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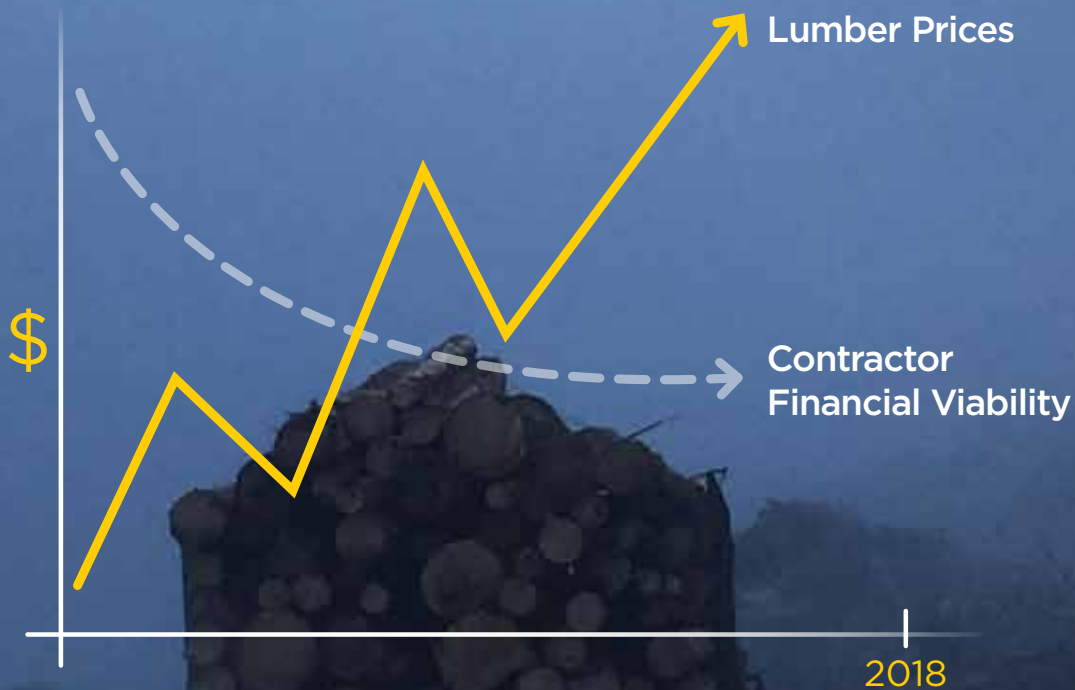
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Summer 2018

Contractor Sustainability Review: How the Recommendations Will Help Contractors



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FROM THE EDITORIAL BOARD DESK...

This issue marks the start of many new beginnings. As I assume the role as the new editorial board chair, I would like to thank my predecessor, Matt Wealick for ensuring eight editions of *Truck LoggerBC* captured the issues that were important to TLA, ILA, and NWLA members.

With the government's recent announcement and resulting recommendations from the much-anticipated and now complete Contractor Sustainability Review (CSR), the Board of Directors is entering a new and long-awaited era of advocacy for our membership. You can read more about the recommendations on page 16.

You'll notice the cover is somewhat of a departure from past issues. With the release of the CSR recommendations, the Editorial Board wanted to mark its significance with a unique, bold cover that reinforces the sentiment of the contracting community.

In this issue, we are introducing two new regular features. The Technology Report will raise awareness of new trends in timber harvesting operation technology in an effort to assist contractors with embracing best practices and innovation, as well as contribute to keeping our industry globally competitive.

With nine communities having already joined as new TLA members, we will begin featuring these forest dependent communities in an effort to provide their perspective on the forest industry. Given that the forest

resource is core to many rural communities across the province, we are excited to share their significance here.

In the Northern Interior perspective editorial, we raise the concern of road maintenance and the need for increased infrastructure spending in the north, which has recently garnered local media coverage. We also share a positive story about a new partnership between Western Forest Products and Huu-ay-aht First Nations.

In early May, I had an opportunity to join the TLA Board in attending the ILA's 60th Annual Conference and Trade Show in Kamloops. I'd like to thank them for hosting the TLA and congratulate them for another successful year.

And finally, I would like to introduce and welcome Jennifer Kramer as TLA's new Director of Communications and *Truck LoggerBC*'s new editor.

I am committed to carrying on the tradition of delivering a magazine built on integrity for all TLA members and welcome your thoughts and feedback anytime via Jennifer@tla.ca. ♣



Dorian Uzzell
Editorial Board Chair

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MAKING IT WORK – STRATEGICALLY

In May, the TLA held its Board of Directors' meeting in conjunction with the ILA Convention and Trade Show in Kamloops. This annual meeting allows the TLA and ILA to coordinate issues and ensure that both associations are sharing the same messages to government about the need for change to ensure contractor sustainability. This year, we spent significant time meeting with Minister Donaldson and Premier Horgan where we reiterated our ongoing positions on contractor sustainability and expressed our appreciation to both about their unwavering commitment to making this vital initiative a priority and implementing change.

Since our meeting in Kamloops, we were provided an opportunity to review confidential copies of George Abbott's Contractor Sustainability Review. We now feel confident that this long-awaited report has captured the concerns of independent timber harvesting contractors across the Province. The resulting 13 recommendations addressed the majority of issues that the TLA has been raising for years with government and when implemented, will make a meaningful and positive difference for loggers, communities, and the industry. Minister Donaldson also indicated he has instructed an implementation plan be prepared by the end of July with the goal of improving competitiveness for contractors and licensees. We certainly look forward to working with the government to make this happen.

We also had lengthy discussions with the Minister and Premier about the difficulty we all face in recruiting and training a much-needed skilled workforce for logging. A number of directors provided their own insights to the issue and we saw some support for the TLA-proposed contractor training tax credit that would implement an income tax rebate paid to contractors who undertake training at their own expense. This proposal would allow province-wide contractors to recruit and train, offsetting some of the

costs associated with lost production. Training through our contractors means the industry will recruit productive and competent workers.

As we move into another potentially difficult fire season, George Abbott and hereditary Chief Maureen Chapman recently released a report on the 2017 flooding and wildfire season, "Addressing the New Normal: 21st Century Disaster Management in B.C." suggesting BC was ill-equipped for these emergencies. As the recommendations from that report are considered by government, it is important that we all practise diligence in our operations to ensure the safety of our forests and workers.

The TLA hit a significant milestone this year with its 500th member joining in the advocacy work we do on behalf of contractors. Perhaps I am tooting the horn of the association I am president of, but contractors from across the province, and not just the coast, are taking notice of TLA's messaging and actions, leading to our membership growing from contractors province wide. Clearly this is a vote of confidence for the work we do and suggests we are on the right track when it comes to allocation of our resources.

However, staying focused on contractor issues and ensuring our advocacy efforts lead to the results we need does not happen without significant planning. To this end, we once again spent several days this past spring with our Board of Directors and strategic consulting support to develop a new strategic plan that will guide our efforts over the next three years.

In developing the plan, we reviewed our successes (and failures) over the past few years, conducted forward-looking analysis on the industry, considered the opportunities we could build upon and, in the end, confirmed our strategy for the future.

As the plan now states, the TLA vision is to be the "Strong and unifying voice for BC's forest community." With a growing membership that represents contractors and suppliers from across

BC, we plan to build on past successes and ensure our voice balances perspectives from the major licensees.

The TLA believes that a strong and sustainable working forest will generate long-term prosperity for the people of British Columbia, and that the people who work in our forests must share in this prosperity. This belief is the central motivating factor for our push towards improving contractor sustainability, given we are not currently sharing in the prosperity that buoyant markets are providing.

The TLA's new mission is, "To promote the viability of TLA members, their families and communities." This mission will be achieved by providing leadership in the forest industry, promoting contractor sustainability, and fostering successful relationships that support our vision. The Board of Directors fully recognizes the fact that the TLA is a membership-driven organization, and our new mission statement speaks to the commitment that the TLA is here to serve our membership, wherever they are located in this province.

If you are not a member but see value in the work we do and the results we are achieving, we would be glad to have your voice join ours. Call me anytime.▲

Mike Richardson, President, TLA

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RUNNING ON BORROWED TIME

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

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

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

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

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

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

his frustration with me in the following email:

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

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

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

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

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

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

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

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

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

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

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

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OUR 60 YEAR ANNIVERSARY WAS A GREAT SUCCESS

On behalf of the Interior Logging Association's Board of Directors and staff, I would like to once again thank everyone for attending the ILA's 60th Annual Conference and Trade Show, many of whom have been attending for decades. Your continued support and participation directly contributes to the success that it was. Also, special thanks to Nancy Hesketh who works so hard each year to bring it all together and ensure it runs smoothly. The move to the City of Kamloops and Tkemlúpste Secwépemc First Nation Powwow Grounds was well received, resulting in increased trade companies' participation in the indoor and outdoor shows.

We were pleased to host Minister Donaldson, Ministry of Forests, Lands, Natural Resource Operations & Rural Development at our Friday luncheon, where he announced the Forest Service Providers Compensation Fund will get a cash injection of \$500,000, bringing the fund to approximately \$8 million. We also hosted Premier Horgan at our Saturday luncheon, where he expressed his support for the challenges facing the logging industry.

The ILA Board of Directors together with TLA Board members had an opportunity to meet with Minister Donaldson and Premier Horgan prior to each luncheon to share our industry-related concerns, including training and the skilled

labour shortage, as well as address questions regarding the much anticipated Contractor Sustainability Review.

Director Announcement

ILA Board Chair, Randy Spence, is pleased to announce the appointment of Lennard Joe as a new ILA director for a one-year term. As Joe continues to serve as president and director on several other local and provincial First Nations, aboriginal and indigenous boards, he will bring a wealth of knowledge to the Association.

ILA Scholarship Deadline

As a reminder, ILA Scholarship applications are due by the end of July. A total of

ILA members have been attending the annual convention and trade show for decades:

Photos: Kelly Funk Photography



Gary Inwood | Inwood Trucking Ltd.
Quesnel, BC | Attending for 45 years



Bill McDonald | Big Mac Trucking Ltd.
Tappen, BC | Attending for 47 years



Reid Hedlund | Mid-Boundary Contracting Ltd.
Midway, BC | Attending for 19 years



Marcel Payeur | Quadco South Star
Vernon, BC | Attending for 43 years



Rob Halstead | Western Financial Group
Kelowna, BC | Attending for 20 years



Keith Balcaen | Balcaen Consolidated Contracting Ltd.
Vernon, BC | Attending for 40 years



L-R: Fred and Carol Lowe | Nadina Logging Ltd.
Merritt, BC | Attending for 47 years

\$5,000 in scholarship funding is available, including: \$2,000 for forestry, \$1,000 for business administration, \$1,000 for trades and \$1,000 for a general scholarship. For more information or to apply, please go to our website interiorlogging.org.

I would like to thank the TLA for attending the ILA conference and participating in our discussions with the Minister and Premier. We look forward to working together in the coming months to implement the resulting recommen-

Dennis Cook | Dennis Cook Holdings Ltd.
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dations from the Contractor Sustainability Review.▲

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WHAT MAKES A SUSTAINABLE INDUSTRY



While recently speaking with some North West Loggers Association (NWLA) members, we discussed what each of us thought were the critical barriers for the forest industry in north west BC. Not surprisingly, we landed on the following three items as critical to creating stability in our area.

1. The lack of viable market for 'fibre' and waste wood.
2. The lack of log flow, either due to a lack of investment in infrastructure (roads and bridges), or marketable wood approved for logging.
3. Inconsistency in market demand and/or prices for a significant part of the timber profile.

Many will say that if we address these first three issues, then our problems will be solved. While they would bring us much closer to sustainable prosperity, they'd be only partially right. There's one other factor necessary for success, and it's the main reason why the NWLA operates.

4. The contractors that harvest and move forest products must be viable (profitable and sustainable).

Contractors and their workers are critical to the success of the forest industry and must be supported. If there is no one to fall, yard, process, or haul the logs to market, then what happens? The industry stops.

It doesn't matter if you can mill all the wood in the province—if there's no one to bring you that wood, you are dead in the water.

It doesn't matter if you have all the permits and approvals in the province—if there's no one to log the wood, you are dead in the water.

It doesn't matter if the highways are open and newly paved—if there's no one to haul the logs, you are dead in the water.

