recommendation, the TLA has partnered with TimberTracks to prepare hourly equipment rates for logging-specific equipment in BC. <i>Aaron Sinclair, TimberTracks Inc.</i> <i>Harold Hayes, Hayes Forest Services Limited</i> TBA	9:00 a.m.	10:00 a.m.
Stanley Park Ballroom	We Are Not in Business Without a Working Forest Whether the issue is old growth logging on Vancouver Island or endangered caribou in the Kootenays, the working forest area is not growing. This is a problem because forestry relies on sustainably managed forests to be in business. The presentation will cover the issues affecting (or potentially affecting) our ability to harvest timber and manufacture forest products. Legacy Tree Policies - Al Powelson, BCTS Species at Risk - Molly Hudson TimberWest TBA	10:15 a.m.	11:30 a.m.
Grand Ballroom	Trade Show Open	11:30 a.m.	1:30 p.m.

REGISTRATION FEES

All-Inclusive Convention Pass
(Members Only - Max. 200)
Includes all meals, sessions
and ticketed events
except the Spouse Event.

\$1095

3-Day Session Pass
Includes all non-ticketed sessions

Member

\$750

Non-Member

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1-Day Session Pass

Includes all non-ticketed sessions for a single day. Tickets to special events can be purchased separately.

Wednesday

Member

\$400

Non-Member

\$500

Thursday

Member

\$350

Non-Member

\$450

Friday

Member

\$400

Non-Member

\$500

EVENT TICKETS

Member and Non-Member

Wednesday

Keynote Luncheon - Dale Ewers

\$110

Thursday

Leaders' Luncheon

\$110

Loggers' Dinner & Comedy Theatre

SOLD OUT

Friday

Spouse Event

\$110

Lunch on the Trade Show Floor

\$55

A Meeting with

Minister Donaldson

\$110

Suppliers' Night (incl. after party)

\$110

TRADE SHOW HOURS

Thursday, January 17, 2019

1:30 p.m. - 5:30 p.m.

Friday, January 18, 2019

11:30 a.m. - 5:00 p.m.

6:00 p.m. - 10:00 p.m.

Room	FRIDAY, JANUARY 18, 2019	Start Time	End Time
Grand Ballroom	Trade Show Lunch TICKETED	12:00 p.m.	1:30 p.m.
Cypress Room	Spouse Event During a successful career as a CEO in the skateboard industry and after being chosen as one of Vancouver's top 40 under 40, Kelly Jablonski's goal of competing as a world class road cyclist took an abrupt turn when he boarded flight 204 to attend a business summit with a group of seven other business leaders. Kelly is the founder of Just Giver 4 Parkinson's and the humble recipient of Queen Elizabeth II's Diamond Jubilee Medal (2012) an award served to honour significant contributions and achievements by Canadians. <i>Rebecca Menini, BC Children's Hospital</i> <i>Kelly Jablonski, Speaker</i>	11:30 a.m.	2:00 p.m.
Stanley Park Ballroom	Working Relationships – Making It Work How do we all "make it work" given the intense dynamic of the BC forest industry? The Contractor Sustainability Review identifies the underlying problem is relationships between contractors and major licensees. We will hear from panelists on their views of how to make it work. <i>Moderator: Brian Mulvihill, Finning (Canada)</i> <i>Lennard Joe, Stuwix Resources Ltd.</i> <i>Kevin Horsnell, Canfor</i> <i>Dale Ewers, DC Equipment Manufacturers of Falcon Forestry Equipment</i> <i>TBA</i>	1:30 p.m.	2:45 p.m.
Stanley Park Ballroom	TLA Forestry Education Fund Presentation of Annual Scholarship Awards: <i>Presenters:</i> <i>Doug Donaldson, Minister of Forests, Lands, Natural Resource Operations & Rural Development</i> <i>Dave McNaught, Seaspray Log Scaling Ltd.</i> <i>Mike Richardson, Tsibass Construction Ltd.</i> Pacific Logging Congress Invitee: <i>Don Banasky, PLC incoming President</i>	3:00 p.m.	3:15 p.m.
Stanley Park Ballroom	A Meeting with Minister Donaldson The TLA Executive spend much of their volunteer time lobbying the Minister of Forests, Lands, Natural Resource Operations and Rural Development on behalf of the TLA membership. Along with the executive team, the TLA President will discuss the current hot topics facing logging contractors and the forest industry including the Contractor Sustainability Review, major forest policy initiatives, and Interior timber supply with Minister Donaldson and Ministry staff. Audience participation is encouraged. <i>Moderator: Tracey Russell, The Inland Group</i> <i>Doug Donaldson, Minister of Forests, Lands, Natural Resource Operations & Rural Development</i> <i>Mike Richardson, TLA President, Tsibass Construction Ltd..</i> <i>Bill Nelson, TLA Vice President, Holbrook Dyson Logging Ltd.</i> <i>Jacqui Beban, TLA Immediate Past President, Nootka Sound Timber Co. Ltd.</i>	3:15 p.m.	4:30 p.m.
Grand Ballroom	Trade Show Networking and Coffee	4:30 p.m.	5:00 p.m.
Grand Ballroom	Trade Show Closed <i>All delegates and exhibitors MUST promptly exit the Trade Show Floor during this hour.</i>	5:00 p.m.	6:00 p.m.
Grand Ballroom	Suppliers' Night Dinner + Live & Silent Auction TICKETED	6:00 p.m.	10:00 p.m.
Cypress Room	It's a Wrap! After Party!	10:00 p.m.	12:00 a.m.

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\$25 gift certificate

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Two tickets to Little Big Town

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Hand carved wood wine rack and two bottles of wine

Bin 4 Burger Lounge

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Bob Marquis Contracting

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BC Forest Safety Council

Grey wool Stanfield shirt with BC Forest Safety Council logo

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Two Vancouver Canucks tickets in excellent location, one parking pass

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Islander MR3 mooching reel

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CAT gift package: model, vest and hats

Fountain Tire

Makita cordless 18V tool bag set

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National Energy Equipment Inc.

Fill-Rite transfer pump 12V FR4200G series

Natures Edge Wood Design

Wooden serving bowl

NexGen Hearing

3M Lumberjack Kit includes: hardhat, face screen, earmuffs and Carhart vest

North Arm Transportation Ltd.

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Islander fishing reel

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Stihl power saw

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Inland Group

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The Roxy

Roxy VIP experience

Forestech Equipment Ltd.

Custom wooden Kindred Black Creek snowboard

TimberWest Forest Corp.

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Water's Edge Suites

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Piusi 12 volt diesel pump in a box

Westin Bear Mountain

One round of golf for two on the Valley Course with cart

Vancouver Food Tour

Craft Beer 'n Bites Tour for two

Vancouver Island Air Ltd.

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Victoria Royals

Two Club Tickets to a Royals Hockey Game

Westin Bayshore Hotel

Two-night stay and breakfast for two

You are invited to join the fun at the TLA fundraising auctions at this year's convention. Ritchie Bros. Auctioneers will entertain you while conducting the live auction at Suppliers' Night Dinner.

Proceeds from the Silent and Live Auctions will go to fund the TLA Forestry Education Fund.

LIVE AUCTION ITEMS

Associated Tire & Auto

Six TOYO M608Z Commercial Shop Truck Tires with installation (winner can choose 6 x 255/70R19.5 or 6 x 245/70R19.5)

Seaspray Log Scaling Ltd. and TLA Board

Fully stocked wine fridge

Coast Island Marine

Four-day, three-night fishing trip at King Pacific Lodge

Copcan Civil Ltd.

Weekend getaway package for 2

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One-hour helicopter tour for three passengers in Bell 206 Jet Ranger out of the Campbell River hangar

Kal-Tire

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Nootka Marine Adventures

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TLA FORESTRY EDUCATION FUND: What Your Money Achieves

The TLA Forestry Education Fund invests in supporting forestry education for the next generation and raising awareness about the TLA and forestry in our communities. Each year, upwards of \$100,000* is raised through the Suppliers' Night silent and live auctions at the TLA Convention and Trade Show and other

fundraisers. Auction items are generously donated by TLA members and supporters. In all of the auction's excitement, it can be easy to forget what the Forestry Education Fund supports; the following highlights several initiatives:



Founded in 1967 by Bill Moore, the Festival of Forestry takes 20 teachers on a three-day tour to show them the whole forestry cycle—from seedling to final wood product. The 2018 tour, held in the Okanagan, let teachers see forestry on-the-ground so they could understand the industry better and pass on what they learned to their students. **Annual spend: \$5,000**



The TLA supports Logger Sports events all along BC's coast. Last year, the TLA supported events in Campbell River, Port Alberni, Cowichan, Port McNeill, Powell River, Bowen Island, Abbotsford, Sandspit and Squamish. These events are a great way to get the public out and thinking about forestry in their community. This competitor is taking part in the pole climbing competition—an event that requires strength, precision and steady nerves. **Annual spend: \$10,500**

FORESTRY EDUCATION IN ACTION!



 The TLA budgets for five TLA Trades Scholarships each year at \$1,000 each. Mitchell Short is a heavy-duty mechanic apprentice for Fearless Log Salvage. To find out more, visit www.tla.ca/scholarships.

Annual budget: \$5,000 max.

 National Forest Week is celebrated nationwide every year. The TLA sees the benefit of publicly celebrating our forest and everything they provide for us—timber, recreation and tourism, wildlife habitat, etc.

Annual spend: \$2,000



 The TLA has always valued the BC Forest Discovery Centre offering interactive learning opportunities focusing on forest heritage, ecology and resource education, and is one of its oldest benefactors. In 2018, the TLA joined other industry stakeholders in making a major investment in this forestry education facility with a one-time donation of \$75,000 to commemorate the TLA's 75th anniversary by supporting a major renovation and upgrade to the Centre. This group photo depicts members from across the coastal forest industry who planted a tree to commemorate the Forests Forever: Innovation in Modern Forestry exhibit, set to open in 2019.

**Annual spend: \$10,000,
One-time spend in 2018: \$75,000**

 TLA Scholarships are awarded annually to students attending the following schools and planning to work in BC's forest industry: Vancouver Island University (VIU) and University of British Columbia (UBC). This financial support allows tomorrow's forestry workers to focus on their education and be better prepared to join the industry.