It doesn't matter if you have great plans for hospitals, schools, swimming pools or arenas—if you don't have contractors and their workers to pay the taxes that pay for

those facilities, or their families to use those facilities, you're dead in the water.

So yes, we need to make sure that each log that comes out of the forest is turned into a product that pays for the cost of delivering that log to the marketplace. Yes, all the timber from a forest has to have an end use. And yes, we need to ensure that there is always enough of that timber approved and available to provide a steady and sustainable supply to the marketplace.

Instead, what we see is that our members and contractors throughout BC are becoming increasingly less viable—every single person in this province should be concerned about that.

However, just as important is that we need to have contractors that are able to consistently, efficiently, and sustainably bring that timber to market, and to do that we need the contractors' workers to be trained and steadily and sustainably employed.

It is in everyone's interest to make sure this happens, from the contractor investing in its own equipment and people to maintain or improve its safety and efficiency; to the mill or forest licensee ensuring that the contractor is fairly compensated for the work it does, to ensure the long-term viability and sustainability of its suppliers; to the bureaucracy supporting and promoting continued and sustainable access to the forests so that there will be a steady source of tax and stumpage revenue for social programs and public infrastructure.

Instead, what we see is that our members and contractors throughout BC are becoming increasingly less viable—every single person in this province should be concerned about that. Contributing to this is the licensees' lack of recognition of the costs and need

for profits and reinvestment capital to poor planning or communication of logging programs leading to contractor inefficiency and higher costs; and unacceptable long delays in processing plans and permits by government agencies. We understand there are reports being written about these issues: our hope is that the conclusions and recommendations from those reports will result in real and sustainable change.

The NWLA continues to work on and

support initiatives that will make our local timber profile more economically viable and available. We also promote interest in markets or products that bring more value from the forest, and support any initiative that reduces red tape.

But we need to remember why we are doing all this, and to remind licensees and bureaucrats that a viable contractor force means a healthy forest industry with happy workers and families, and that makes for prosperous and sustainable communities.▲

Rick Brouwer is a registered professional forester and lives in Terrace BC with his wife and daughter. He is the executive director of the non-profit Skeena-Nass Centre for Innovation in Resource Economics (SNCIRE), and a partner in Westland Resources Limited, a natural resource consulting company and associate member of the NWLA. While Rick has lived and worked throughout the western half of BC, he grew up in the Skeena Valley and believes there is great potential for people in the northwest woods!



INFRASTRUCTURE SPENDING IN BC – WHAT ABOUT THE NORTH?

If you travel north from the scenic resource town of Fort St. James, you will find yourself on what most provincial maps label as the Germansen Road. The locals call it, the North Road. Anyone who travels the 105 kilometres of the North Road will find it to be a bumpy, dusty and not well-maintained gravel road. Traffic encountered along the way includes logging trucks, mining trucks, low-beds, delivery trucks, school buses, postal vehicles, crew buses and personal vehicles owned by the many resource workers, First Nations, local landowners and hunters who travel it daily.

The North Road is a multi-use public road with a history that dates back to the Omineca Gold Rush of the 1860's. At that time, the North Road was merely a wagon trail constructed northward from the community of Fort St. James, across the Nation River and over Baldy Mountain, to access the gold panning communities of Manson Creek and Germansen Landing. With the increase in placer mining in the area and the expectation of another gold rush, the provincial government upgraded the trail

to a more drivable standard and in 1927, the North Road came under the Ministry of Transportation and Infrastructure's (MOTI) administration.

A significant concern facing northern BC logging and trucking contractors is the noticeable lack of spending on infrastructure and general maintenance along some of the northern main access corridors. Few concerns are as significant as the lack of maintenance and general safety issues surrounding travel along the North Road, a road that supplies timber to five sawmills and a bioenergy plant in Fort St. James and Vanderhoof and links these communities to the mines at Mount Milligan and Kemess.

The North Road is atypical as it sees considerable use by both the forest industry and mining. What is atypical is that similar MOTI administered resource access roads in the Quesnel district to the south do not suffer such poor maintenance funding allocations. Appeals from forestry contractors and the community at large for increased maintenance along the North Road appear to fall on deaf ears.

An estimated 750,000 cubic metres of coniferous log volume was hauled down the North Road to Fort St. James in 2017, which equates to more than 70 logging truck loads each day with peaks of more than 150. Crew buses travel about 80 kilometres to and from Mount Milligan Mine and Fort St. James at the beginning and end of each shift. Residents from Manson Creek, Germansen Landing, and many other communities and homesteads north of Fort St. James use the North Road as their main transportation route. Additionally, with the construction of the Community Connector Forest Service Road, that links the towns of Fort St. James and Mackenzie, and the Hat Lake Connector that joins the busy Leo Creek Road with the North Road, the amount of traffic along the North Road has never been higher. Adding to the fact that the road has a gravel surface, can be dangerously dusty in the dry season, is narrow and windy along much of the route, and is not radio-assisted, safety is a major concern. To many who use it on a regular basis, the



North Road is another fatality accident waiting to happen.

In a recent letter from the MOTI, they stated, “the Ministry has invested in excess of \$7 million in the Germansen Landing Road over the past number of years.” However, users know that it was mostly for the upgrade of a large bridge structure on the Nation River crossing. Most would suggest that \$7 million is not a lot when considering the level of use, length and type of vehicular travel this road sees. Along with regular maintenance activities associated with perhaps the MOTI’s lowest road classification, this spending seems trivial compared to the amount and value of timber that gets hauled along it each year.

At a TLA member meeting held recently in Prince George, the Honourable Doug Donaldson, Minister of Forest Lands, Natural Resource Operations and Rural Development was provided some insight into the state of the roads in the north and the problems that many local contractors face as a result of the general lack of road infrastructure spending specifically on the North Road.

Ben Hoy of the KDL Group in Fort St. James and TLA member questioned the government’s lack of initiative to provide adequate maintenance on highly used roads that see upwards of “\$1 million worth of timber hauled along them on a daily basis.” Hoy pointed out that there are no incentives in place to motivate any of the industrial road users to provide the maintenance required to ensure a high standard of road condition. He went on to say that current government systems “pit industrial users against each other” instead of establishing a system that would promote “the highest standard of road safety for our people”. These words are echoed throughout the industry by logging contractors and truck drivers who must negotiate northern road networks each day along conditions that are often substandard.

Major forest tenure holders in the area have proposed that the MOTI relinquish administrative rights of the North Road to the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (FLNRO). This would in turn reclassify the road as a Forest Service Road (FSR), which would be radio-assisted and allow industrial traffic to better communicate with each other,



Photo: Connor Schuetz

including warning each other about oncoming non-industrial traffic.

However, a petition has been organized by residents in Fort St. James asking for a halt to the North Road becoming a FSR. Their concern about the conversion is the potential for increased load limits, thus allowing larger trucks with larger loads, at the expense of a greater hazard to the public and greater negative impact on road conditions. Also at the time of writing there are 1,775 names on this petition, a number closely comparable to the population of the town itself. At the time of writing, the public consultation process about this proposed change is still on-going.

As a FSR, some safety standards may improve in the short-term, or as long as the road is being utilized for forestry activities. However, considering the number of different types of road users and the importance to local rural communities, the North Road may be better suited to remain under the jurisdiction of the MOTI with a supporting increase in infrastructure and maintenance spending. Whether this is accomplished through a provincial infrastructure grant or a road reclassification that will direct more annual maintenance funds toward it, it is up to the Government of BC to realize that the inadequate amount of spending that has been allocated to this road over the years has inspired more than a little bit of concern over driver and passenger safety.

In April 2018, the Canadian government pledged BC more than \$4 billion in federal funds to be directed toward in-

frastructure. However, the vast majority of this money will never leave the lower mainland. According to the MOTI website, there are only 74 of 618 infrastructure projects happening in BC north of Highway 16. That is a very small percentage considering the amount of money that the provincial government receives each year from northern resource development. Conducting major upgrades to the North Road and following it up with a meaningful annual maintenance program would be a good investment towards future development in the north. It would provide a safer travel route for industrial road users, the communities north of Fort St. James, as well as for logging and trucking contractors who are the backbone of these communities.

The North Road is a prominent example of a broader issue of what some view as taking for granted of the province’s rural areas that generate a disproportionate amount of economic activity. A review of the state of resource roads that provide economic activity and linkages to remote communities would be a good investment in supporting our resource activity and the remote communities that rely on them.▲

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.



CONTRACTOR SUSTAINABILITY REVIEW – HOW THE RECOMMENDATIONS WILL HELP CONTRACTORS

On May 10, 2018 the resulting recommendations from the long-awaited Contractor Sustainability Review (CSR) were publically announced by the Ministry of Forest, Lands, Natural Resource Operations & Rural Development.

Completed by George Abbott of Circle Square Solutions, the CSR addresses potential solutions for the financial viability of the logging contractor community in the long term. Overall, it validates the problems contractors have been raising for years—that they are experiencing declining profitability—and acknowledges that immediate action is required or licensees will be affected.

It is apparent that the recommendations seek to solve the lack of trust and fractured relationship between contractors and licensees, primarily by raising the level of transparency in business interactions between the two. None individually will have a significant impact for contractors or provide immediate relief; however, collectively they will help to begin making a difference. The TLA will be pushing government to implement them with a strong sense of urgency.

These recommendations are thoughtful and integrated, designed to help Bill 13 and non-Bill 13 contractors alike. It appears they are balanced between the need for change with the belief that if implemented, they will drive improved competitiveness for the entire industry while ensuring the sustainability of contractors province-wide.

The following is a summary of the recommendations overarching themes and the TLA's perception of how they will help contractors. Each of the 13 recommendations can be reviewed in detail at tla.ca.

RATE MODEL

Two recommendations address the intent to develop a basic rate model that must be shared with contractors. We believe that it will serve to:

- Remove the emotion from rate negotiations by creating a common understanding of the industry cost factors affecting the timber harvesting process to be incorporated at the outset of rate negotiations.
- Hold licensees accountable in rate negotiations by considering all industry costs and realistic cost assumptions.
- Enforce contractors need to play a role in knowing their own business data.
- Address the “black box effect” that contractors experience when using a model that they haven’t had any input on its design.

It is not yet clear if this recommendation will help relieve the core problem of not having a fair market for timber harvesting services.

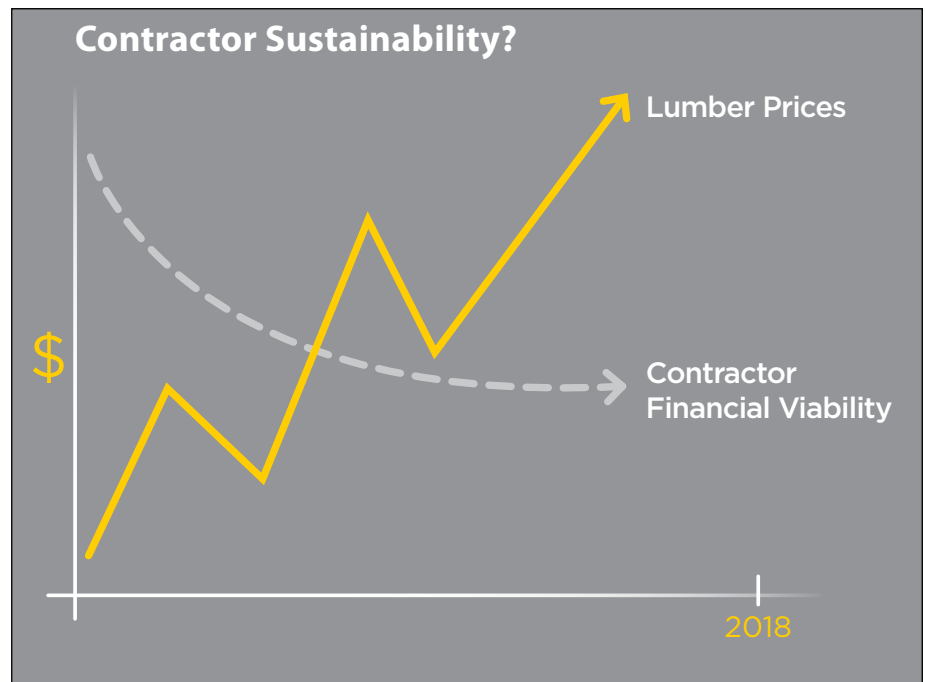
nism for leveling the playing field between major tenure holders and contractors, an underlying theme in the report. Establishing healthier Bill 13 rates should help raise the rates for all contractors.