Approximate Annual spend: \$31,900

**these funds are separate from the TLA's operating capital.*

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FORESTRY EVENT CALENDAR 2019



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DATE	EVENT	LOCATION
January 16 - 18	Truck Loggers Association Convention and Trade Show	Vancouver, BC
January 22 - 24	Premier's BC Natural Resources Forum	Prince George, BC
January 30 - Feb 1	Western Forestry Contractors' Association Conference and Trade Show	Victoria, BC
February 6 - 8	ABCFP Forestry Conference and AGM	Kamloops, BC
February 21 - 23	Oregon Logging Conference and Trade Show	Eugene, OR
April 3-5	COFI Convention and Trade Show	Vancouver, BC
April 3-5	Intermountain Logging Conference and Equipment Show	Spokane Valley, WA, USA
April 12 - 14	Association Vancouver Island and Coastal Communities Convention	Powell River, BC
April 24 - 26	Olympic Logging Conference	Victoria, BC
May 2	Interior Safety Conference	Kamloops, BC
May 2 - 4	Interior Logging Association Conference	Kamloops, BC
May 8 - 9	Global Softwood Log & Lumber Conference	Vancouver, BC
May 13 - 15	Aboriginal Business Match (TLA members receive 10% off the primary delegate registration fee)	Sylix/Okanagan Territory, Penticton, BC
May 24 - 25	Canada North Resources Expo	Prince George, BC
June 1	Port McNeill Logger Sports	Port McNeill, BC
June 5 - 6	Private Forest Landowners Annual Conference	Sooke, BC
June 12 - 14	BC Community Forest Association Conference	Mission, BC

June 12 - 14	Powell River Logger Sports	Powell River, BC
July 27	Sandspit Logger Sports	Sandspit, BC
July 21 - 23	Bowen Island Logger Sports	Bowen Island, BC
July 27 - 28	Pacific Logging Congress – Summer Board Meeting	Vancouver Island, BC
August 1 - 5	Squamish Days Logger Sports	Squamish, BC
August 2 - 4	Abbotsford Agrifair Logger Sports	Abbotsford, BC
August 9 - 11	Campbell River Logger Sports, Campbell River Salmon Festival	Campbell River, BC
August 16 - 18	Nanaimo Logger Sports, Vancouver Island Exhibition	Nanaimo, BC
September 5 - 8	Alberni Logger Sports, Alberni District Fall Fair	Port Alberni, BC
September 6 - 8	Cowichan Logger Sports	Duncan, BC
September 22 - 28	National Forest Week	Nationwide
September 23 - 27	Union of BC Municipalities Convention	Vancouver, BC
October 5	Vancouver Island Safety Conference	Nanaimo, BC
Nov 4 - 6	110th Annual Pacific Logging Congress Convention	Waikoloa (Big Island) HI, USA

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FOREST COMMUNITY: PRINCE GEORGE

By Robin Brunet

When Prince George hosted the 2015 Canada Winter Games—suddenly focusing media eyes from around the world on the proud logging hub of 74,000 people—Mayor Lyn Hall realized he had been given an opportunity that couldn't be wasted.

He recalls, "I knew we would get publicity during the games (which coincided with our 100th birthday), but the media exposure was so enormous that it would be foolish not to capitalize on it. So, we doubled up on our marketing efforts, and as a result attracted more high-profile games to our neck of the woods.

"This led to a steady stream of inquiries from the business community in other parts of the province and Canada—which of course is most welcome as we continue to diversify our economy."

It has often been said there are two types of forestry towns. The first is one whose fortunes were made thanks to the forest industry but, with diversification, has distanced itself from its logging roots.

Prince George is the second type of forestry town: it too has diversified, but instead of trying to distance itself from its roots, it has embraced them. In fact, Hall and other city officials shout its benefits from the proverbial rooftops whenever they get the chance. "We regard forestry as our main strategic partner in our grand economic plan," says Melissa Barcellos, manager of economic develop-

ment for Prince George. "How could we not? We're home to the largest forestry cluster in Canada, with seven sawmills, three pulp mills, two pellet plants, the Husky oil refinery, and every conceivable related service, which combined provide government with \$800 million annually in direct revenue and employ 11,754 people, 9,000 directly in this city."

Barcellos adds, "We've also benefited from the innovations of the sector. For example, buildings in the University of Northern British Columbia [UNBC] are heated with their own bioenergy plant, and we also have a bioenergy system that heats our municipal buildings."

Perhaps more importantly, forestry is alive and well in the hearts of Prince George residents. "The most popular university programs here feed into forestry," says Barcellos. "So, although we may have diversified, we celebrate the industry that 100 years ago literally built this town and continues to push us forward."

As Hall completes his first term as mayor at the end of 2018, his jurisdiction is thriving. The latest annual stats (end of September) reveal record-level building permits of \$169.2 million (the previous record of \$147.8 million was set in 2007, prior to the global recession) and private sector development of \$135.1 million. Public spending is going toward a new public swimming pool and fire hall, as well as a new secondary school.

Additionally, Federated Co-Operatives Ltd. is developing a new bulk plant

(BCR Industrial Park) worth \$3.5 million, a \$3 million expansion was being undertaken at the Show Lounge at Treasure Cove Casino, and the University Hospital of Northern British Columbia (which, along with the BC Cancer Agency Centre for the North, has made Prince George a major centre for healthcare in the surrounding region of 320,000 people) is undergoing a \$5.2 million renovation.

Hall says, "With regard to the private sector spending, it's a good mix of commercial and industrial, and with residential construction we're seeing more multi-family development, with one downtown project alone accounting for 150 units."

Hall credits Barcellos and her development team with "supporting existing businesses and using social media and other formats to draw attention to and awareness of Prince George as a desirable place to work, live and play."

For her part, Barcellos points to the city's Move Up Prince George campaign for successfully promoting her community as a frontrunner in job creation, offering a low cost of living, exhibiting a pleasing urban appeal, and being centrally located in the province (in short, with all the amenities of a larger Canadian city—a healthy arts community, nightlife, shopping and other attributes—but none of the expense or congestion that has ruined other major metropolises).



Barcellos notes, “Several years ago we surveyed people across Canada and found that people who knew of us assumed we offered fewer jobs and a lower pay rate, when in fact the opposite is true. As a result, we’ve geared our advertising campaigns to dispel these misconceptions, and thanks to them and Move Up, the results of our latest survey conducted last year showed that Canadians are far more accurately informed about who we are and what we offer.”

If 2018 was a banner year for Prince George, it seems that even greater achievements are yet to come; anyone who follows regional news will attest to that. “Projects such as the Site C dam and the recent Liquefied Natural Gas announcements will benefit our economy; in fact, we began benefiting from the latter five or so years ago when companies moved here to survey and explore,” says Hall. “Meanwhile, our airport [Prince George YXS] is in the midst of attracting more cargo, and we continue to regard the Port of Prince Rupert as a key aspect of our growth—CN Rail moves product from that city to here, and from here it goes to all over North America.”

For the record, it also seems likely that Prince George in the foreseeable future will become home to data centres given that it is one of the very few cities in the province that meets that sector’s climate, infrastructure and redundancy requirements. “We’re trying hard to at-

It’s impossible to appreciate the current state of forestry in the Prince George region without understanding its unique history.

It has often been said that Prince George, located in the central part of the province where the Fraser and Nechako rivers meet, was the place where timber harvesting and log processing were redefined for the benefit of Western Canada-based companies. Much of this was made possible in 1915 with the advent of the Grand Trunk Pacific Railway that relied on the surrounding forests for its ties, bridges and buildings, and which resulted in 30 mills being established between Prince George and Tête Jaune Cache over a 10-year period.

In the 1960s, Prince George became the epicentre of the province’s softwood industry after the BC government learned that only 25 per cent of the wood volume per

acre of forest land was being utilized, and mandated that the small and low-grade logs left in the forest be converted into pulp.

Prince George, with its existing pulp mills and plethora of debarkers and chippers, became a mecca for the development of new logging systems and equipment that would efficiently harvest smaller-diameter wood. This in turn set the stage for systems and the accompanying mindset of today that mandates treating the land base holistically.

As forestry evolved, so did the city, with many young families settling in. Then, in 1990, UNBC was created by an act of the provincial legislature, and the institution would go on to reflect the community’s forestry heritage through the creation of its Wood Innovation and Design Centre. At six storeys high, this structure proudly takes its place as one of Canada’s tallest all-wood buildings.

tract this type of business and confident we’ll get it,” says Hall.

In the meantime, Barcellos and her colleagues will continue to spread the good word about her city as far and wide as possible. “Everything is in our favour,” she concludes. “Our transportation advantage is huge, we have lots of government services, we have plenty of

affordable land, and, with our art galleries, symphony orchestra, proximity to ski hills and many other amenities, we’re a great place to live, both for those in newer industries as well as people in the forestry sector.”▲

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Tree Planting: An Industry at Risk?

By John Betts, Executive Director Western Forestry Contractors' Association

Photo courtesy of Replant.ca

The Western Forestry Contractors' Association (WFCA) represents the BC forestry services sector, including silviculture contractors, consulting foresters and seedling producers.

In late summer each year, the WFCA hosts a strategic business and market workshop to review the pending and long-term demand for forestry services. The event also provides owners with a chance to exchange their views and observations about emerging labour market, policy and practice trends.

More than 40 firms participated in the event this year. Represented were consulting foresters, the majority of seedlings producers in BC, and contractors who plant 200 million of the 260 million seedlings planted annually. The session was assisted by presentations made by BCTS Seedling Services, MFLNRORD Forests for Tomorrow and the BC SAFE Forestry Program, along with information from the Forest Enhancement Society of BC.

The expanding provincial reforestation program

Just a few years ago, the primary topics of the WFCA business and market summits were the timing and possible outcomes of the expected collapse in reforestation demand (due primarily to a reduced timber supply and its consequences). However, that is no longer the case.

Over the last two years, our provincial and federal governments have announced the creation and funding of the Forest Enhancement Society of BC, implemented a provincial climate change strategy relying in large part on carbon sequestration through reforestation, and signed a federal/provincial forest restoration agreement as part of Canada's Low Carbon Economy Fund.

The demand for reforestation has also been helped by two consecutive years of substantial timber and plantation losses due to wildfire in BC—an alarming trend some experts are forecasting to continue for years. The threat of wildfire has also galvanized public sentiment

and support for restoring the landscape as stakeholders increasingly connect the dots between climate change, the state of the forests and their community's safety. Meanwhile, lumber prices and demand have remained strong.

All of these factors have the reforestation sector on track for annual sowing and planting numbers to rise to around 300 million seedlings by 2020 and 2021, levels not seen in decades—in fact, since the Forest Resource Development Agreement (FRDA) programs of the 80s. These figures come with some caveats, however. They may underestimate demand due to factors in play that cannot be fully taken into account yet, e.g., licensee activity and recent (and possible future) events still being assessed, or overestimate (or at least distort) the expansion and its

skilled and capable workers. Many planting contractors described how new workers applying for work had dropped by half—from a thousand or more annually to just a few hundred.

Of those hired, many were less productive in comparison to previous seasons' hires. Furthermore, judging from an increasing number of no-show recruits, it has become obvious that applicants are applying to numerous employers and taking the most attractive offers. Firms hiring experienced planters only also reported being shorthanded this year as veterans increasingly opt out of the sector for better-paying and easier work elsewhere in the economy. None of this helped during an already challenging year of disrupting delays, floods and fire. As a result, the summer plant was not a clean finish, with

Even though contractors operate on different competitive models, when it comes to the overall health of the industry contractors recognize that they are in it together. The same should apply to our government and industry clients: if the reforestation industry falls short, so will they.

implications given that demand can be shaped. As an example, one contractor remarked, "We shouldn't try to plant all the trees in May"; likewise, stock size can influence nursery capacity. The three-year outlook, although good news, carries with it challenges for owners around capital and human resource investments given the short business planning horizon. Nevertheless, for the first time in years, employers are beginning to feel they have the wind at their backs in the supply demand cycle.

Workforce capacity: recruiting and retaining capable seasonal workers and managers

At the session, almost all reforestation employers reported a critical shortage of

some seedlings being stored and held over.

There are numerous business models active among planting contractors, but they all share the same labour pool. Since veterans do not spontaneously appear, the problems afflicting firms that rely heavily on recruiting new trainees will begin to affect those that hire veterans exclusively; this may already be happening.

It was clear at the session that the sudden downturn in capable applicants was unexpected. Previously, retaining skilled supervisors and managers had been the main concern of human resource departments.

Wages and the need to raise them

To make matters worse, the 2015 BC Silviculture Workforce Initiative surveyed tree-planting incomes and found that a

majority of the workers polled reported earning less than the minimum wage based on piecework earnings during their best pay period.