RELATIONSHIPS

The recommendation to annually monitor and publish the quality of contractor and licensee relationships is a strong message. It acknowledges there are serious issues, imbedding a strong accountability into addressing them and that they can't be deferred.

TRAINING & LABOUR SUPPLY

Most, if not all contractors and licensees recognize that attracting, training and retaining skilled workers is a major problem, reaching acute levels in many locations in BC.



BILL 13

Five recommendations address Bill 13, formally known as the *Timber Harvesting and Sub-contractor Regulation of the Forest Act*. It was introduced and is maintained today in order to provide a mecha-

The TLA believes there is an opportunity to help contractors in this province by proposing a delivery model that creates an income tax credit (regardless of your level of profitability) to offset the costs that contractors carry in taking

their lead hands out of productive work to train their juniors in on-the-job training—of the traditional model for training in the logging sector.

The Interior Logging Association and Western Forest Products have separately developed a more institutionalized model for training new recruits, which incorporate classroom education of fundamentals and some short-term field experience. While we support these initiatives, the TLA believes that both a tax credit and the institutional models should be supported, even perhaps integrating them together to have the greatest impact on addressing the skilled labour problem.

Obviously, if contractors were financially viable they would be able to invest in recruiting, training and retention on their own, but as detailed in the report, they are not in a position to do so.

PLANNING & HARVESTING

Most licensees and contractors alike will appreciate the recommendation to have a 12-month plan in advance. It would help relieve the pain of “lurch-logging” and allow

contractors to efficiently deploy their resources and retain their employees.

In addition, we think it directs the government to help where it can, such as staff to process permits, but also work on removing the barriers that hold back the permitting process, most notably, First Nations and environmental negotiations.

A government investment in LiDAR would also be significant, benefitting the industry as a whole.

CAPITAL INVESTMENT

We have mixed perception of the recommendation that encourages licensees to support contractor purchases of equipment. If contractors had conditions to be financially viable and sustainable, it would not be necessary. Although, it opens the discussion about what contractors need to invest, such as commitment to work volumes including the number of years ahead, as well as the amount of work to keep such investment employed consistently throughout the year.

BC TIMBER SALES

The recommendation for a larger quantity of smaller blocks means greater diversification of market participants. These smaller players will then have the opportunity to diversify their revenue sources.

WHAT'S NEXT

Looking ahead, the recommendations that challenge the current status of the financial viability and negotiating position of the majors is where the TLA's lobbying efforts will be focused.

Before July 31, 2018, representatives from the timber harvesting contractors and the forest tenure holders and major manufacturers will participate in the government mandated facilitation process to identify where there is consensus that should be acted on, and assess the costs and benefits of adopting those where there may be differing opinions.

We look forward to working with all stakeholders to implement all of these recommendations as soon as possible.▲



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BUSINESS PRACTICES FOR SUSTAINABLE CONTRACTORS

Part One—Want vs. Need. Should You Invest In New Equipment?

This year, at the 75th Annual Truck Loggers Association Convention, contractor sustainability was the top-of-mind topic. This isn't a new topic in our industry, but it has evolved over the past few decades as technology and environmental issues have shaped the industry to where we are today. In this four-part series, we will look at what it takes to be a sustainable contractor in this modern logging industry.

Mechanization in the forest industry has always been a big part of how contractors took advantage of efficiencies to enable them to earn more profit. From the first steam donkey to tethered harvesters climbing the faces of steep slopes, these innovations have been driven by the wants and needs of contractors and quite often the question asked is, should I be investing in this new equipment?

Indicators of a need to invest in new equipment:

Repairs and maintenance

One strong indicator is the cost to keep your old gear going. Are you spending more on repair bills than you would be on a new machine payment? Or, have you recently put a new motor into the machine for \$50,000 and it has another 10,000 hours of life left? The flip side of this is if you have a piece of tired equipment needing a major overhaul that, even after the repair, won't be worth anymore than it is currently and will only get you another thousand hours before the next major repair.

Opportunity lost

Another question to ask is, by not investing, what am I missing out on? If you're spending more time wrenching on the equipment than it does logging, then you have a need to reinvest. Also, if as the owner operator you are spending more time under the machine than focusing on running your business, you need to consider your options.

Are your operators complaining about equipment constantly breaking down? Is your production suffering because of machine down time? These factors can hamper your bottom line substantially.

you've had the chance to really consider if there is a true need for the equipment.

But consider what the new equipment is replacing? Will it help you make more money? Does your potential rate per me-

An informed decision should be made based on how much income this equipment can help generate for you and the cost of running it.

Efficiency gained

By investing in new equipment, you are often able to gain significant efficiencies, opening the door to better operational performance and potentially a stronger profit. A new, well-maintained machine can produce volume for some time without any significant down time for repairs. This helps when all of an operator's time at work is primarily production time.

New technology

The recent advancement in technology to harvest steep slopes is one factor contributing to many contractors buying new equipment. While new technology is tempting and will always fill a room full of prospective users, we must ask ourselves how often will we actually require the new technology and is it something that will be adopted as a whole or in specific cases? You don't want to be the last guy using steam power when everyone else has switched to diesel. Your business may not be sustainable if this is the case. However, you also need to be careful and not be the first guy to switch to a new untried technology based on a want not a need.

Want vs. need

One of the most common conversations I have with contractors when purchasing equipment is whether the purchase of a machine is a want or need.

All too often a purchase decision has been made as a result of a stop at the local equipment dealer. Before you know it, the paperwork is signed for the purchase of the latest and greatest model before

tre add up for the equipment? Will this investment improve my business' rate of return? Have you spoken to anyone else who runs similar gear and what is their experience with it? Is there enough work to justify the new technology?

Read through the purchase contract. What are the terms of your purchase agreement? What sort of warranty does the equipment have? Have you financed or leased the equipment? Who ends up owning it at the end of the term?

Overall, buying a new piece of equipment is a business decision that should never be taken lightly. An informed decision should be made based on how much income this equipment can help generate for you and the cost of running it. Do your homework, take your time and enjoy the process.▲

Chris Duncan, CPA, CA, is a Business Advisor with MNP's Private Enterprise group who specializes in real estate, construction and forestry businesses. Working out of the Duncan office 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



FALLING TEAM'S MISSION IS TO REDUCE INJURY RATE AMONG FALLERS

Manual falling, without question, is the single most hazardous occupation in the province of BC, with an injury rate of 27.3 per 100 workers last year and a serious-injury rate of 11.2. That number comes into focus when compared to the rates in the overall forestry sector, of 5.2 and 1.3 respectively.

Even with the gains that have been made in recent years through prevention efforts and advancing technology, these claims have cost the industry more than \$100 million in the last decade and a half. For the 18,500 workers in the forestry sector and their 4,500-plus employers, the human and economic costs are far too high.

With this in mind, WorkSafeBC recently introduced a targeted falling team as part of its Forestry High Risk Strategy for 2018-20. The team is comprised of

four officers dedicated to hand-falling inspection, a team lead, and a manager of interest. All team members have extensive falling experience and have served as certified fallers, qualified supervisor and new faller trainers, with a combined 12 decades of industry experience. All are passionate about the team's central mission, which is working with industry to reduce the injury rate among fallers.

Launched in April 2018, the team spans the province geographically, with officers based in Nelson, Port Moody, Kamloops, and Terrace. Team Lead Terry Anonson works from Courtenay and travels province-wide based out of Fort St. John.

These officers will inspect falling operations, consult with employers, educate workers and supervisors, audit compliance, and enforce relevant regulations.

They will also mentor and support other WorkSafeBC officers working within forestry, thereby helping to ensure consistency of knowledge and inspections across British Columbia.

Last year alone, manual tree falling and bucking generated 452 WorkSafeBC inspection reports. One of the most frequently cited regulations (with 40 mentions) was OHS 26.24: Responsibility for Falling and Bucking, which outlines safe procedures before, during, and after a tree is felled. Many of these orders revolved around incorrect undercuts, inadequate risk assessment, and failure to escape at least 10 feet from the base of the tree as it began to fall.

As a result, the focus of the team's inspections in 2018 will be: falling practices, danger-tree management, and escaping a safe distance from the base of the

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tree and phase congestion, which can negatively impact fallers or cause falling activities to endanger other workers. Inspections will encompass not just harvesting operations, but any falling operation in BC, including oil and gas worksites and wildfire management. This focus will ensure all employers, at all levels of the worksite, are fulfilling their responsibilities to ensure hand falling is conducted in a safe manner.

In addition, team members will engage with fallers and industry employers, looking for feedback and suggestions. They will work to identify gaps in existing health and safety management systems, and address those gaps by way of consultation, collaboration, and enforcement.

With this initiative WorkSafeBC wants to move toward compliance that is sustainable over the long term. Team members will spend the time necessary with workers, supervisors and owners to make sure they have a sustainable program of compliance with the Occupational Health and Safety Regulation, the *Workers Compensation Act* and the BC Faller Training Standard—the keystone requirements for reducing hand-faller injuries.

(Continued to page 53)

Top 10 Regulation Subsections Cited

Order Cited	Times Written
OHS7.8	69
OHS26.24	40
OHS8.25	16
OHS26.2	11
OHS3.16	10
OHS26.26	6
OHS8.12	4
OHS4.3	4
OHS3.15	4
OHS26.65	4
All Others	47
Total:	215

2017 Manual Tree Falling and Bucking: Top 10 Regulation subsections cited

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STELLAR BC SAWMILL EARNINGS ON RECORD-HIGH LUMBER PRICES

The recent run on lumber prices has put big smiles on the faces of sawmill operators and lumber traders. Despite US import duties, lumber prices rose and held during a very uncertain period last year. Lumber prices then surged in the fourth quarter of 2017, catching many by surprise due to the sheer magnitude of the increases and strength of the run. As a result, most sawmills are achieving incredible earnings, with some BC companies (such as West Fraser) reaching 25 per cent

Interior companies (West Fraser, Canfor and Interfor) own 45 sawmills in the US (almost all in the South), high sawmilling returns are still being achieved for those with fewer US mills, e.g., Canfor (with 27 per cent of its production in the South) and Western Forest Products (with no operations in the South, but including coastal log sales).

Mill prices for all lumber species in North America have been trending higher since preliminary US import duties commenced in February 2017, and

demand in export markets, has created an almost perfect storm. As a result, record-level lumber prices have been achieved for most species (table 1 is on page 54). One of the major exceptions has been studs, which have languished in comparison to dimension lumber.

The record prices (chart 2 is on page 54) enjoyed by Canadian producers come with a caveat: sales to the US are currently subject to an "all others" 20.2 per cent import duty. These mean the high prices need to be reduced by import duties of US\$92/Mbf on US sales for W-SPF and US\$154/Mbf for western red cedar. Despite this, however, net returns are still as good as during some of the previous highs. In addition, record-high prices have been seen in markets such as Japan where W-SPF J-grade reached US\$660/Mbf in April and green hemlock squares have just cracked the US\$1,000 mark.

All of these stellar results occurred at a time of periodic log and lumber production curtailments in BC: 2017 BC Interior shipments were 5 per cent lower than in 2016; Coast lumber shipments were off by 7 per cent; and Coast log exports were down by 5 per cent. The shorter operating period in 2017 due to weather conditions, some mill closures and now railcar shortages has meant reduced output and deliveries at a time of strong market demand and most export markets. Even with US import duties creating some uncertainty for buyers, 2018 has started out as one of the best years ever in the lumber business, with US and global buyers chasing BC mills for their lumber products.

(Continued to page 54)

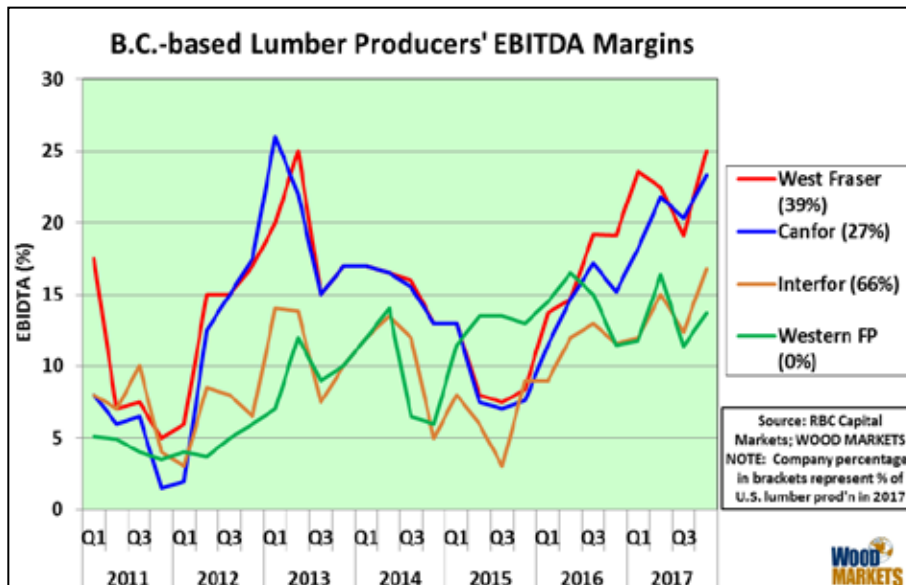


Figure 1

earnings before interest, tax and depreciation (EBITDA) on Canadian and US operations in the fourth quarter of last year (figure 1).

Global sawmill earnings are the highest in the US South, according to Forest Economic Advisors Canada/WOOD MARKETS' ongoing global sawmill cost benchmarking surveys. While three BC

especially after permanent duties averaging 20.2 per cent started in late December 2017. While the implementation of US import duties was expected to push prices somewhat higher, the interaction of several factors including the seasonal impact of summer forest fires in 2017, severe winter weather followed by railcar shortages in 2018 and continued strong

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HARVESTING TECHNOLOGY IN NEW ZEALAND NEW SOFTWARE MEASURES WHAT MATTERS

Part One

The last few decades have seen considerable changes to logging practices in the Pacific Northwest and New Zealand. The demise of many yarder manufacturers in the 1990s has led to an aging fleet of yarders. At the same time increased costs of labour and environmental compliance and a shift to greater proportions of annual harvests on steep terrain have created further challenges.

With a large planting boom in the early 90s, which has a typical rotation of 25-28 years for the predominantly *Pinus radiata* stands we plant, many of the forests coming up for harvest in New Zealand consist of smaller trees and are in smaller estates or “farm forests”, with little infrastructure and scale that is not to the loggers’ advantage. Loggers face many other obstacles that are not unique to New Zealand. However, despite the obstacles, New Zealand loggers are continually finding new ways to incorporate technology and tools to make their lives easier; ideas which are worth sharing.

When thinking about logging technology and innovations coming from New Zealand, the first thing that comes to

mind are probably processing heads like Waratah, radio-controlled chokers like Fortronics, or more recently, the development of winch-assist machines. While there is no doubt that these were all significant advancements for the industry that changed the way many loggers operate, there are also many other smaller developments that are influencing the way we harvest timber; changing the way we plan, manage and execute logging.

New Zealand loggers are continually finding new ways to incorporate technology and tools to make their lives easier.

Forest managers are increasingly making use of updated payload analysis software programs like Cable Harvest Planning Solutions (CHPS). While these programs are built on previous software like Logger PC, they are fully integrated within the ArcGIS environment as an add-in toolbar where foresters do most of their mapping.

CHPS allow a harvest planner to select landing locations and then automate the

calculation on physical feasibility with regard to corridor distance and payload limits for various skyline systems and carriages, with the click of a button. These improvements are shortening the analysis time and there is less need to survey the site beforehand to input terrain information into the program. While there is often no substitute for boots on the ground reconnaissance, high resolution LiDAR can be used to generate the

terrain beneath cable spans with incredible accuracy and most companies have invested in using LiDAR based maps for their commercial forests.

Loggers are benefitting from this improved payload analysis as the payload estimates for each span are provided to them. Using the supplied information they are able to highlight difficult yarding areas and can work with the harvest planner to come up with alternative solutions, which can be quickly checked for feasibility. Some loggers are taking this a step further by using colour-coded payload maps loaded onto a tablet placed in a winch-assisted felling machine cab. With GPS capability, this allows operators to know their position in a stand and accurately fell and bunch payloads to optimize productivity.

While the analysis software calculates payloads, in order to ensure that the planned payloads are feasible, yarders need to be set-up according to the designed deflection. Methods to measure skyline deflection in the field have existed since the mid-70s. However, few loggers used these methods as they required some mathematical calculations along with measurements of distances and angles. Many loggers now have access to smart phones and can use the recently developed Cable Yarding Deflection app,



Photo: Logsafe GPS Monitoring



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Photo: Alberni Valley Museum

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which is essentially a calculator that provides users with step-by-step instructions

for measuring deflection (from either the landing or tail hold position) using the

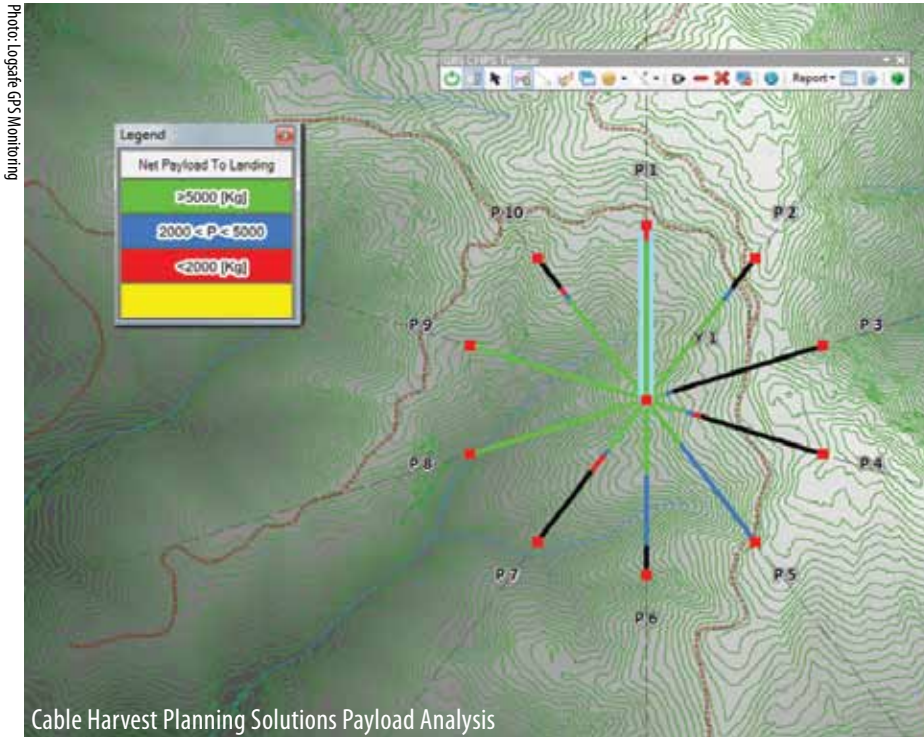
app's inclinometer in conjunction with a laser range finder to measure distances. Now loggers can quickly verify the actual per cent deflection achieved during setup and also assess hypothetical situations, like moving a tail hold further up a back face to improve deflection.

Tension monitors for yarder operations are widely regarded as a useful production and safety tool. While many new yarders, especially those built in Europe, have integrated tension monitors, they are rare on New Zealand's existing older fleet. Tension monitoring allows payloads to be modified to suit the lift capacities of a site to improve productivity. Most tension monitors only have a digital numeric display and the information is lost after it has been displayed. A new type of display and data management system for tension monitors has been developed, also into an app. The app displays tension in a live streaming graph much like a heart rate monitor at a hospital. Users can scroll backwards in time or zoom in or out to view different peaks and time frames. Additionally, there are colour-coded zones displayed on the graph that relate to the selected rope's safe working load, endurance, and elastic limit. At any point in time, a routine can summarize the operating time spent in each of these zones. In addition to monitoring and improving safe operating practices, the app is also useful in helping to: train new machine operators; assess the effect of different operating techniques on overall tension loading and behavior; document rope wear and service life; and complement other software that provides feedback to operators.

Each of these technological advances will help improve production and safety and reduce costs. The next issue will cover GPS and drone technology.▲

Originally a forester from California, Hunter Harrill is a senior research assistant at the New Zealand School of Forestry. He provides research for the logging industry through New Zealand Forest Growers Research (FGR), teaches forest engineering at the University of Canterbury and provides outreach and extensions services to loggers and forest managers.

Tension monitors for yarder operations are widely regarded as a useful production and safety tool.



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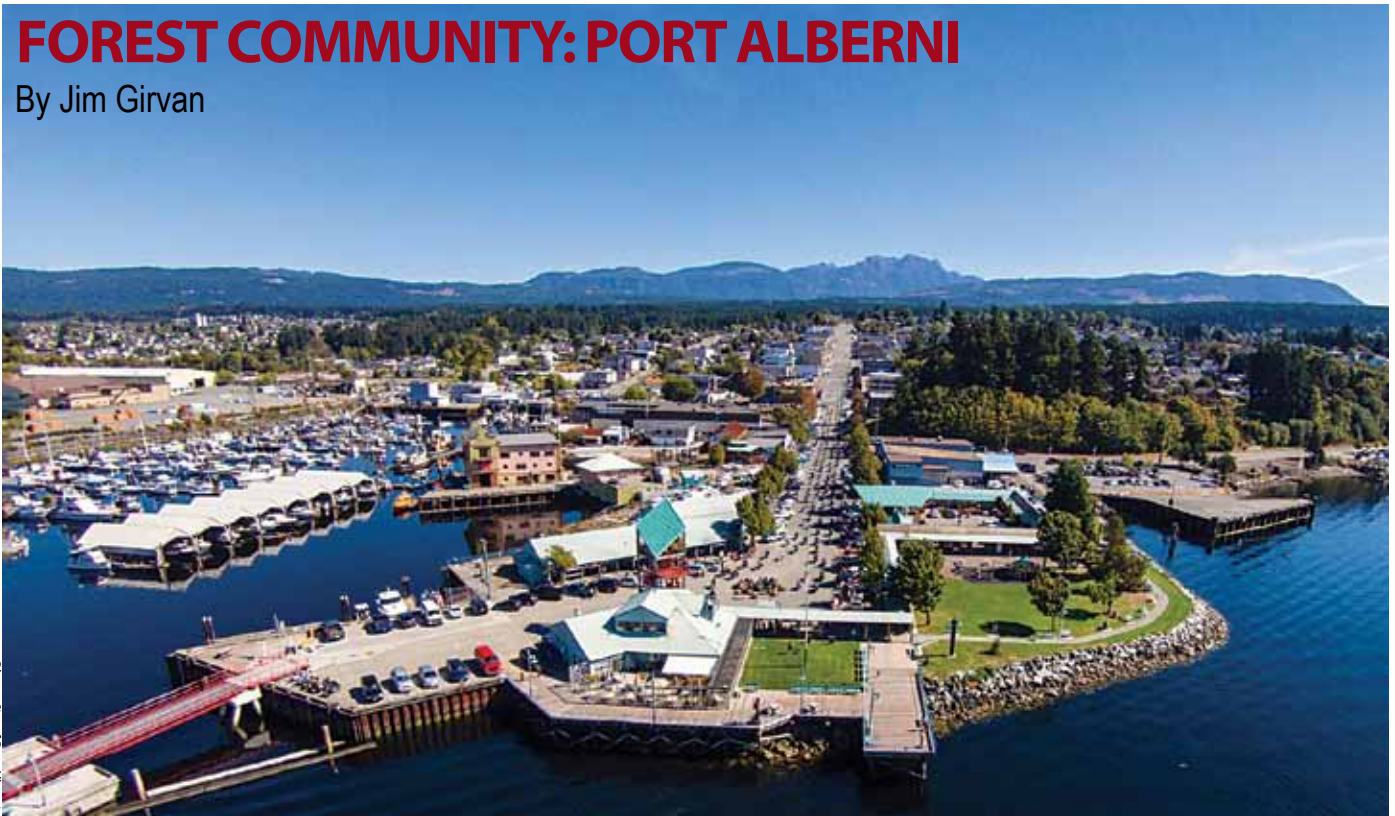
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FOREST COMMUNITY: PORT ALBERNI

By Jim Girvan

Photo: City of Port Alberni



Editor's note: In this issue, we are introducing a new regular article featuring forest dependent communities in an effort to provide their perspective on the forest industry. Recently, nine communities have become TLA Associate members; given that the forest resource is core to many rural communities across the province, we are excited to share their significance here.