The WFCFA has tracked the estimated provincial average piecework rate since 2002, and results showed that in 2017 it was 40 per cent below where it should be to keep pace with inflation. During this time, employers continued to charge workers camp costs and motel accommodation for workers situated in remote sites. Also eating into workers' take-home pay were work and camp equipment costs, transportation, days-off expenses, injury days, etc. Meanwhile, tuition, rent, food and the cost of living have continued to rise.

That being said, tree planting remains appealing seasonal work for many people. However, the experience must include being rewarded fairly for productivity, especially in a sector in which workers are expected to produce at exceptionally high levels and contend with harsh conditions. At the session, employers discussed the costs of the rising minimum wage and the growing amounts they were paying in top-ups for less productive workers. Also discussed

were the ways in which low rates and the high minimum wage were threatening to undermine the piecework system as it gains on average earnings.

In the end, contractors agreed that their workers needed to see a significant raise in piecework rates as an incentive for their productivity, and for employers to attract and maintain the high-quality employees the sector needs. Raising piecework rates to increase staff earnings is considered the most important improvement, offering the best potential uplift for the sector.

General best-practices guidelines recommendations

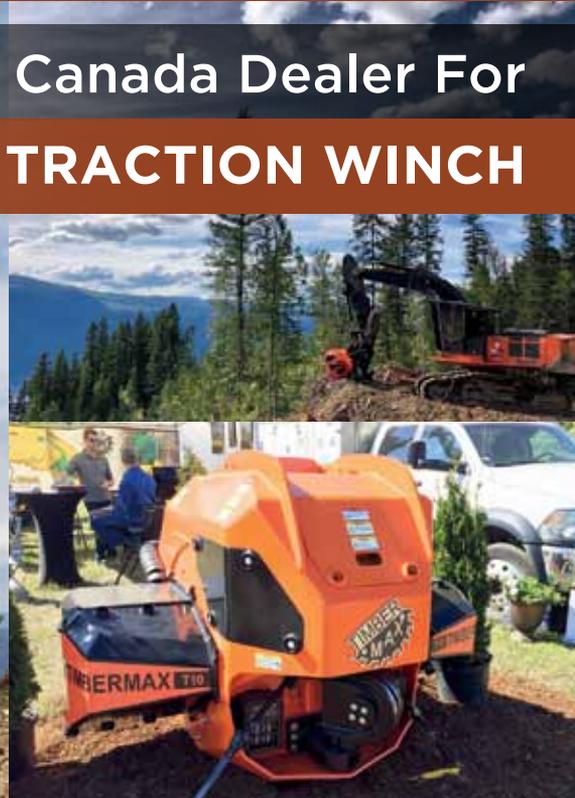
The following represent the actions contractors agreed would put the sector on a positive track in terms of workforce, and ensure that BC remains able to plant the trees it needs to maintain a sustainable industry:

- Contractors should raise piecework rates sufficiently for the sector to continue to attract and retain motivated, productive workers.
- Contractors should eliminate camp costs, through either the market or legislation. Although eliminating camp costs should not be considered

a substitute for the substantive earnings increases needed to motivate and ensure productivity, it will remove an unattractive feature of the sector that discourages workers and applicants.

- All contractors should commit to effectively training new workers to occupational competency guidelines established by the sector in order to deepen the pool of skilled employees, in order to sustain and grow the workforce.
- Contractors need to negotiate longer-term contracts with private and public clients to ensure more certainty for the investments they will be required to make in their businesses and their people, and as a way to offer more employment security to their employees.
- Contractors should establish a means to share workers, not only between tree-planting employers but also to fill seasonal gaps in the consulting and nursery sectors.
- Going forward, the WFCFA should work with government and industry clients to shape the demand for reforestation during the field season

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Cost increases to planting 2018 to 2019								
Variable cost increases: these need to rise		Fixed cost increases: these will occur in 2019						
Wage Correction	End Camp & Motel Charges	Minimum Wage Increase	Recruit & Train	Employer Health Tax	CPP Raise	Fuel Costs	WCB Base Rate	Average Increase
8%	5%	3%	6%	1%	.06%	2%	5%	~30%+

and over the annual program year-to-year.

- The WFCAs should work with employers to develop better recruitment practices.
- The WFCAs should exploit opportunities through social media to better promote the reforestation sector.

The estimated cost lift required

The following table is a select list of price determinants that will increase next year by law, along with others contractors agree need to rise in order for the sector to effectively address its workforce challenges. Given the differences in business models and hiring practices between firms, there is some variability between the estimates

averaged here. These are represented as needed minimum increases to overall revenues.

Looking at each item shown:

Increasing wages to meet workers' expectations and sustain capacity

The employers surveyed estimated payout increases of one cent per tree (to five cents per tree) as needed to sustain the productivity of the piecework system and properly remunerate and incentivize their employees. Managers and supervisors also need to be paid appropriately for their critical work.

Eliminating camp and hotel costs

Charging employees for camp and motel costs when they work away from home in remote sites has been widely practised since the 1970s. In 2000, regulation was brought in putting limits on what employers can charge; camp costs are at a maximum of \$25 per day. Rather than charge, most employers in today's economy generally pay workers when they have to stay in camps or motels.

Minimum wage increases in BC and Alberta

BC's minimum wage will rise annually from \$12.65 to \$15.20 by June 2021. The main cost is the top-up paid by employers to ensure their piecework trainees earn



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minimum wage until they become fully skilled and productive. A range of factors, including the number of trainees hired each season, will affect employers' costs. Using today's figures and practices, employers estimate that top-ups in BC will double at a minimum. Topping up workers will accelerate given that the industry requires more trainees.

Recruiting and training

Many employers anticipate having to change their hiring and training practices, and this will affect their costs. With an expanding program, there will also be an expansion in hiring and training as well, leading to higher costs. Further, BC employers will be competing with improving prospects for planters in Ontario and Quebec—provinces that had previously been a source of experienced workers as they migrated west for better opportunities.

BC Employer Health Tax

Introduced in the BC 2018 provincial budget, the EHT will take effect in January 2019.

Canada Pension Plan

From 2019 to 2023, the contribution rate for employers will rise gradually by one percentage point (from 4.95 per cent to 5.95 per cent).

Fuel prices

Gas prices in summer 2018 were 30 per cent higher than at the same time last year. The yearly inflation rate for the same period was around 2 per cent.

WorkSafeBC base rate

At the time of writing, WorkSafeBC has advised employers that the base rate for tree planting could rise by 5 per cent next year.

Based on these figures, we estimate that reforestation costs need to correct by a minimum of 25–30 per cent to sustain the sector's productivity, and attract and retain quality workers and managers. "This is a huge adjustment that may impact the entire forest industry if it does not materialize," notes Betts.

Even though contractors operate on different competitive models, when it comes to the overall health of the industry

contractors recognize that they are in it together. The same should apply to our government and industry clients: if the reforestation industry falls short, so will they. The findings and recommendations of this report are intended to drive substantive change in how the industry does business, particularly with respect to its workers and their rates of pay.

Citing price increases as necessary to ensure the sustainability of the reforestation sector—similar to what is being echoed by the logging contractor sector as it struggles through a sustainability review—is not something any part of the industry wants to hear. Nonetheless, there is a real feeling among contractors that failure to implement the changes outlined here leaves the industry in peril of falling short. Without a correction in tree-planting rates, the entire sector—and by extension, the forest industry itself—may be put at risk. Conversely, if the changes are made, the sector has a much better chance of rising to the growing challenges, and continuing to provide the same reliable service it has for decades.▲



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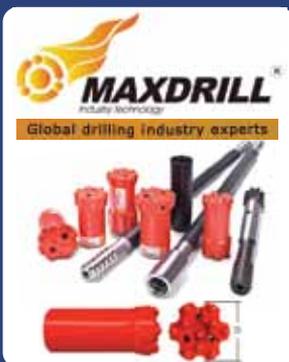
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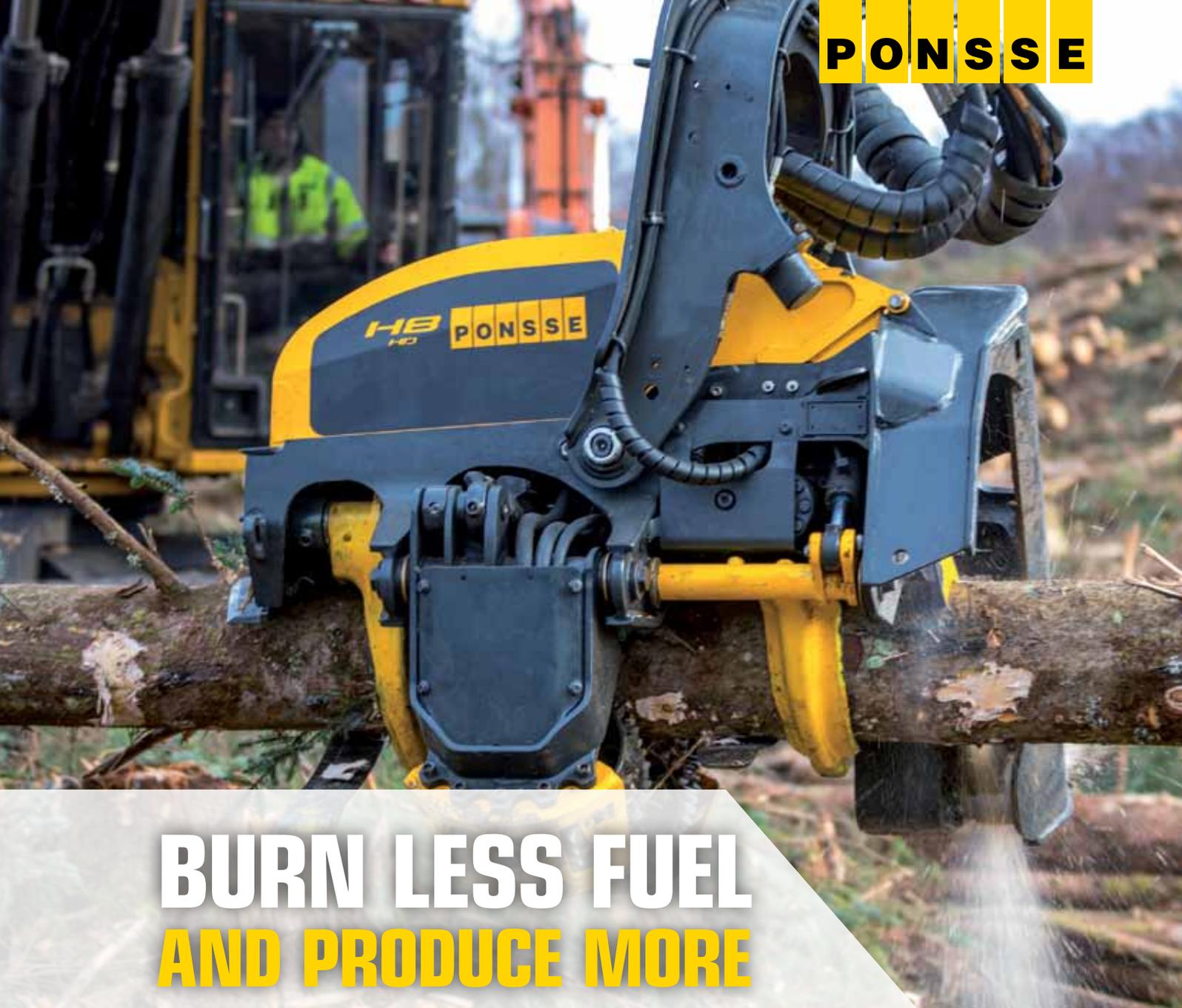
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Anatomy of Hourly Rates

By Aaron Sinclair

The forest sector, a cyclical industry that has been on an upcycle for the last few years, has been showing some signs of weakness recently. Regardless of the economic cycle, however, one thing does not change: the movement of logs from the forest to sawmills. The volumes may be higher or lower, but logs still move, and this means logging services are required. In British Columbia, independent logging contractors are mostly providing those services.