When Pat Deakin, Economic Development Manager for the City of Port Alberni talks about his role, he's passionate as he details the many initiatives the city is focused on. The Port Alberni Economic Development office works to achieve a vibrant, diverse and sustainable economy in the Alberni Valley with core responsibilities including diversification of the local economy, retention and attraction of industry and commerce, and marketing opportunities for all businesses within the city.

Port Alberni is the largest city and commercial hub in the Alberni-Clayoquot Regional District. Port Alberni currently has a population of more than 18,000 of the total regional population of more than 31,000. Other population centres include Tofino, Ucluelet, Bamfield and several other small communities.

The City of Port Alberni and the surrounding region thrived for several decades with an economy based on the management and processing of natural resources. The main industries were forestry, commercial fishing, and later tourism, provided a more diverse economy.

Significant changes in international commodity markets and resource availability however, resulted in challenges for many parts of the world that depend on resource use. Port Alberni responded to these challenges by developing an economy that is more diverse and flexible to changes in markets. The culture of organizations, including government, owners, managers and workers, have accepted and embraced change to protect the values that make Port Alberni great and take advantage of new opportunities to make it better.

The forest industry employs about 13 per cent of the labour force in Port Alberni and provides more than its share of wages and 20 per cent of all taxes to the community. Port Alberni and the surrounding communities are also the home of some 26 TLA member companies.

Besides the core paper and sawmilling industries represented by Western Forest Products, Catalyst Paper San Group, Franklin Forest Products, Nagaard and Nakada Trading, there are numerous spin-off companies that are tied to forestry including trucking, welding, mechanics, wire rope sellers and many

more. In addition, the Tseshaht and Hupačasath First Nations have forest operations in the Alberni Valley while the Huu-ay-aht and Uchucklesaht also have operations adjacent to, or at the edges of, the Valley.

Deakin was given two broad goals when creating an economic development plan for the City:

1. Find ways to support and increase utilization of the existing industrial infrastructure, and
2. Protect the fibre base that the paper mills and sawmills utilize.

The City developed a 9-point vision and action plan that was to be used to attract new business. Not surprisingly, eight of the nine points dealt with forestry, and specifically the opportunity to utilize post-harvest wood waste in the forests that surround the city.

"Our plan was to focus on the residual wood and provide the opportunity for businesses to develop niche market products in an eco-industrial park or cluster," notes Deakin. The park will draw upon the principles of industrial ecology to reduce the environmental footprint, as well as the operating costs



of new businesses. The goal of this initiative is to support the economic viability of existing businesses in Port Alberni, while attracting new businesses to an integrated wood and wood-biomass business cluster. “We wanted to work with companies who would utilize this wood source and then use their waste as source material for other companies,” adds Deakin.

So far, the City’s plan seems to be working as several firms are looking to establish themselves in Port Alberni.

An example is KEITEC Biowood Products Ltd., which has developed the process to extract oils from cedar sawdust and cedar wood waste. The oils are used for pharmaceutical and agricultural purposes. They have a proven technology, market and business plan and are currently looking for investors.

CanTimber Biotech Inc. is in the early stages of manufacturing activated carbon from waste wood sources. According to their website, the project utilizes retort pyrolysis technology to produce clean, high-quality charcoal. The project employs a fluidized based steam activation chamber to produce granular and powder-pure physical method wood activated carbon, that can be further refined into pharmaceutical grade, food plant grade and chemical engineering grade raw material. When the Port Alberni plant operated, it employed 20 people, however, production issues forced shutdown and they are currently re-evaluating their process in

order to market their product for use in super conductors where the value is much higher.

The City is also working with Eco-Options Energy Cooperative who have a proven technology to create bio-diesel from the same post-harvest wood waste. This firm is in the process of raising capital to develop the plant. They are also very focused on research into various harvesting methods and approaches that have the potential to improve the economics of residual wood recovery and delivery.

Port Alberni’s economic development plan also focuses on support for the many existing forest-based industries in town as well. As an example, FPIInnovations (FPI) heard about the City’s approach to increased utilization of wood waste as a means of attracting new businesses and contacted them to begin discussions about how they could help. These discussions resulted in a successful application for a Provincial Rural Dividend of \$500,000 towards research and practical ways to support existing and new industry.

An early application of this funding was used to support a waste wood chipping trial working with Catalyst Paper. Island Timberlands offered two cut-blocks to be used in the trial, and FPI worked with the logging contractor to get them to deck residual (waste) wood in one of the blocks, rather than piling, which was done in the other block. FPI then monitored productivity of decking vs piling by bringing in contractors to debark and chip the decks in one block

and piles in the other. All of the wood chips went to Catalyst, and FPI is now analyzing the data to see if the decking approach will work.

Beyond promotion of wood waste utilization, other diversification efforts in the City are being led by the Coulson Group, who are converting Boeing 737’s into water bombers for fighting forest fires. Local taxpayers have supported this by investing almost \$8 million in the expansion of the airport to allow the aircraft to take off with a full tank of retardant or water for testing purposes.

Successive mayors and members of council for Port Alberni have long been focused on the forest industry and have always made a point of attending TLA events, including the annual convention. Current Mayor Mike Ruttan saw the value of the work the TLA does and its application in cities like his. Port Alberni became a TLA member in 2017 as part of the TLA Community membership program. “The TLA supports and invests its time into improvement of the forest industry and its goals are aligned with the efforts that our City is doing to support its economic growth. Membership was a good fit for our community,” notes Ruttan.▲

2018 ILA CONFERENCE AND TRADE SHOW SHOWCASES FOREST INDUSTRY

By Jackie Pearase

Photo: Jackie Pearase

The Interior Logging Association (ILA) demonstrated leadership, a commitment to safety and innovation as it celebrated 60 years at its annual conference and trade show in Kamloops this past May. The theme, “Our Strength...A Unifying Voice for 60 Years,” was highlighted with a robust trade show, infor-

mative seminars and timely luncheon speeches from Premier John Horgan and Forestry Minister Doug Donaldson.

ILA members, partner organizations, trade show vendors and presenters embraced the new venue, with the Tk'emlúps te Secwepémc First Nation Powwow Grounds filled with a wide assortment

of equipment outside and 31 booths inside showcasing organizations, products, services and information. “It’s been one of the largest conventions that I’ve been involved with,” noted ILA General Manager Wayne Lintott. “Everyone is pretty happy with the Powwow Grounds.”



In fact, some equipment vendors increased from eight to 12 or even 16 spots at the event. The highly visible location drew in not only industry professionals but seniors, youth and families wanting to meander through the site.

Finning (Canada) came to the show with six new machines and a small utility vehicle. Representative David Beleznay said people came from all over the Interior, Vancouver Island and northern BC to check out the latest the industry has to offer. "We come out to show the new products we have and get out and support the association," Beleznay added. "It's a great site this year so we're excited about that."

Martin Ridgway, senior safety advisor with BC Forest Safety, said the ILA hosted an excellent event that provided ample networking opportunities while Bob Elliott of Ace Innovation Solutions was excited to exhibit his oil retrieval equipment for industry professionals. "I hope to make people aware that there is stuff out there for them," Elliot said. "We thought we'd come out and show the rest of the industry."

The trade show was complemented by a series of instructive and interesting seminars.

On Friday, Dzhamal Amishev of FPIInnovations spoke to more than 50 people about winch-assist logging and best management practices, and Clint Parcher of Coastland Wood Industries Ltd. talked about weight scaling to about 30 people. More than 30 people attended the Saturday workshop about logging costs presented by Aaron Sinclair of PNL Consulting Inc. and about 25 people took in Cpl. Ron Miciuk's workshop on workplace impairment.

The Shuswap Branch of Canadian Women in Timber hosted a silent auction with a spectacular assortment of items including an electric mountain bike, kayak, tools and a 2,295 piece Mack truck Lego set that was very popular with bidders. Canadian Women in Timber earned a portion of the auction revenue for their efforts.

An excellent lunch and sumptuous dinner served en familia at the Colombo Lodge on Friday were well received by delegates, Easy Fix got everyone on the dance floor Friday night, and many delegates also attended the safety conference and a meet and greet on Thursday.

Minister Donaldson spoke on Friday and outlined funding announcements



directed at addressing some of the issues faced by the industry including: a \$500,000 injection into the Forestry Service Providers Compensation Fund, \$72 million over three years for a wild-fire recovery fund, \$134 million for the Forest Enhancement Society of BC and \$60 million over three years for land-use planning.



Both Photos: Kelly Funk Photography

from the work that you do," he said. "The resources that come to the Crown from the forest industry pays for our hospitals, pays for our schools, pays for our highways. And that has been consistent for generations and I have every expectation that that will continue into the future."

Horgan said recommendations from the Contractor Sustainability Review are

Recommendations from the Contractor Sustainability Review are expected to be implemented by the end of July

Donaldson also thanked workers in the forest sector for the assistance and knowledge they provided during the hectic 2017 fire season and noted that the BC Wildfire Service is looking to hire out 16 contracts for eight-person Type 2 fire crews for the 2018 fire season.

"The impact of the wildfires was significant. 1.2 million hectares of land was affected and I believe 1.3 million cubic metres of wood impacted. A lot of that wood has been expedited into cutting permits to be available to mills and other uses," he added. "We have a big job ahead of us and we're very focused on rehabilitating that landscape so that forest will be there not just for timber harvesting but for all the other values that are important."

Premier Horgan spoke on Saturday about the importance of the forest industry, challenges facing the sector, how his government hopes to address them and what the NDP expects from the industry.

"I value the work that you do and the Government of BC benefits significantly

expected to be implemented by the end of July with the goal of improving competitiveness for contractors and licensees—an ongoing issue in a sector dominated by a few long-term tenure holders.

A workforce that is expected to decrease by 40 per cent due to retirement is a challenge but not insurmountable. "What is going to encourage and attract new people to the industry? We need to make sure government is putting in the training opportunities that you need so that you can bring on more people into your businesses so that your communities can continue to thrive," Horgan stated.

He said last year's fire season resulted in unique issues and the ongoing softwood lumber dispute adds to instability in the sector, but the government is prepared to face those challenges. "It's absolutely critical that you know that the government of British Columbia stands four square with our forest industry, the tenure holders and contractors, to make sure that we can continue to have



Photo: Jaddie Pearce

a dynamic and vibrant forest industry,” Horgan noted. “I want you to know that whether it’s softwood lumber, whether it’s pulp logs, whether it’s our pulp and paper products, I stand ready to fight for British Columbians’ interests every single day.”

Horgan is very supportive of innovation in forestry, looking to engineered wood products to provide opportunities for utilizing wood waste and for the

building industry. The BC government is dedicated to working with industry professionals and organizations to address issues, but Horgan wants to ensure prosperity is shared among forest communities, that First Nations’ rights and title are understood and respected, and there is a fair return on resources.

“It’s not just about sectoral numbers, it’s not just about revenues to the Crown,

and it’s not about volumes. It’s about people, it’s about families,” Horgan added. “And no better representation is there than the TLA and the Interior Logging Association where you represent not just the companies that you operate but you represent families and communities up and down the Interior. I want to thank you for the work that you do and give you my commitment that I’m going to do my level best to ensure you are here next year and the year after that and the year after that.”

Both Horgan and Donaldson expressed sincere thanks for the work done by those in the forest industry and pledged to work cooperatively to ensure the future is as bright as the past. “You are an important voice to me—that reality on the ground to make sure we have the forests we want into the future,” Donaldson said. “We need to make it abundantly clear that your success is everyone’s success,” added Horgan. “We need to be proud of that. We need to stand on a hillside and say this is a good thing for British Columbia today and it’s a good thing for British Columbia’s future.”▲



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PHASE CONGESTION REPORT: SIX CONSIDERATIONS TO IMPROVE SAFETY

By Roger Harris

The BC Forest Safety Council (BCFSC) requested I undertake a special review to report on phase congestion to independently determine its status and what still needed to be done to ensure the safety of all phases.

The report was completed earlier this year and is in the process of being dis-

seminated throughout the industry for consideration. The Coast Harvesting Advisory Group (CHAG) is working on action items related to the report and will be sharing this information with industry stakeholders in due course.