Over the past few years, there has been a lot of discussion about contractor sustainability. In March 2017, PNL Consulting Inc. provided the first ever look into the financial sustainability of logging contractors with its Forest Sector Contractor Economic Sustainability Analysis report to the Ministry of Forests, Lands, Natural Resource Operations and Rural Development. This report was the foundation for the work later done by George Abbott of Circle Square Solutions to provide the resulting 13 recommendations of the Contractor Sustainability Review in an effort to improve logging contractor sustainability.

The first two recommendations outlined implementation of transparent rate models that will allow contractors and licensees to negotiate rates using detailed site- and circumstance-specific data instead of positionally negotiating all-found rates (an hourly metric that assumes the machine and worker are already on site and ready to perform the required work).

The foundation of any rate is the principle of understanding the cost of the tools used to perform the service. In logging, this means understanding equipment and personnel hourly rates.

Over the last year, concepts for developing hourly rates have been proposed by Chris Duncan from MNP in the *TruckLoggerBC* magazine Spring issue, and Harold Hayes from Hayes Forest Services Limited at the TLA fall networking event in Campbell River.

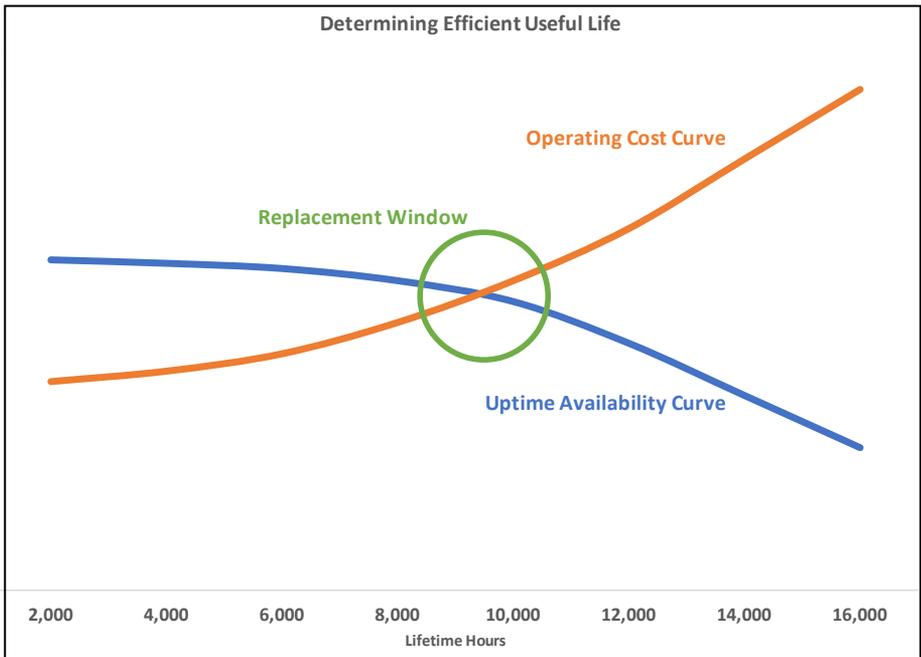
Both Duncan and Hayes have spoken on the topic of modelling design concepts. Having a model is one thing, having the data to populate that model is another, and having objective data that accurately represent industry best prac-

tices and actual cost factors is something else again.

Hourly equipment rate models are all relatively the same. They consider ownership costs across the efficient useful life of equipment, include operating costs on an annual basis, layer in business overhead factors and profit, and then apply those costs against core annual usage assumptions to calculate an hourly rate.

Ownership costs

Ownership costs—the cost to own equipment whether it operates or not—is perhaps the easiest cost factor to quantify and validate. It starts with the cost to purchase and fully rig out the equipment ready for work; this typically includes a number of factors, such as base machine purchase cost, attachment(s) purchase cost, supplemental accessories (such as radios) purchase cost, firefighting equipment, extended warranties, and non-refundable taxes such as provincial sales tax on non-exempt purchases. Collectively, these costs determine the fully rigged-out purchase price. It is pretty



simple to validate these costs given that each time a piece of equipment is purchased and prepared for work, third-party documents are available to validate the figures.

The other ownership costs are less simple to validate.

The next most important ownership factor is the efficient useful life of the equipment. Efficient useful life is not to be confused with its operating life. At a certain point in time as equipment ages, it begins to experience reduced downtime caused by equipment failure. It does not matter how the equipment is maintained: at some point it simply starts to wear out. Eventually, reduced downtime costs more in lost productivity than the cost to replace the machine.

Determining the average efficient useful life of a machine varies depending on the application, circumstances and type of machine. In each case, however, once

it reaches that point, it is less valuable as a production machine, and loggers typically sell those machines in order to recapture a residual value based on its hours and condition. Once a metric for efficient useful life hours is determined, annual operating hours (based on its application, circumstances and type of machine) can be identified.

The purchase cost of a machine must be recovered over its efficient useful life less the residual value. The purchase cost is financed, whether through external debt or internal equity, and that financing must generate a return consistent with the appropriate time value of money (i.e., interest rate). If funded by external debt, this cost is easy to validate.

The last ownership cost is insurance. It is prudent to insure equipment against loss whether the equipment is operating or not.

Operating costs

Operating costs are the costs required to run a piece of equipment; these vary based on the operating circumstances and the type of equipment. For most machines, the greatest cost is operator payroll, followed by fuel, then repairs and maintenance.

Operator payroll is relatively easy to validate. In union environments there are prescribed rates, and in non-union environments it is easy to verify the actual wages paid to workers. The more challenging aspect of wages is determining the proper loading costs that are additional to the base wage. Statutorily, these include overtime rate, vacation pay, statutory holidays, Canada Pension Plan, Employment Insurance, Work-SafeBC insurance, and, starting January 1, 2019, an employer health tax. Each of these is required to be paid by the employer by law, but the items have varying values; some have maximum amounts, while others do not.

The most challenging payroll-related costs are those not required by statute but dictated by the market, whether through a collective agreement or otherwise. The most common include extended health and dental benefits, pensions and first aid premiums. There are also many other premiums required to compensate workers for their skills or responsibilities, and all need to be considered when calculating hourly payroll cost.

Fuel and lubricants, including diesel exhaust fluid, are usually the second most significant cost factor in equipment operation. Fuel consumption is the most challenging cost to calculate due to dramatic variations in site circumstances. For example, a log loader on flat ground with small piece-sized logs on trucks is operating lightly, so fuel consumption will be low. On the other hand, the same machine hoe-chucking big piece-sized wood on steep ground will be under significant strain, leading to high fuel consumption.

Repairs and maintenance—whether running repairs or major repairs—is one of the easier costs to measure when considered over longer time frames and trends. Repairs should never be measured at a given moment of time, in fact, but rather as the experience over time. The most effective way to learn the true repair costs of a machine is to calculate them *after* the machine has reached the end of its efficient useful life. In practice,

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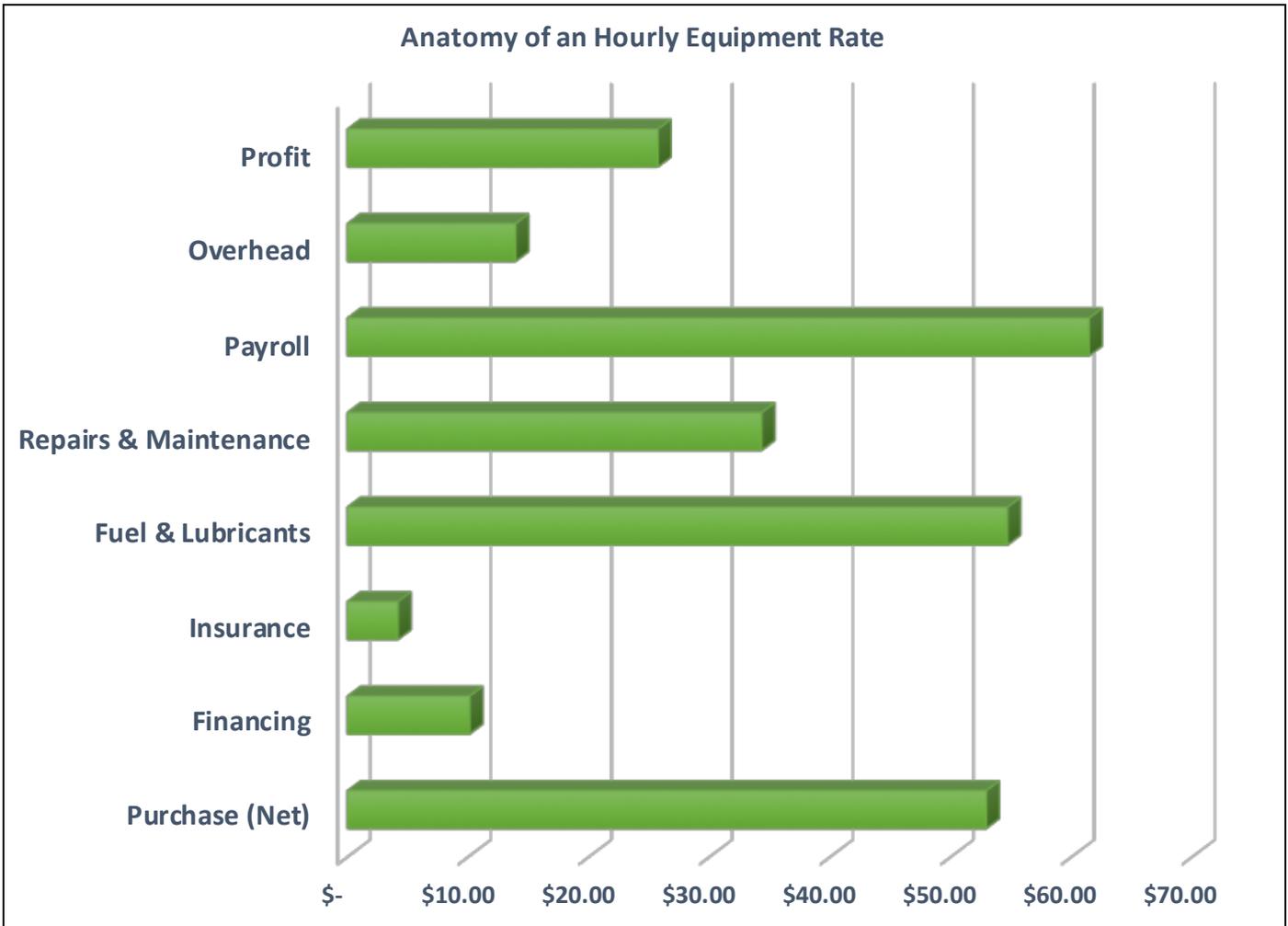
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repair costs are calculated on a rolling basis relative to the operating hours, culminating in a reflective repair cost per hour.

The remaining category of operating costs is consumable supplies. This could be teeth, bars, chains, cutting edges, or other consumable items. The frequency and consumption rates are highly dependent upon the machine type and

operating circumstances. Much like repairs and maintenance, these costs are typically measured over time.

All-found hourly rate

The typical all-found rate, as mentioned earlier, is an hourly rate that assumes the machine and worker are already on site and ready to perform the required work. Not only does this figure

include the equipment ownership and operating costs, it also adds additional business overhead costs such as general liability insurance, professional fees, office administration, business management, and other costs essential to ensuring the equipment is ready and able to perform its required work.

Hourly rates also must include profit. Profit is more than just returning the capital deployed; it is about generating positive cash flow to allow businesses to grow, secure financing, attract investors, and survive challenging markets.

Cost data for hourly rates

Four years ago, Timber Tracks Inc. began collecting data on logging equipment costs and operating circumstances. That database considers over 50 different operating circumstances and cost factors for owning and operating logging equipment in British Columbia, whether in the Coast or Interior region.

During this time of evolving market forces, there is a need for better integration of the forest sector supply chain, making it incumbent on the industry to

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begin rationalizing the true cost of operating on the land base. Establishing market-reflective hourly rates is the first step in establishing an efficiently supply-managed industry.

This past summer, Timber Tracks Inc. undertook the ambitious project of building new forest sector hourly rates from the ground up using actual data obtained from logging contractors, equipment manufacturers and licensees. The data collected have been aggregated together by each cost factor and operating circumstance as a means to establish industry-representative data points. These data points have then been fed into a model that calculates hourly rates assuming a reasonable average operating circumstance in the industry.

In January 2019, the TimberTracks™ British Columbia Forest Sector Hourly Rates publication will be made available to TimberTracks™ subscribers and under a licensing agreement to TLA members. This will be a comprehensive publication covering all phases of logging, trucking and supervision.

Over time, the TimberTracks™ Forest Sector Hourly Rates will evolve to incorporate regional and operating circumstances in order to facilitate dynamic adjustments that recognize a range of changing factors; this will soon allow long-term set rates to be replaced by ones that reflect true operating circumstances and market factors. This important development will lead to a healthier industry overall by enabling market participants to collaboratively realize more opportunities to achieve cost synergies, all with the objective of improving the sustainability of British Columbia's forest sector. 🌲



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Meeting Provincial Forest Management Objectives Through an Alternative AAC Determination Strategy

By Jim Girvan

In today's forests in BC, there are many "underutilized" or "problem forest types" that are not harvested to their full extent, or subsequently regenerated into healthy forests, simply because they do not yield economic sawlogs.

These forest types are sometimes excluded from the allowable annual cut (AAC) determination done by the provincial chief forester, while at other times they are included with restrictions on their availability. Examples include dead pine in almost all areas of the Interior, burned wood, low-quality hemlock types, steep-slope types or leading balsam stands, to name a few.

The current process of defining a timber harvest land base (THLB)—i.e., where the land is used to support the determination of the AAC and subsequently apportioned to tenure-holders—lead to several important forest management issues that bring up the question of whether an alternative process might serve forest management goals more effectively. There are a number of factors in play:

- Underutilized forest types included in the AAC are generally avoided by the major tenure-holders because they tend not to yield economic sawlogs. When these stands fail to be harvested as projected, the

potential to achieve the mid-term AAC is reduced.

- Where a harvest partition is implemented by the chief forester to force the use of problem forest types while simultaneously limiting overharvest in the better stands, the problem types are again shunned by the major tenure-holders; this further contributes to reduced long-term sustainability. However, these stands remain under the control of the major tenure-holders via their apportionment.
- Partitions used to control "dead versus green" timber utilization do not allow for access to a partially damaged stand by a potential new entrant



who does not have access to tenure and who may want to use the dead wood component (and then sell the green sawlog component). Generally, this is because the hectares that support the AAC are already apportioned to the major tenure-holders.

- Complete exclusion of underutilized forest types from the THLB does not address key forest management objectives, as these stands simply do not get harvested and regenerated to form good-quality, future sawlog-yielding forests. This limits opportunities for the innovative use of these forest types, and restricts their future contribution to the AAC.

The apportionment of the AAC (i.e., who gets tenure) is not the mandate of the provincial chief forester. This process falls instead to the Minister, making it possible that the connection between the chief forester's objectives in setting the AAC and the Minister's ultimate apportionment decisions becomes lost. This could occur, for instance, in cases where a partitioned AAC is simply allocated to existing tenure-holders despite the challenges associated with those timber profiles. When this occurs, there is a reliance on the tenure-holders—who for the most part have a singular sawlog or sawlog/pulp log focus—to harvest these stands in such a way as to meet the provincial

forest management objectives identified by the chief forester.

In short, there is a need to ensure that provincial forest management objectives can be met, that all sawlogs are harvested and consumed to support local economies, and that First Nations or companies offering new and innovative uses for underutilized forest types have an opportunity to access timber. Furthermore, it is important they not be restricted by a system that focuses predominantly on established companies that rely solely on sawlogs for lumber production.

This opportunity might best be achieved by changing how the province sets the allowable annual cut

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through a process referred to as a “dual-AAC determination.”

In practice, a dual-AAC process would see the THLB redefined to include all sawlog and underutilized forest types. An AAC would then be set for the sawlog-yielding land base and apportioned to the existing major tenure-holders that could utilize it fully.

Concurrently, an AAC would be set for the underutilized forest types that meet provincial forest management objectives. Both AACs would be modelled at the same time to ensure the fulfillment of both stand- and landscape-level objectives. The Minister would then apportion these separated AACs accordingly.

As an example of this concept's possible application, the recent Prince George TSA AAC Rationale excluded leading balsam types from the THLB. This was for a variety of reasons, but was due primarily to a lack of harvest performance in these types by the major tenure-holders, in addition to First Nations concerns.

Leading balsam stands represent more than 17 per cent of the volume within the Prince George TSA (on 185,367 hectares). By applying the base case analysis assumptions, the maximum even-flow harvest level for these stands is about 385,000 cubic metres per year; granted, these stands also contribute to meeting landscape-biodiversity thresholds, and their retention may also contribute significantly to the protection of other non-timber values, including caribou and grizzly bear. However, these volumes could be made available as allowable cuts decline or to a new entrant in need of wood.

Key to this approach is that the leading balsam types AAC would be separate from the Prince George TSA sawlog AAC, and therefore would not be apportioned to the existing tenure-holders, as is typically done in a single AAC system (note: the balsam types are out of the AAC as a result of a historical reluctance to use them in the first place). This new AAC could be offered as a replaceable or non-replaceable tenure at the discretion of the Minister, and would allow new (possibly innovative and not sawlog-focused) entrants, or interested First Nations, into the industry.

Under current legislation, however, the chief forester cannot set more than one AAC for each single management

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unit. As a result, moving to a dual-AAC process would require legislative change.

A second recent example of where a dual-AAC model may have merit was seen in the Quesnel TSA. In this case, dead pine types continue to support the AAC and a partition limits the volume of green versus dead timber that can be harvested.

The major tenure-holders have demonstrated a reluctance to utilize dead timber as it moves to the end of its economic shelf life, and some even advocated for its exclusion prior to the setting of the current AAC. At the same time, new entrants looking for a secure supply of dead timber for production of such products as pellets still cannot access these stands other than through a business-to-business relationship with a major tenure-holder. This is because all of the hectares supporting mixed dead and green timber support the AAC originally apportioned to the majors.

In the dual-AAC process, the green timber could be separated within the land base from the dead timber. An AAC could be set for the green timberland base only, and subsequently apportioned to the existing major tenure-holders. The dead pine types would then be identified as a subset of the land base and have a unique AAC. In this example, however, it is likely that the regenerated dead timber types would revert to the sawlog-producing land base over time. If they did, a “liquidation” approach to setting this second AAC (as is done with coastal timber licences) could be adopted, with allocation of subsequent tenures on a non-replaceable basis. Unfortunately, the current AAC in the Quesnel TSA includes all timber types and is apportioned to the traditional users.

A dual-AAC system could work in one of several ways: new entrants could provide proposals; the volume could be competitively bid to access the timber; or the timber could be direct-awarded to First Nations. While a partition set by the chief forester may achieve the same objectives if apportioned appropriately by the Minister, setting of a dual AAC solidifies the objectives and opportunities for apportionment. Green sawlogs from underutilized forest types would be sold to the market (given their inherent value), thereby reducing the concerns of the major tenure-holders needing access to sawlogs. In fact, sawlog availability might

be seen to increase if other parties were focused on the harvest and utilization of these underutilized timber types. At the same time, harvested stands would be regenerated to healthy forests, helping to meet provincial forest management objectives.

In summary, the identification of a single sawlog land base supporting a single AAC within a TSA may restrict the provincial chief forester from achieving provincial forest management goals given that the apportionment decision lies outside that person’s mandate. Furthermore, although the Minister may have

the ability to apportion a partitioned, non-traditional use profile to new entrants under the current authority of the position, experience has shown that this rarely occurs.

As seen in both the Prince George and Quesnel cases, the adoption of a dual-AAC system could provide assistance to new entrants while enhancing provincial forest type utilization.▲



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Wildfire Fighting—A Contractor's Perspective

TLA Editorial

The 2018 wildfire season was reported to be the worst on record, with major forest fires occurring throughout most of the province. What was most alarming was that it followed a historic 2017 wildfire season, portending a daunting trend in fire behaviour in this province. In recognition of the significance of the flooding and fires that occurred in 2017, the BC government released an independent report, the BC Flood and Wildfire Review, led by George Abbott and Chief Maureen Chapman.

Given that wildfires have a direct impact on timber harvesting contractors—in terms of both future working forests being burned and the employment of contractors and their equipment to fight

fires—the Western Forestry Contractors' Association, the Interior Logging Association and the Truck Loggers Association were all asked to provide input for the review. The TLA's submission contained the following recommendations:

- Foster greater use of the well-trained, knowledgeable and equipped timber harvesting contracting workforce;
- Invest in and streamline current funding sources to protect forests and communities;
- Examine forest policy, especially the tenure system, to identify ways to encourage and increase the level of protection for communities and the forest resource; and
- Take note that the wildfire threat is not limited to just one region but is a province-wide issue.

These recommendations were largely reflected in another Abbott and Chapman report, Addressing the New Normal: 21st Century Disaster Management in BC (April 30, 2018), that contained 108 recommendations—in particular, improvements to wildfire fighting—to address disaster response and recovery in the province.

During the 2018 wildfire season, the TLA received numerous calls from members offering observations of forest-fighting measures within their operating areas. Given the comments, we must conclude that the recommendations were

not fully implemented to help with the 2018 wildfire season.

Notwithstanding the Abbott and Chapman recommendations, the volume of concerns prompted the TLA to undertake an informal survey of our membership across the province to garner a range of perspectives on the past fire season, gauge level of involvement, and identify issues that could be addressed before the next season. The following is a select summary of viewpoints aimed at providing guidance and advice to those who manage BC's on-the-ground fire response.

Wildfires in BC are managed by the BC Wildfire Service, a provincial government service comprised of fire prevention, emergency management, administration, operational, planning and suppression staff. The majority of positions delivering wildfire management services are seasonal in nature. Contractors can register with the BC Wildfire Service through Request for Standing Offer competitions (regularly posted on BC Bid). Accepted contractors are assigned emergency work based on nearest or best-resource methodology, as determined by the BC Wildfire Service. Owners of heavy equipment can also pre-register their equipment with the BC Wildfire Service for callout as required during a wildfire or emergency event.

When a small fire starts at or near an active forestry operation worksite, the prime contractor is obligated to ensure that all work is safe when employees take action. However, when a fire becomes large and develops into a "project fire," the province assumes the prime contractor's role, along with the responsibilities of directing activities with respect to the fire.

Taking all of this into consideration, and in the spirit of preparing for the 2019 fire season, we asked TLA members a question: "What prevents logging contractors from supporting wildfire suppression from a policy or regulatory perspective?"