As you will read in the report, phase congestion is not a static event but rather

the continued evolution of how the forest sector manages itself in a changing and competitive global market place. It is an issue that solicited a fair amount of emotional response and is potentially a real challenge for the industry as the economics and cycles of commodity markets change over time. This is an industry in transition, where the worksite is shifting from one that was once less complex to supervise to potentially a much more complex and intense worksite.

Two key areas of focus attached to phase congestion are:

1. The roles, skill sets and responsibilities of supervisors in today's modern workplace setting, being reflected by their training and certification.
2. The components of existing industry contractual relationships contributing to phase congestion and, if so, are there some things that can be done differently?

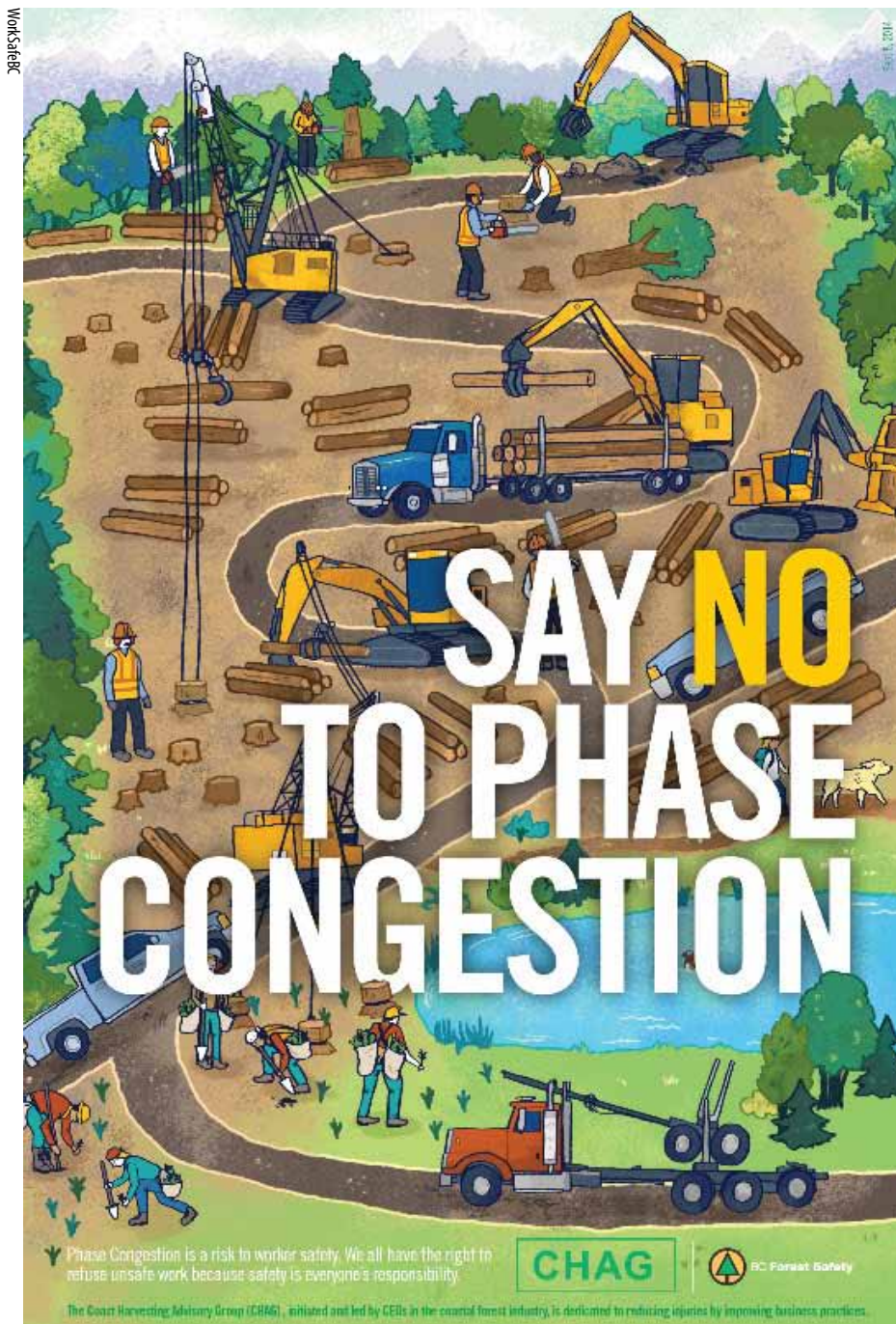
In the end, this is not an issue that is going away. On the contrary, it is an attribute of the modern-day harvest sector workplace and a challenge that needs to be managed, not reacted to.

The following is a summary of the report:

Phase integration is the practice of integrating a number of harvesting phases (with potentially multiple contractors) operating at the same time within a single cutblock. It has evolved in the logging industry over the years, and is a departure from how logging worksites used to be managed.

Phase congestion occurs when the integration or management of those phases has reached a tipping point where the overcrowding or "jamming" of work activities or lack of appropriate planning and/or supervision has created an unsafe work environment, putting workers at risk.

Over the past several years, the forest industry has needed to continually evolve and adapt its business operations in order to remain relevant in a globally competitive marketplace. Phase integration, as a management tool, is simply



the result of those adaptations, and not the result of any single, deliberate decision to move from one operating model to another.

Some of the commercial influences that have led to the evolution of phase integration are:

- The adoption of a just-in-time delivery model where the licensee or operator has made the business decision that the increased profitability of carrying lower inventories of logs, roads, cutting permits outweighs the benefit of flexibility that larger inventories provide.
- Logging operations shifted from being a fibre supplier to mills, to acting as independent businesses where the operational decisions were influenced by fiscal rather than operational consideration as a consequence, workplace decisions shifted from the field to the office.
- The shift from large company operations to contractor crews.
- The influence of commodity cycles, softwood lumber agreements, government regulations, policy and legislation, land use decisions and labour agreements.

In addition to commercial influences, a number of external factors have contributed to the utilization of phase integration at logging worksites:

- Increased timelines related to permitting
- Cutblock size
- Seasonal conditions, wildfire, heavy snowfalls and other weather events
- Investment risk (many licensees are reluctant to invest in securing a large inventory of approved cutting permits)
- Technology
- Temporal phase congestion, which is specific to the silviculture sector.

Observations

Phase Integration or multiphase worksites are not, by definition, unsafe, although that was a perspective offered by a number of individuals interviewed for this report. Indeed, there are very few situations where a multiphase workplace cannot be managed safely. The issue is, as the forest harvest sector has moved from a less complex worksite to one with a requirement for a much higher and more intense management oversight, have the management systems and

human resources kept pace to be able to take on this new role?

In 2013, CHAG undertook a review to identify the root causes of phase congestion and to determine how best to manage it.

Although the tools and recommendations included in the CHAG report are relevant and useful, throughout the course of interviews for this report, no one mentioned either the document or whether the CHAG recommended Hazardous Assessment Form was being used, so it is unclear to me, the extent to which that report's recommendations have ever been utilized by the industry.

The recommendations also appeared aimed at eliminating or minimizing phase congestion. The focus today is more directed at formalizing how to manage a congested worksite instead of how to prevent its existence in the first place.

The CHAG recommendations also promoted a self-regulating model of managing phase congestion. If this is the case, additional efforts need to be focused on ensuring industry is positioned to effectively manage complex worksites and that the self-regulating model needs to be supported by industry guidelines including developing skills of supervisors to manage complex worksites.

Logging Culture

Despite all of the changes that have occurred over the past several years, this is still an industry that has a 'can-do' culture, where the first inclination is to fix any problem that might arise rather than to pull back and re-work plans when necessary.

The industry is also defined by its commercial relationships that can be characterized by the view that "if I don't do it, there is someone else out there who will".

This cultural context is important because it demonstrates that the ability to pull-back, slow down, or stop/refuse work may be challenging for many in the industry, and those qualities are vital to managing complex worksites where the tipping point into unsafe conditions is undefined.

Supervisory Training

The skill set required for filling supervisory roles a decade ago are not necessarily the skill sets required today, where

the line between phase integration and phase congestion is uncertain.

Managing complex worksites requires a greater understanding of processes and systems than understanding how to splice a haul back. The role and skill set of supervisors must change to meet the changing environment within which they are now being asked to manage.

Contracting

The shift from large company crews to a contracting model in the industry has meant that overall responsibility for harvesting operations has shifted to multiple parties, and this potentially creates a gap in the process of ensuring a consistent approach to work-plan execution.

While a licensee's operational plan would have been prescriptive in how harvesting activities would occur within a cutblock, subcontracting agreements leave it up to contractors to develop their own execution plan to achieve a set of licensee objectives. There are so many variables in those contracts (financial, safety, delivery dates, back-up areas, etc.), that in some cases, the objectives may be in conflict with establishing a contractor's ability to effectively manage complex worksites.

A successful contracting-out model should utilize the combined expertise, experience and knowledge of all parties to improve safety outcomes.

Prime Contractor

The requirement to designate prime contractors that have been established by WorkSafeBC was intended to address some of the operational issues associated with having multiple contractors on site at one time. However, the reality is that in some cases, depending on how the worksite is set up, the prime contractor designation has had the opposite effect.

Unlike in the construction trades where a single major is usually the prime contractor and all sub-trades work directly for that prime contractor who has full control and authority over scheduling of activities, that is not always the case in the forest industry. In forest operations, in some cases, there may be more than one prime contractor in a single cutblock. At other times, there may be multiple contractors on site, none of whom work for the prime contractor, and so the prime contractor

will have no effective control or authority over scheduling and work activity.

In a complex worksite, any uncertainty or perceived uncertainty can have serious consequences where no one individual has the clear authority to coordinate all the work activity.

Considerations

Change is one constant in the forest sector that is not going away. Market conditions, government policy, weather conditions and labour contracts will continue to play a role in defining how forests will be harvested and contractors or licensees will have to manage their operations in order to economically survive. A critical component of this is, as management systems and style change at the operational level, the management, planning and human resources need to keep pace. There is a fine line between where integration becomes congestion and a worksite has shifted from a safe workplace to one that is not.

Complex worksites are today's reality. As shifts occur in the field for managing business imperatives, safety must be kept immune to those market cycles and operational pressures.

1. As the shift to more integrated and complex worksites continues, the single most critical component in minimizing the potential for incidents and injury will be the human factor. The skills, roles, and responsibilities of the line-supervisors must keep pace with the technological and operational changes in the workplace. This is an extremely diverse industry from owner operators through to major licensees, union/non-union, company/contract operations, coast to interior. Ensuring consistency in supervision across all of the sectors, where the differences are so dynamic, will be challenging. Therefore, it is critical that the BCFSC develop a training module to support upgrading skills of line supervisors to create and promote an industry standard for managing complex worksites.

2. The industry should review and clarify the roles and responsibilities of the designated prime contractor versus those of licensee as well as how much responsibility rests with each party to effectively manage phase integration as it applies

to WorkSafeBC Regulation 26.1.2. With the acceptance by WorkSafeBC that integrated worksites could become more common, the potential for four or more contractors working in four different phases in a single cutblock where the designated Prime is just one of the contractors, potentially provides some very challenging conditions. The complexity of planning the worksite requires more clarity and detail on the roles and responsibilities of the designated prime versus those of licensee of the timber.

3. Phase integration for the most part is an inventory challenge tied to the changing economic and competitive climate of the industry. It will continue to push the industry in the direction where the inventory of roads, developed timber and log inventories will always be kept at minimum levels. As these are cost issues, there may be some commercial alternatives such as joint ventures or partnerships that licensees could consider that potentially address the financial pressures they face while providing creative



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options for reducing the need for contractors to always be operating on multi-phase worksites.

For example, contractors may be prepared to take on the costs of block development, road construction and log inventories if it allowed them to realize savings in other areas, which may also allow them to have greater flexibility in their operational plan while ensuring the licensees still have access to the fibre they need and on a schedule that meets their commercial requirements.

4. CHAG, the Trucking and Harvesting Advisory Group (TAG) and industry, with the support of the BCFSC, must continue to raise awareness of the importance of promoting a culture where all participants "feel" that they can freely raise issues and talk about complex issues related to phase congestion without fear.
5. Revisit and prioritize the initial CHAG report recommendations:
 1. Create an industry standard that eliminates the practice of "stacking".
 2. Incorporate scheduling of phases into the planning/harvesting pro-

cess to reduce congestion and the chance of stacking.

3. Reinforce that supervisors/workers have the authority to stop work and seek assistance if they feel congestion (or other issues) is creating a hazard or undo pressure.