Administration

There is considerable concern about the province's responsibility when assuming the prime role in cases when many contractors and, often, dozens of pieces of heavy equipment are involved. Since the province is not in the business of supervising and being responsible for large fleets of forestry equipment, it must rely on each contractor to operate in a manner that is consistent with being a prime contractor on its own site. For example, safety plans and safe work procedures must be documented and implemented, check-in procedures must be followed, safety signage must be set

up, etc. Greater clarification is needed around the prime and sub-contractors' responsibilities in order to establish a better understanding of employer responsibilities, achieve faster action on fires, and facilitate accounting of administration costs.

Knowledge and experience

Some TLA members report a frustration with the approach to forest fire suppression being a "full-time career" versus "part of a forestry job." When resources are spread thin on provincial crews, contractors report that junior seasonal staff are often put into positions of authority on fire-management teams, when the fire-suppression and general forestry training and expertise of the local forestry contractor pool is often far superior to that of these junior staff. This lack of local knowledge, available resources, and experience in managing these crews and forestry equipment, which has at times led to friction and inefficiency in fire-suppression activity, has also been seen to add unnecessary cost and crew stress, often resulting in needless destruction of land and lost timber, as well as streams requiring rehabilitation once a fire has been extinguished.

Furthermore, many contractors report that back-burning activities appear to have resulted in unnecessary loss of



Photo courtesy of Lars Hobenshield

valuable timber, and have significantly increased fire size in some cases. In turn, this has resulted in lost stumpage revenue to the province, along with higher firefighting and rehabilitation costs. The obligations of the province in assuming the prime contractor role, as well as the training and experience of staff placed in ground-level decision-making positions, should be reviewed. Increased communication and utilization of experienced local contractors may result in more effective fire-suppression results and a lower cost for project fires.

Initial attack

The province allocates resources as it sees fit to respond to fires in order to protect priority populations and infrastructure, but the contractors who work in the woods are typically underutilized in initial-attack scenarios. Over the past few years, in fact, the timing of initial attack has frequently been questionable, especially at the peak of fire season. Many fires have been left for a full day or more, resulting in larger and more expensive project fires. When provincial resources are limited, contractor resources are readily avail-

able to respond to new fire starts, and many contractors have staff who began their careers working as firefighters on government crews and are able to offer valuable fire-suppression experience. Furthermore, those working in active operations are highly familiar with the local terrain, road networks and locations of resources that could be made available to act on some fires while they are still small and inexpensive to extinguish.

A recent example of an inadequate initial attack was when equipment was requested for a lightning strike fire late one afternoon. Three skidders and a bulldozer with crew were delivered to the site at 6 a.m. the next morning. Amid uncertainty in direction, the crew waited until 9 a.m. before fire centre staff arrived, at which time it was explained that the centre member was not authorized to instruct the equipment to build a guard; the crew and equipment demobilized and left. The following day, the equipment was again requested for what was now a much larger fire. Without pointing blame, this is a true-life example that should provide incentive for better communication and cross-training between fire crews and local industry contractors.

Equipment

There are other concerns for a contractor wanting to deploy equipment and manpower to a fire. For instance, what happens when a piece of heavy equipment is destroyed by a fire during fire-suppression work, or damaged in transit to fight a fire? Is it covered by insurance? What is the deductible and replacement cost to the owner?

In order to register equipment for fire-suppression work with the province, the owner must supply a copy of valid insurance; equipment cannot be registered if it is not insured. During preplanning, this process excludes a large pool of equipment that may be seasonally uninsured. If equipment could be registered, and valid insurance provided when the equipment is required, the province would have access to more valuable equipment more quickly.

Then there is the confusion that occurs when a piece of equipment is registered in one fire centre (or hometown) but is not utilized when needed on a fire adjacent to a logging worksite outside the hometown area. As a recent example, a company with a hometown of Merritt was harvesting timber near Kamloops when a

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fire started nearby. The equipment on site was not to be used because the fire centre wanted to keep local resources available (on paper) in Merritt in the event of a fire start there. Other Kamloops-registered equipment was brought in instead of using the nearby equipment, resulting in a delay of several hours in initiating fire-guard construction. Communication between the fire centre, local contractors and on-the-ground crews about following policies needs to improve if efforts are to be more efficient.

Most contractors have businesses established around specific forestry work, e.g., harvesting or road-building. Typically, equipment, staff and resources are set up to work productively within their own operation. Therefore, when a fire starts, a contractor may or may not be set up to switch gears and still operate their business efficiently to accommodate fire-suppression tasks. If a regular business routine is disrupted due to a switch to fire suppression, the fire-generated revenue must replace the regular business revenue in order to avoid undue financial hardship on the business; this is a significant issue for contractors who are already struggling

to remain sustainable. Current-rate fire-fighting structures allow for fire labour and equipment, but it is very difficult to receive compensation for the administrative and support personnel required to continue running a business during a period of fire activity.

In summary, although a very large pool of independent owners and operators exists, this pool is underutilized during the initial attack phase and during larger project fires. Furthermore, these resources are generally not pre-registered on fire-centre databases. Contractors require a quick and easy method of adding appropriate insurance and getting contracts or timesheets set up to be available for firefighting emergencies. Importantly, based on poor previous experiences, many contractors report avoiding assisting with fire-suppression activities due to contract administration issues, insurance requirements and lengthy delays in payment.

Conclusion

Contractors are skilled, experienced and efficient resources and should be an integral component of provincial fire-suppression activities, especially during

the initial attack phase. When a wildfire begins on the working forest land base, contractors—who are passionate about protecting their working resource and the province's productive forest land base—are typically more than willing to utilize their fire-suppression and cross-training experience. To help improve firefighting results and reduce costs to the province, vital improvements are needed, including better preplanning, more cross-training, improvements to communication, and increased utilization of localized contractor resources.

The above presents a sample of the feedback received by the TLA, and we expect more as we continue to examine this issue. As we prepare for the 2019 wildfire season, we encourage dialogue with contractors aimed at ensuring that we as an industry are doing as effective a job as possible of utilizing human resources, equipment and taxpayer dollars.▲

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INSURING HEAVY EQUIPMENT WHILE FIREFIGHTING

It is one thing for a logging contractor to have a wildfire erupt on their cutblock while harvesting and suffer an equipment loss in the process. That loss could happen merely because the equipment was already being used in the block; or it could happen because the contractor used their equipment to fight that fire, which he has a legal duty to do. Most fire insurance will cover this type of loss.

However, it is quite another thing to willingly bring equipment into harm's way when hired by the government to fight a fire. Almost certainly the contractor's ordinary insurance is not going to cover a loss in this case.

Contractors offering their equipment to government to fight fires need to be aware of the new 2018 Fire Centre Equipment Information Form now used when hiring contractor equipment to fight fires and the potential confusion when choosing coverage.

Previously, the province provided "Limited Indemnity" only for direct loss or damage to heavy equipment caused by fire or upset while the heavy equipment is under the supervision or direction of the province and being used for fire suppression activities.

In other words, if a loss occurred while equipment was hired out to government to fight forest fires, that loss would be covered by government, subject to a \$1,000 deductible. This was part of the deal, and the contractor wasn't obligated to pay any insurance premiums for this Limited Indemnity coverage while their equipment was being used for this purpose.

More recently, however, the province is giving an option to equipment providers to pay the province \$2 per hour for Limited Indemnity coverage, or at the contractor's discretion, choose to go without it. On the form, applicants are first asked, "Do you currently or will you be carrying Physical Loss and Damage Insurance on Heavy Equipment?" to which the equipment provider typically would check "yes". They are next asked, "If Yes, do you want the optional

Limited Indemnity insurance as provided by the Province? If you check "yes", your rental rate will be reduced by up to \$2 per hour for this optional coverage.

It's possible that many informed contractors may be confused by this form. They might think they are being asked if they want double coverage, and might possibly decline it. **To avoid any potential loss, contractors should always check the "yes" box.**

In my view, government should return to the prior process, where the contractor was not even presented with the opportunity to fight fire without Limited Indemnity coverage by making it a requirement on the form to take the optional Limited Indemnity insurance as provided by the Province. If this were the case, contractors would never be put at risk simply because of a confusing form.

John Drayton is a lawyer with Gibraltar Law Group who practises in the areas of forestry and motor transport law.



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WorkSafeBC's 2019 Premium Rates: Steps You Can Take to Reduce Your Insurance Rates

By Tom Pawlowski

In October, WorkSafeBC announced that the 2019 average base insurance premium rate would remain unchanged at 1.55 per cent of employers' assessable payroll; this is good news. We can keep the average rate flat because of lower overall claims costs, along with strong investment returns that have allowed the average base premium rate to be discounted below the average cost of claims.

While this notification is probably welcomed by most employers, the story is not uniform across all industries. For example, if you are an employer registered in the log-hauling classification unit (CU), you received a letter in August advising that, due to your industry's higher claims costs, it would need to be moved to a higher risk-rate group, with a corresponding increase in the base premium rate. In order to better understand what is happening here, it is helpful to know how the rates are set.

Setting insurance rates

In order to provide an equitable workplace insurance system that limits cross-subsidization between industries, employers operating in similar industries and with similar levels of risk are grouped together. At the most basic level, an employer is assigned to one of approximately 550 CUs based on the products or services it provides. As such, firms that make wooden furniture are grouped with other manufacturers of wooden furniture, and firms that spend most of their time hauling logs are placed together in the Log Hauling CU. The premise here is that, if you are running a similar business, you are likely facing similar risks and should have similar claims costs. As you would expect, employers within one classification unit would pay the same base premium rate for their insurance, although their final insurance rate is adjusted by the individual cost profile (as later explained).

Due to most classification units not being big enough to generate the large numbers of claims statistics necessary for actuarial science to reliably predict their future claims costs, or enable WorkSafeBC to deliver relatively stable insurance rates year over year, individual CUs are pooled into one of approximately 200 industry groups. Those are then further placed into one of approximately 50 rate groups, allowing WorkSafeBC to calculate an appropriate base premium rate that reflects the cost of claims for that particular rate group, divided by its assessable payroll.

If the compensation costs in a given rate group go up or down, the change will be reflected in that industry's base rate. Accordingly, in 2019, 46 per cent of BC employers will be subject to a base rate increase, 51 per cent will see a decrease, and 3 per cent will see no change at all. In fact, the base rates will remain

2019 Insurance Rates in Forestry

CU	Industry	2018 Rate	2019 Rate	Firms
703002	Brushing, Weeding, Tree Thinning, Spacing	8.10	6.53	154
703003	Cable or Hi-Lead Logging	7.71	7.40	50
703004	Dry Land Sort	7.36	7.58	43
703005	Forest Firefighting	7.81	6.19	49
703006	Ground Skidding, Horse Logging, Log Load	7.53	7.53	220
703008	Integrated Forest Management	7.56	7.70	968
703009	Log Booming or Marine Log Salvage	7.27	7.21	49
703011	Log Processing	7.26	7.38	227
703012	Logging Road Construction or Maintenance	7.76	7.61	255
703013	Manual Tree Falling and Bucking	7.03	7.07	907
703014	Mechanized Tree Falling	7.68	7.41	175
703015	Shake Block Cutting	7.20	7.18	30
703016	Tree Planting or Cone Picking	3.61	3.78	113
703019	Helicopter Logging	7.53	7.76	16
714019	Pressed Board Manufacture (Pellet)	1.95	2.16	15
714022	Sawmill	3.78	3.79	167
732024	Log Towing	10.04	8.37	35
732044	Log Hauling	6.17	6.79*	1,283

* Rate increase limited to 10% for 2019. Target rate is 8.60%.

unchanged or be lowered for the majority of forestry classification units.

Log hauling has had higher costs than the rest of its 2018 rate group; consequently, in 2019 it is being moved to a higher risk-rate group (Rate Group 18) with which it shares similar costs. This is attributable to the number of injuries in the sector and the cost of its claims. In 2017 alone, there were 136 time-loss claims associated with the Log Hauling CU, at a total cost of \$6,131,525. In fact, claims costs exceeded \$7 million per year in three of the last five years.

The 2018 rate for the Log Hauling CU was 6.17 per cent (or \$6.17 per \$100 of payroll), but the 2019 rate needed to cover the costs associated with this CU is actually 8.60 per cent. So, why is the rate going up to just \$6.79 when \$8.60 is needed to cover the costs? The reason is that WorkSafeBC's board of directors is limiting the 2019 rate increases to

10 per cent in order to prevent large, sudden impacts on employers. This also means that, unless log hauling as a sector shows a very significant improvement in 2019, another rate increase is highly likely in 2020.

Reducing insurance costs

What can the sector do to reduce its insurance costs? The answer, obviously, involves reducing injury rates and lowering claims costs. You may be tempted to say that employers have no control over cost, but that is not necessarily the case. One of the key factors that translates into higher costs is the duration of a claim or how long it takes the employee to return to work (RTW). In 2017, only 34 per cent of the Log Hauling CU's injured workers returned to work within a month, and even after six months only 69 per cent were back on the job. That is a significantly longer claim duration than the provincial

average return-to-work metrics of 53 per cent within four weeks and 82 per cent in six months for all other industries.

This translates into higher costs given that the cost burden rises exponentially with the length of a claim. For example, a soft tissue injury claim that may cost \$2,000 if resolved in less than 30 days may end up costing \$6,000 if it takes two months for the worker to get back to work. However, if this claim is not resolved within four months, it could end up costing anywhere from \$30,000 to \$300,000 and involve extensive rehabilitation. Beyond 120 days, long-term disability takes over, with extensive occupational rehabilitation and costs that may exceed \$300,000—not to mention all of the additional hardships and social consequences for the worker and his or her family. However, employers can offer opportunities for early return-to-work options with modified duties.



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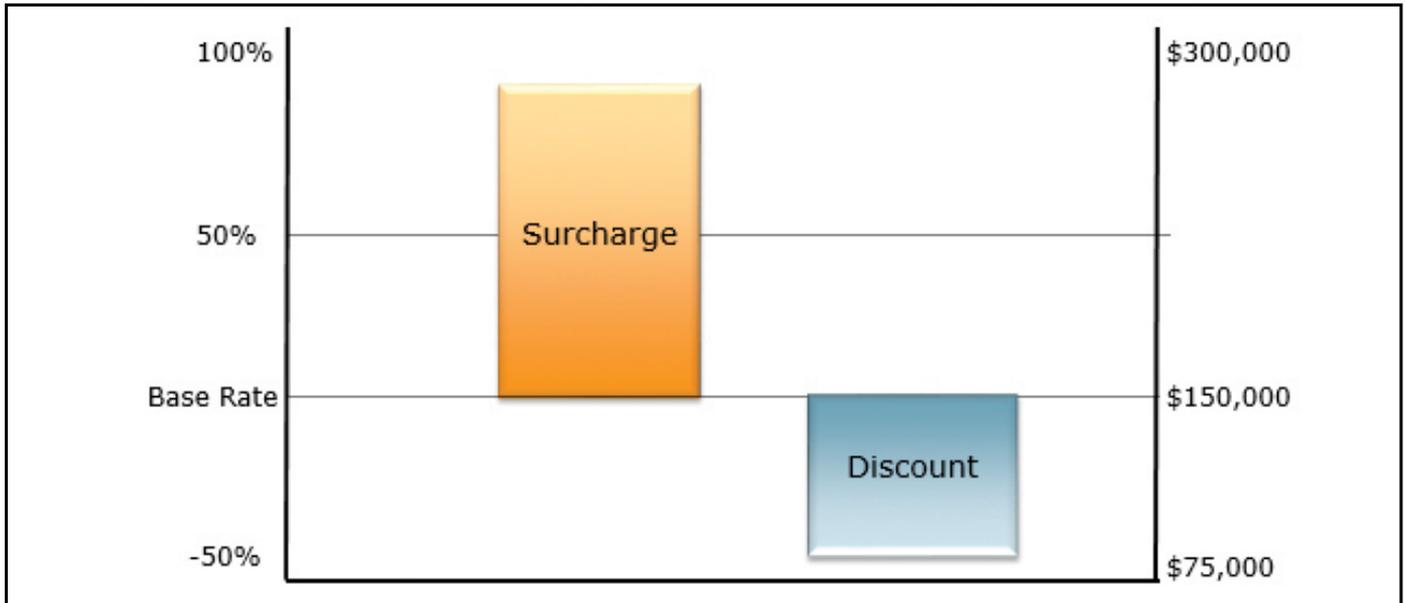
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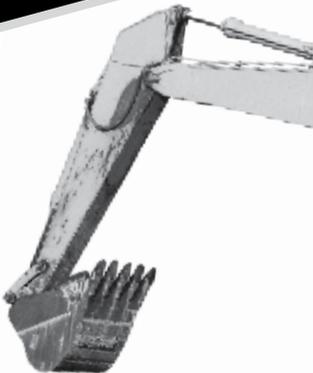
A \$10 million employer with average performance in an industry with a base rate of 1.50 per cent would pay \$150,000, but could pay as little as \$75,000 or as much as \$300,000 depending on the firm's safety record over time.

Information on implementing safe stay-at-work programs and return-to-work programs for injured workers is available on WorkSafeBC's website. All employers

are encouraged to explore this topic for the benefit of their workers and to reduce their insurance costs.

Preventing injuries in the first place should be the first priority of every employer. Concrete steps an individual employer and the log-hauling sector as

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a whole can take include targeting the highest-risk/-cost drivers in this industry. This information can be helpful in reducing the risk in the workplace, as motor vehicle incidents account for approximately 30 per cent of injuries in log hauling and 30 per cent of claims costs. This is followed by various overexertion-related injuries, such as soft tissue strains; cumulatively, these account for another 30 per cent of injuries and total costs, e.g., shoulder injuries constitute 13 per cent of all injuries in log hauling and approximately 11 per cent of all claims costs.

If reducing the cost of insurance is the objective, then employers should direct their efforts toward conducting purposeful risk assessments in their operations and implementing measures to control those risks. If throwing wrappers is endangering the health of your drivers, as it often is, then implementing measures such as using loader-assist may be an option, among others.

Knowing where the greatest risks and costs occur is the key to finding solutions—and the first step in reducing injuries and keeping down the cost of your insurance.

WorkSafeBC resources

Industry statistics and information on prevention activities, injury rates, and claims costs for all industries, including log hauling, are available on WorkSafeBC's website (worksafebc.com) under Industry Safety Information Centre (ISIC).

Also available on the website is the Employer Health and Safety Planning Tool Kit, an interactive tool that enables an employer to learn about the injuries and claims that impact that specific employer's safety performance. This is your own data and information specific to your firm's claims and costs, and you can access it using your secure login. One of the utilities in the tool kit is a forecasting calculator that an employer can use to predict the firm's future insurance costs, and assess how the insurance rate could be positively impacted through a mitigation of claims costs.

Knowing that the base premium rate for the Log Hauling CU is increasing, does this mean that all employers in the CU will end up paying more? Not necessarily; another factor is the individual firm's experience rating adjustment (an adjusting percentage applied to the base

rate). Some employers pay a surcharge of up to a 100 per cent of the base rate if their claims costs are higher than those of other employers of the same size in their rate group, while others are in a discount position and may be paying up to 50 per cent less than the base rate (this depends on their safety record over time).

Even if the industry as a whole will see higher base rates next year, you as an individual employer may pay less if you have fewer injuries and lower claims costs. Overall, being safe is good for business.▲

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LiDAR as a Resource Tool

By Paul Schuetz

In recent years, timber harvesting in much of British Columbia has become significantly more complex. During the past two decades, as tenure-holders have focused increasingly on dealing with the mountain pine beetle (MPB) epidemic in the north, harvesting has transitioned to operating on pine plateaus and river flats in an effort to salvage the more easily accessible pine before log quality deteriorated too far.

While harvesting dead pine trees comes with its own set of safety risks, harvesting operations have been relatively easy. The terrain was typically flat to gently rolling, the soil was well-drained and dry, and skidding to roadside locations became the norm. Over the past three to four years, logging companies began making the switch back to steeper, more difficult terrain, targeting spruce and balsam stands located on the sides of remote mountain valleys.

With this tougher terrain has come the need to consider a change in recent traditional harvesting methods, and greater effort spent in the planning and layout phase. In the Coast region, steep-slope harvesting has always been the case.

In terms of harvest planning in more difficult terrain, technological advancements have developed to assist in ensuring logging practices are completed safely, within machinery specifications and as cost-effectively as possible. One such technical advancement that has

surface of the earth. The resulting data can be used to produce a high-resolution 3D image of the landscape—or Digital Elevation Model (DEM)—that is highly accurate in the vertical and horizontal axes. The DEM can produce reflective images of vegetation canopies

Today, forestry companies are using high-resolution data and accurate terrain profiles to update forest inventory and fibre supply, produce log pile...

greatly helped forestry workers in harvest block planning has been the evolution of LiDAR—light detection and ranging technology.

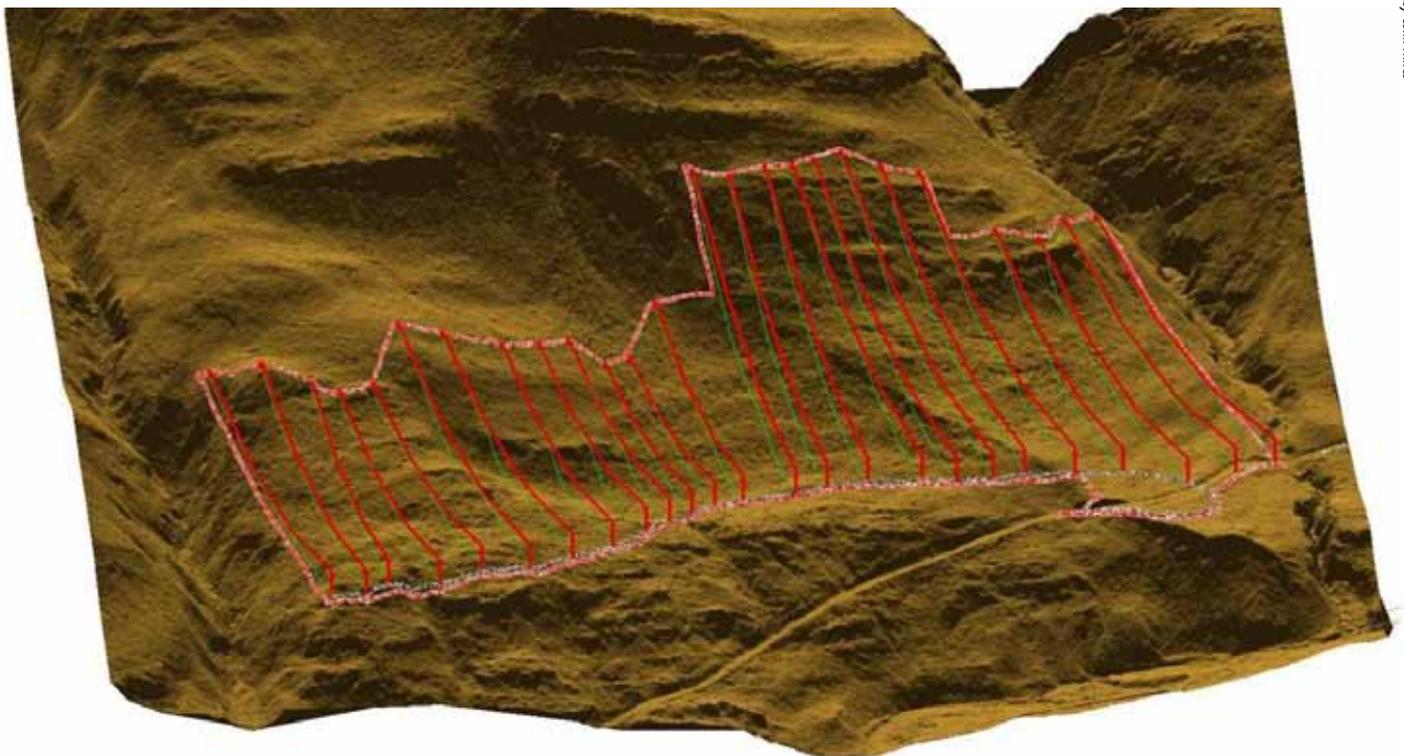
This technology is one of the recommendations made by George Abbott of Circle Square Solutions in the Contractor Sustainability Review. Abbott advised government to “acquire the most advanced version of LiDAR (2.0) and make province-wide topographical and inventory data freely available to all partners on the Crown land base.”