It appears that the focus of these initial recommendations were to find ways to eliminate phase congestion not manage it. If that is no longer the operating reality, it is recommended that these efforts be directed at creating an industry guideline formalizing how to manage a congested worksite instead of how to prevent its existence in the first place.

6. Currently the owner of a forestry operation (most often the licensee) must ensure that all activities of the forestry operation are both planned and conducted in a manner consistent with Regulation and with safe work practices acceptable to the Board. Contractors who undertake the work and have knowledge and control of the activities must also ensure that any particular activity is both planned and conducted in

the same manner. While there is a shared responsibility under Regulation, contractors may not have the same operating flexibility as a licensee has in their operations which creates challenges for the contractors to effectively control, manage and coordinate work activities. Greater effort needs to be made to ensure that there is a shared and coordinated responsibility in the safety outcomes as it applies to the owner/licensee of the timber and the contractor, regardless of the business contract model.▲

BC's first Forest Safety Ombudsman is Roger Harris. Roger Harris has experience in many areas of the forest sector. He has worked as a dishwasher in a logging camp, been a board member for a Local of the IWA and has owned and operated his own phase logging contract business.

Harris knows firsthand the importance of safety and the impact that injuries and fatalities can have on workers and their families. In 1986 while working as a falling contractor, his right hand was nearly severed when his chainsaw kicked back. His brother-in-law was killed in a forestry accident at age 18.





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A TLA Perspective: Addressing the Forest Industry Labour Shortage

For the past decade, employers and forest industry stakeholders have been increasingly challenged to find well-trained, competent employees to meet their needs. Current and pending labour shortages were officially compiled in 2013 for the *BC Coast in the BC Forest Sector Labour Market & Training Needs Analysis*. Subsequent consultations with licensees, contractors, education and training providers, government and First Nations confirmed the veracity of the findings.

In summary, the 2013 analysis projected 4,700 job openings would appear by 2022 (95 per cent of which were due to pending retirements), or about a quarter of the current coastal forest industry workforce. As most contractors know today, the situation has not changed and finding young skilled people to fill immediate openings in logging and log hauling is becoming increasingly difficult.

On a provincial scale in 2016, the forest industry contributed more than \$8.56 billion to BC's economy, directly employed more than 60,000 people and provided more than \$2.56 billion in tax revenue to the province. It is clear to see that maintenance of this important part of the BC economy is critical given that it provides broad economic benefits to more than 140 rural communities across the province.

Approximately 12,500 job openings are expected in this industry between 2015 to 2025 across the province. The difficult part of this equation is that employers in the sector consist of more than 7,000 businesses, most of which are small businesses employing less than 20 employees.

About 75 per cent of forecasted job opportunities are in categories that are already experiencing high vacancy rates, such as hand fallers (17 per cent), forestry workers including professionals (13 per cent) and logging machine operators (7 per cent). These vacancy rates compare to provincial private sector vacancy rates of about 3 per cent.

Retirement-related turnover is the key factor supporting projected job vacancies over the next decade and is expected to reach 60 per cent in forestry and logging occupations in BC. This issue is compounded by the fact that fewer young people are joining the forest industry as a career with just 5 per cent of workers 24 years of age or younger choosing forestry as a career. The logging sector is particularly vulnerable to this trend given its physical nature and the remote and often seasonal or contract-based aspects of the work.

The most common pathway for worker training in the logging sector is predominantly through on-the-job work







experience and workplace knowledge which is passed down from more experienced, senior workers who tend to be the most productive on the crew. Even following academic training, the need to learn the skills of the jobs from more experienced people is paramount.

Unfortunately, taking top workers away from production to pass on valuable knowledge to the next generation reduces production and profitability. At a time when contractors are struggling to remain sustainable, this creates a disincentive to make training the next cohort of workers a priority. Rather, contractors try to seek out employees from a shrinking pool of experienced workers further perpetuating the problem—a lack of young, skilled workers.

Given that logging involves heavy machinery unique to forestry, a dangerous natural environment in a competitive business with razor thin or non-existent margins, the solution to the training problem cannot be as simple as just sending new entrants to a school. There are some opportunities for this type of academic training, such as those supported by the Interior Logging Association (ILA) at Thompson Rivers University (TRU).

At TRU, students can acquire either logging truck driver or heavy equipment operator training in a program that combines both academic training and hands-on practice on the actual equipment. Once complete, the students then typically join a contracting firm and complete their education in the field. The program trains about 10-20 students per year and the costs range between \$18-\$25,000 per student. However, this program, suffers from a lack of commitment of government funding and the ILA is currently working with the provincial and federal government to ensure funding for this year. “We have the students lining up to attend, the teachers, the equipment, the classrooms and jobs when they graduate. Consistent funding would help address the recruitment issues we face as contractors today,” notes Wayne Lintott, ILA General Manager.

The current provincial budget provides \$1 to \$10 million annually for three years in support of aboriginal skills training. Unfortunately, like many government sponsored educational funding opportunities, training must be done by accredited training providers instead of those with extensive field experience.

The current government recognizes the need to recruit and train for the forest industry. In the Minister of Advanced Education, Skills and Training, the Honourable Melanie Mark’s mandate letter, she is specifically tasked with developing more degree and certificate programs to increase the number of skilled workers in BC’s forest sector, focusing on growing innovation and the manufactured wood products sector. While positive, funding for existing programs like those at TRU are lacking and more degree and certificate programs are not a substitute for on-the-ground training.

In response to this dilemma, in 2016 the TLA proposed a logging contractor training tax credit to ease the financial burden of on-the-job training for contractors. This approach would help to ensure that the next generation of workers will acquire the necessary knowledge to be productive and safe, before the know-how is lost to retirement.

The previous provincial government engaged with the TLA to begin work on this idea. Together they established a framework for the training tax credit and had begun discussions with the Ministry

of Finance to determine funding mechanisms. At the same time, and as a complementary initiative, work began by the BC Forest Safety Council on job competencies and qualifications which would support a proposed framework, providing a checklist to demonstrate training.

An entry level program for new forest harvesting trainees is in pilot delivery with some colleges in forestry regions. Trainees exiting the program will have the essential safety knowledge and skills to start on-the-job training and advance their careers into falling, resource road building, mechanized harvesting, cable yarding, transportation and silviculture careers. Industry-developed toolkits are being implemented that enable supervisors to consistently assess and make defensible decisions when their trainees or workers are qualified-confirming they have sufficient knowledge of the work, the hazards involved, and the means to control them.

There is wide support from the TLA's 500-member companies for tax credit training support because there is a desperate need for an immediate and impactful solution to the lack of young, skilled

workers within the forest sector. Anticipated benefits of this approach include:

Incentivizing employers to free up resources for targeted skills training for occupations that are in most demand by the industry and not being provided by the current educational system.

Encouraging increased hiring of younger trainees into the sector and by extension, improving employment prospects in BC's rural and remote communities that rely on the forest industry for survival.

Reducing the number of injuries and fatalities in the sector by encouraging longer on-the-job training periods and job shadowing.

The Province of British Columbia currently has several existing training tax credit programs including: The Training Tax Credit for Apprentices; Training Tax Credit for Employers (of apprentices); and an industry-specific Shipbuilding & Ship Repair Industry Tax Credit.

While no model currently exists for an entirely employer-led, on-the-job training tax credit, it is the TLA's view that BC's Employer Training Tax Credit for Apprentices would be the closest model

for developing a logging contractor training tax credit.

"This approach to ensuring proper on-the-ground, industry specific training for new recruits is not new to this province and given the significant economic impact that the forest industry has on the province and especially in BC's rural and First Nations communities, it should be an obvious solution," says David Elstone, Executive Director of the TLA.

The TLA is asking the new government to review the work done thus far on this creative idea to resolve a major challenge for our industry.

Logging contractors are the economic backbone of rural communities across the province. By supporting contractors, you are supporting the rural communities where they live and work. Talk to your mayor. Talk to your local MLA. Help them understand the need for support to ensure BC's forest industry has the manpower to address growing markets while at the same time supporting rural communities.▲



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First Nations Agreements That Work

By Ian McNeill

Photo: Huu-ay-aht First Nations



Signed in 2017, the *Reconciliation Protocol Agreement* (RPA) between the Huu-ay-aht First Nations (HFN) and Western Forest Products serves as a good example of how the forest industry and First Nations can work together to create win-win relationships.

“We now have as good a relationship with Western [Forest Products], as any First Nation has with any forestry company in BC,” says Huu-ay-aht Chief Councillor Robert Dennis. “We’re really glad to have them working in our territory.”

“The agreement represents our efforts to build a stronger future by working together,” echoed Shannon Janzen, Western Forest Product’s chief forester and vice president.

The agreement called for the sale and purchase of three properties, including Western’s dry land sort at Sarita Bay on Vancouver Island for \$3 million. It also involves a long-term lease back of the dry land sort to Western, an agreement to harvest 200,000 cubic metres of timber from Huu-ay-aht lands, and an employment and training protocol that

Dennis hopes will transform his community and nation.

“Although the obvious rationale for proceeding with the agreement were the economic benefits and certainty it conferred on both parties, it is also illustrative of a way in which First Nations can peacefully and productively assert control over their traditional territories and build stronger communities,” says Dennis.

The HFN is a self-governing, modern treaty Nation whose lands are located in the Barclay Sound region on the west coast of Vancouver Island at the entrance to the Port Alberni inlet. Despite the fact that the HFN boasts a population of nearly 800, only about 120 members actually live within the traditional territories, which overlaps part of TFL 44, a 232,000-hectare tenure held by Western Forest Products. Not only has the band been wanting to encourage more of its people to remain on the land, it wants to encourage members of the diaspora to move back home. However, without opportunity, that was unlikely. As well, the band had misgivings about the way for-

estry operations were being conducted on its land with particular concerns about the impact on salmon streams.

“The challenge then became how to achieve this in an area in which a major licensee was the tenure holder. There were two ways to go,” says Dennis. One solution was to “assert title” and fight for it. This would have inevitably led to confrontation and—if past is prologue—expensive legal battles that would not have laid the groundwork for a mutually beneficial working relationship built on trust and respect. “We decided it was better to work with them than against them, and that has resulted in a really good business arrangement that we’re both satisfied with.”

He adds that, “the agreement will now help rather than hinder the band in achieving its goals.” In addition to sitting as equals at the table, its employment and training protocols are expected to generate 36 new jobs in the near term. Additionally, salmon-stream remediation projects are already bearing fruit. “Many streams had been impacted by

past and current logging practices, so we've been working to mitigate some of these effects, and efforts so far have been encouraging given the salmon are surviving after spawning." Profits from the enterprise will allow the band to invest in housing, a key factor when it comes to encouraging band members to return. "It's all been very encouraging and I really take my hat off to Western for stepping up to the plate."

Both sides view the agreement as a first step in an evolving relationship, one that will inevitably produce enhanced benefits and perhaps future agreements. "It's only a first step," says Dennis. "What we need to do now is create business certainty for both parties. We need Western to conduct their business in a good way, and we will be doing everything we can to create a good business atmosphere in return."

"The Agreement provides a framework for the parties to further explore our mutually beneficial, long-term relationship with respect to Western's Alberni Valley operations, Huu-ay-aht's Treaty Lands and forest tenures, and other forestry interests in the Alberni Valley," adds Janzen.

Matt Wealick, a TLA director and chair of the association's Aboriginal Committee says the agreement was a smart move by both parties. "It's a good way for a company like Western to make their tenure and their ability to harvest more stable, which is a good thing for the industry as a whole," he says. "It's exactly the kind of relationship I was looking for when I was managing for the Ch-ihl-kway-uhk."

Mutually beneficial agreements like the RPA are likely to become more common as an increasing number of First Nations seek to gain more control over their traditional lands and the way business is conducted on them, and to do so in a way that is constructive and profitable rather than divisive and expensive. In a sense, he says, Western is "seeing the writing on the wall" and being pro-active. "Despite the fact that companies like Western have large tenures, First Nations can argue that they were gifted without their consent, which gives them good leverage when it comes to possibly taking that tenure back. Western knows that, so they're saying, 'guess what, I'll come up with a good deal for you.'"

So, does the RPA represent a template for industry and First Nations going forward?