LiDAR is an optical remote-sensing technique that uses light in the form of a pulsed laser to densely sample the

that are useful for forest inventory work, or can be filtered out to provide a profile of the ground that would otherwise be concealed by trees and other foliage.

There is an enormous array of applications for LiDAR technology, ranging from map production to astrophysics. However, in BC, resource professionals use airborne LiDAR, an innovation that involves placing LiDAR sensors and highly accurate GPS receivers on fixed-wing or rotary aircraft in order to scan a predetermined area.

The data obtained through LiDAR technology have been utilized in the forest industry for over 20 years, albeit



This figure shows a high-quality LiDAR DEM with deflection lines, boundary and roads for a proposed cable harvest block near Chetwynd, BC.

Courtesy/Colin Hines

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to a lesser extent. The largest previous impediment to extensive utilization has been cost, but improvements in technology have made LiDAR more cost-effective of late. Today, forestry companies are using high-resolution data and accurate terrain profiles to update forest inventory and fibre supply, produce log-pile volume estimates, and facilitate harvest block planning in difficult terrain.

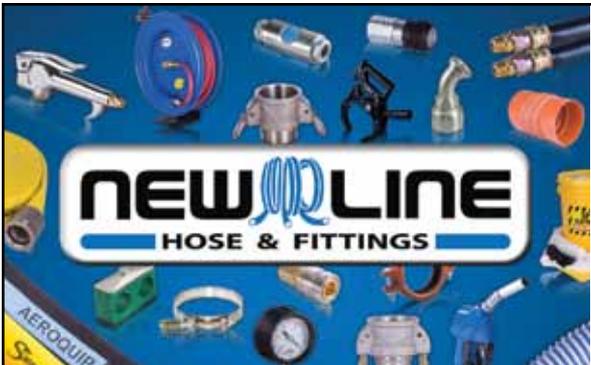
In steep, difficult terrain, foresters are using very accurate DEMs enhanced with the acquisition of LiDAR to map deflection lines for cable harvesting systems. While fieldwork is still required, the information can significantly reduce the exhaustive and time-consuming field reconnaissance. The DEM data can also be used to plan optimal road locations, identify areas in which alternate harvesting systems would be required and, most importantly identify steep and dangerous terrain that is unsafe for machine operators.

LiDAR availability in much of BC is patchy at best; this is especially true when compared to other Canadian provinces such as New Brunswick, which has recently acquired full LiDAR coverage of the province. The obvious difference is the comparatively larger size of the BC land mass, a factor that greatly influences the overall cost of such an undertaking as province-wide LiDAR mapping.

Consequently, many resource users in BC have created or purchased their own LiDAR mapping systems, e.g., oil and gas companies operating in the Peace Region of northeastern BC, and forestry companies such as Canfor and West Fraser, have attained LiDAR data for particular operating areas.

Not all LiDAR is equal. The quality of the information will vary based on the density and spacing of the ground data, and the intensity of the imagery (i.e., pixel size). Consequently, there is a wide range in the quality being utilized across the industry. In March 2017, the BC government published a paper on LiDAR specifications, but much of the data developed prior to this are of questionable quality.

While operating in steep and challenging terrain, TLA member Steve Willick of Newland Enterprises in Fort St. James, BC is experienced in working with LiDAR-produced maps, although he finds the quality inferior to that of the maps he used in the past. "Harvest plan mapping these



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days shows less ridges and slopes compared to when we had strip line data [provided by timber cruises],” Willick notes. Meanwhile, other loggers in the province have reported using LiDAR-produced maps that have been very accurate.

The range in LiDAR quality is typically a result of the type of equipment used to collect the data. Equipment that can send high-density (i.e., nominal point density of >8 points/m²) light pulses toward the ground can result in the production of a much more accurate DEM. Additionally, the precision and reliability of other LiDAR components, such as the GPS receiver, the inertial measurement unit, and the type of aircraft, all contribute to the accuracy of the data and the overall detail of the maps. Unless the accuracy of the contour information can be identified beforehand, quality control measures in the form of

field checks are required to ensure that harvest boundaries and roads are in the optimal locations.

Nonetheless, LiDAR is widely seen as a technological advancement in operational planning that will benefit licensees through more cost-effective development of their block and road locations. It is hoped that contractors will see the advantage too, with improved deflection in yarding and more strategic road locations.

There is a precedent in government in terms of making this kind of investment: in 1996, the Government of BC provided resource users with Terrain Resource Inventory Management (TRIM) base map data that covered the entire province. These maps were produced through the late 1980s and 1990s using high-level aerial photographs and photogrammetric plotters.

For the first time, detailed terrain information was made available to resource users and became a valuable tool in harvest block and road planning. Like TRIM mapping, the BC government is on its way to producing a standardized and accurate LiDAR inventory for the province, with areas of Vancouver Island and the Lower Mainland already being mapped. However, the process is slow and costly.

As harvest development in BC steers into steeper, tougher ground, and during a time during which labour shortages are becoming an increasing reality in the forestry sector, good-quality, reliable and efficient province-wide LiDAR will inevitably become a major asset in ensuring proper resource management and industry cost-effectiveness.▲

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(Continued from page 17)

employer must take appropriate steps to ensure the safety of that employee and the other members of the workforce.

Addictions or disabilities must generally be accommodated where safety is not an issue, and employers can often do this by entering into agreements with the employees that provide that the employee cannot return to work unless he or she is going through treatment. Accordingly, employers and employees should be made aware that, if an employee has been prescribed cannabis or any other medication that would cause impairment, a positive obligation exists to inform the employer given that it could impact their ability to safely perform their job function.

Employers should also consider the fact that, even though an addiction or dependency is considered a disability an employer may be required to accommodate, it does not excuse an employee who is not being forthcoming with his/her employer. If an employee suffering from a substance dependency issue causes an incident or injures someone, the employer is still able to discipline the employee in accordance with its

established policies. It is important to ensure that any disciplinary action is taken not because of the employee's substance dependency, but rather because of the employee's behaviour that led to the incident (as would be the case if any other employee caused a similar incident). Given the complexity of this area, an accommodation policy is just as important as an impairment policy.

Legal cannabis is here, but it is not too late to update your impairment or accommodation policies if you have not yet done so. Consider whether your policies appropriately define what "impairment" means. In safety-sensitive positions, an expressly worded policy that stipulates that employees can't use drugs or alcohol at work, or be under the influence of a drug or alcohol at work, will typically be considered acceptable. Such policies must respect an employee's rights regarding confidential information, but must also include specific requirements that employees must inform their supervisor (or the appropriate health and safety officer) if they are taking any prescription medication (including but not limited to medicinal

marijuana), and whether there are limitations and restrictions on their ability to perform their job.

If you have questions about how cannabis legalization may impact you or your organization, you should consult with appropriate legal advisors who can provide assistance in navigating this new legal development.▲

Charles Bois has a diverse practice that focuses on the oil and gas, energy, mining and natural resources, Aboriginal, environmental, commercial, and construction and infrastructure sectors. In addition to his legal experience, Charles has over 20 years of business experience in the natural gas industry, including senior management and consulting roles.



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Fall Economic Update Highlight: Deductions on Equipment Purchases

By Chris Duncan

On November 21, 2018, the federal Minister of Finance announced the fall economic statement that included several measures to improve competitiveness for Canadian businesses.

One of the most highlighted measures is a full write-off of machinery and equipment used in the manufacturing and processing of goods. This measure is targeted toward improving Canada's manufacturing sector in a time when industry players may be eyeing tax changes south of the border as an opportunity to relocate.

Under the new incentive, the contractor will be able to claim 45 per cent depreciation in the first year, or 1.5 times the rate normally eligible in the first year of an asset purchase.

Unfortunately for contractors, logging is specifically identified in Canada's *Income Tax Act* as not being in the manufacturing category. Unfortunately, this means the 100 per cent deduction is not available for logging equipment.

However, a second accelerated investment incentive was also announced as a measure to support all sectors and types of businesses across the economy. For capital assets purchased after November 20, 2018, this measure suspends the half-year rule normally applied to depreciation for tax. Instead, 1.5 times the full rate of depreciation will be available.

For example, prior to the incentive, a capital asset in Class 10—which has

a rate of 30 per cent and under which most logging equipment falls—would be eligible for a depreciation rate of 15 per cent of the cost of the asset in the year it is purchased; this is due to the half-year rule. Under the new incentive, the contractor will be able to claim 45 per cent depreciation in the first year, or 1.5 times the rate normally eligible in the first year of an asset purchase.

The incentive does not change the total amount that can be claimed for depreciation over the asset's useful life. In fact, the deduction will eventually be

offset by smaller deductions at the end of the asset's life; the end result is more value upfront.

This incentive, which became available November 20, 2018, will begin to phase out in 2023, and will end in 2027. For assets purchased in the phase-out period during 2024–2027 that are normally subject to the half-year rule, the rule will be suspended. For example, logging equipment in Class 10 will have a 30 per cent depreciation rate for tax in year one.

The following is an example of a Class 10 Log Loader with a purchase price of \$600,000, financed at 6%:

This incentive makes purchasing rather than leasing equipment more favourable in year one if you understand in the later years you will have less deduction for tax. This could just be the incentive you need to go get a new piece of equipment. As always, before deciding which option is best for you, talk to your advisor.▲

Chris Duncan, CPA, CA, is a Business Advisor with MNP's Private Enterprise group who specializes in real estate, construction and forestry businesses. Based in Duncan and serving clients across Vancouver Island, Chris draws on his unique background to deliver industry-specific advice to help business owners stay in compliance, make informed decisions and achieve their goals. Chris can be reached at 250.748.3761 or chris.duncan@mnp.ca

	Deductions for tax purposes: year one	
	Old Rules 15%	New Rules 45%
Capital Cost Allowance	\$90,000	\$270,000
Interest Expense	\$36,000	\$36,000
Total deductions	\$126,000	\$306,000
Tax savings at small business rate*	\$15,120	\$36,720
Tax savings over small business rate**	\$34,020	\$82,620

*Tax rate for 2018 for active business income up to \$500,000 in BC is 12%

**Tax rate for 2018 for active business income in excess of \$500,000 in BC is 27%

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