In terms of seeking a good-faith, mutually beneficial relationship that is respectful to Native values on the land the answer is an unqualified yes. However, says Dave Martin of A&A Trading, which has been working with First Nations going back to the Bill 28 days when timber was transferred from the majors and reallocated to First Nations via the *BC Forest Revitalization Act* of 2003, there is no one-size-fits-all solution. When the government gives tenure to a First Nation it is built around their territory, but every forest is not created equal. "All have different cost structures, different value structures and different quality structures depending on whether they have second- or old growth," Martin notes. In addition, each First Nation has different aspirations, not just for the proceeds, but the opportunities these tenures create. "Some say look after the business and keep us informed, while others have at least some capacity and want to build on that."

Procedurally, Martin says the goal of companies like A&A is not to "take over" First Nations' tenures but to identify the best opportunities and serve as advisors and managers. It often starts with the company presenting the First Nation with a five-year plan. "We analyze their feedback on the plan and are then able to present them with an assessed value." The keys to success in the relationship include transparency, constant communication, and building and maintaining trust. "You have to listen. They want to understand more than they want to be told what to do. They have a long history in their territory and there are things they want to make sure are considered and implemented."

Dallas Smith, president of the Nanwakolas Business Council, says First Nations are on the lookout for partners that understand what a First Nation's ultimate goals are and are willing to work with them towards achieving them. They are also looking at building capacity at all levels. "Ten years ago, utilizing capacity meant a few flagging jobs or setting chokers, but now we're getting involved in things like planning, marketing, and government relations; it's a work in progress." He adds many First Nations aren't always looking for the big score with a major licensee. "The big guys hold all the tenure but often it's the small guys that are willing to

be more flexible," he says. "They've been doing the same thing for a long time, which is trying to get access to fibre and making the most use of it."

Wealick adds that a good opportunity exists for First Nations and the contract logging community in partnering up and looking at areas the majors are not using. "I believe Western has about a million cubic metres of undercut within their tenures on Vancouver Island," says Wealick. "Truck Logger members have capacity and the ability to manage forests, so why not partner with First Nations that have leverage and work to take back some of that undercut volume." Doing so, he says, would serve as evidence that First Nations and contract loggers can work to manage tenures as well as anyone.

TLA President Mike Richardson is optimistic about the prospect of the Association's members working with First Nations. "We're always looking for First Nation participation and they have a lot of the volume that they didn't have before; the big thing is getting them up to speed."

He adds that the biggest thing about working successfully with First Nations is developing the ability to listen. "Too often forest companies have come in, do all their logging and leave. That's not what a lot of First Nations want. They want to build their capacity, and every First Nation is different when it comes to what they need, but it has to be a win-win."

"You don't have to come and bail us out," says Chief Councillor Dennis. "We can meet you halfway, and that is essentially the definition of reconciliation to me."▲

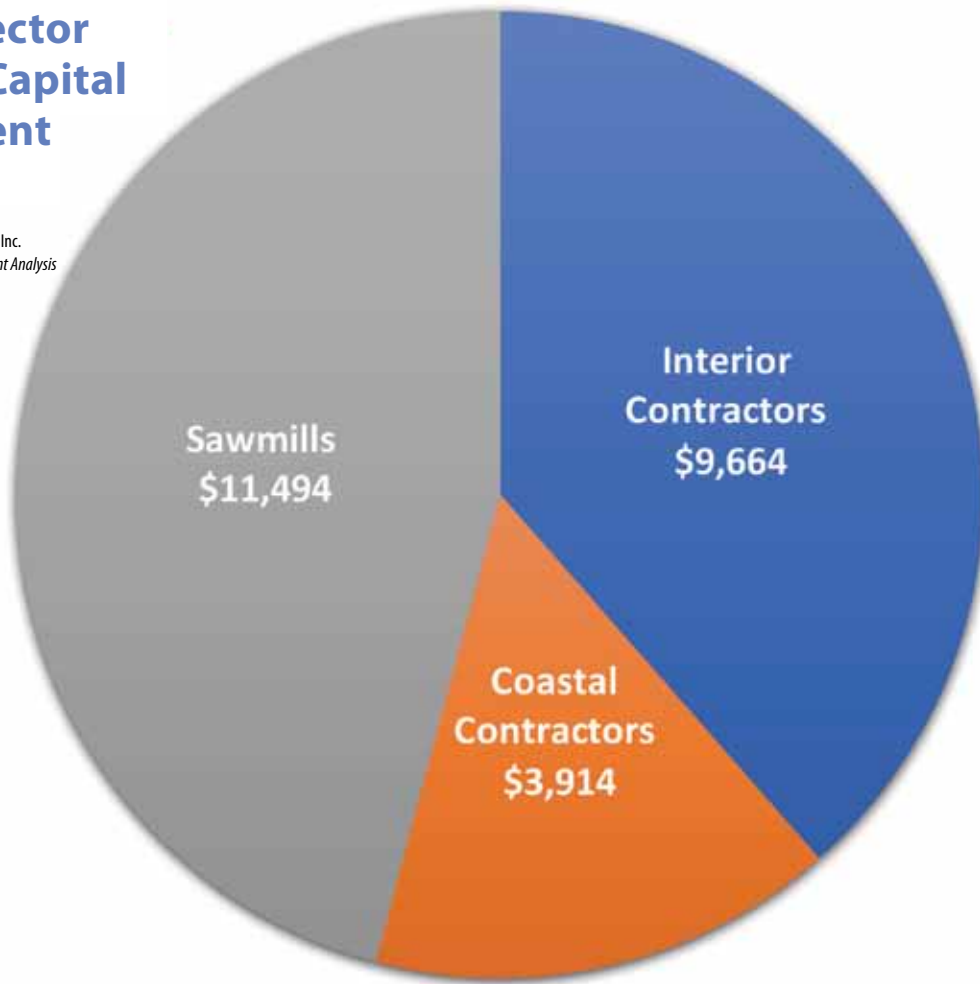
Forest Contractor Investment – High Risk – Low Reward

TLA Editorial

Forest Sector 20-Year Capital Investment

(millions)

Source:
December 2017 PNL Consulting Inc.
Forest Industry Capital Investment Analysis



When an outsider thinks about the BC forest industry, what may immediately come to mind are the local sawmills and economic value that they provide, as they are the most visible part of the industry. While sawmills do represent an important part of some local economies, they are only one of the many elements of a complex supply chain that results in logs turned into lumber and chips.

The industry has evolved over the past two decades from one that was heavily reliant on manual labour to one where all parts of the supply chain are investing in technology to reduce costs and ensure competitiveness in a changing global marketplace. One only needs to venture into a modern BC sawmill to see the extent of the automation and the minimal number of employees needed to turn out finished products. BC's Interior sawmills are some of the most technologically advanced in the world today.

These investments, however, are not limited to sawmills as logging contractors are also investing in technology to stay competitive, and more importantly to stay safe. Steep slope tethering technology, high speed grapple yarders and state of the art engines and fuel management systems are all part of the investment picture for BC's logging and trucking contractors.

When it comes to acknowledging investments, and recognizing the need for returns to support them, however, there is significant disparity between sawmills and their supporting contractor base. Despite the challenges of a falling fibre supply and US duties, with lumber markets at all-time highs, the returns to the sawmill sector are significant. At the same time, BC's contractors anxiously await the results of the Contractor Sustainability Review with hopes of recommendations for an improvement in their financial picture.

In 2017 the TLA engaged PNL Consulting in Prince George to assess the investment and investment risk seen by sawmills and contractors in the forest industry. The objective of the report was to directly compare the long-term capital investment of logging contractors to that of sawmills to draw connections about their relative capital intensiveness and potential for financial return.

By its very nature, the comparison of capital expenditures between dissimilar operating businesses requires certain assumptions that may not actually be observed in real business environments. In this report, it is assumed that sawmills and contractors would invest in primarily new capital assets and maintain those assets in a similar manner to how they have been maintained in the past, and then replace those assets on a scheduled basis.

In reality, there have been no new

contractors entering the market with the large capital investment required to purchase all necessary assets as new assets. It is more likely that a contractor starts as a small business, expanding its fleet of variously aged assets as the company grows. The actual business structure of individual companies does not invalidate the analysis conducted in the report, but rather, it reinforces the high capital investment as a barrier to entry for new participants in the industry.

As with contractors, few new sawmills have been built in British Columbia in the last decade.

There have been some forced rebuilds and major upgrades conducted, but these have all been brownfield projects within operations already active in the industry. There have been no known significant greenfield sawmills built in the last decade. This is an illustration of sawmill barriers to entry due to high capital investment costs but may also be attributed to a minimal amount of forest tenure available to new entrants with an interest in capital investment. Effectively, access to wood fibre has been saturated in BC and a new entrant would likely be unable to secure a steady flow of logs to operate a greenfield mill.

Notwithstanding the above limitations, the report conducts analysis as though a new sawmill and new contractors entering the market were to expend capital to purchase complete new assets in which they operate. This is considered a robust proxy comparison to understand the relative capital investment of contractors and sawmills.

The report compared the capital and repair expenditures of sawmills and logging operations over a reasonable representative investment timeframe of 20 years. Capital expenditures were calculated over their average useful life and repeated, if required, throughout the 20-year period. Repair expenditures were applied on an annual basis. Together, the capital and repair expenditures represent the total capital investment required over a reasonable lifespan in the forest sector of British Columbia.

All values presented in the report are unadjusted for inflation. This has the impact of under-representing the capital expenditures of logging contractors and the repair expenditures of both sawmills and logging contractors over the 20-year period.

Data for sawmill operations was obtained through public sources. Recent examples of substantial sawmill rebuilds in British Columbia include Interfor's Adams Lake in 2008, Castlegar in 2014

and two sawmills affected by catastrophic fires: Hampton's Babine in 2012 and Sinclair's Lakeland in 2014. Castlegar and Lakeland are not ideal comparisons as both sawmills were not complete rebuilds. Adams Lake and Babine are considered more appropriate comparisons. For simplicity in using such a small dataset, all four major investments have been considered as a reasonable proxy for capital investment of a sawmill in the BC Interior.

The comparative investments between logging operations and sawmill opera-

tions required conversion of capital and repair expenditures to a per cubic metre basis. Sawmill operations' consumption of fibre was used to convert annual lumber production to a raw delivered fibre volume per cubic metre. This conversion was an aggregated lumber recovery factor for the industry and recognizes volume that may be harvested and sold as non-sawlog volume to other market participants in order to obtain efficient utilization of fibre in the working forest.

Data for logging operations used to determine the initial capital expenditures, annual repair expenditures, and average lifespan of capital assets were obtained from year-end financial statements provided by logging contractors representing approximately 26 per cent of the average

The actual business structure of individual companies does not invalidate the analysis conducted in the report, but rather, it reinforces the high capital investment as a barrier to entry for new participants in the industry

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annual harvest for a six-year period. All logging contractor financial statements were based on existing operating companies with mixed aged productive assets. To more effectively determine initial capital expenditure requirements, a model was developed for major capital expenditure requirements based on an average contractor size.

The results:

The wood products manufacturing sector in the BC Interior has invested an average of \$292.7 million in capital from 2011 to 2015 (Statistics Canada). Calculating the average harvest during that same period, the annual capital expenditures are \$4.02 per cubic metre.

Looking forward, the forest sector

as a whole, forecasts average annual capital expenditures of \$650 million for the next five to ten years (PricewaterhouseCoopers, September 2017, "British Columbia's Forest Industry and the BC Economy in 2016"). During the prior six years, wood products manufacturing contributed 49.9 per cent of total capital expenditures (Statistics Canada). It is therefore calculated that an average \$324 million in capital expenditures will be for sawmill related investment. This is equivalent to \$4.45 per cubic metre, which is slightly ahead of the previously calculated \$4.02 per cubic metre historically spent. When combined with annual maintenance over the same 20-year period, total capital and maintenance

expenditures combined total about \$159.60 per cubic metre.

For contractors, the story is a little different.

Harvesting requirements in the BC Interior are relatively homogenous regardless of operating area. There are some observed differences in equipment configurations depending on harvesting methods, however, the base equipment and cost is fairly similar. Contractors' tangible capital assets are amortized over an average life of 8.9 years. As a result, the 20-year industry investment horizon recognizes that BC Interior logging firms will completely replace capital investment more than twice over that investment period. The 20-year tangible capital expenditures for BC Interior logging is therefore \$124.66 per cubic metre.

The contractor fleet required and the value of investment per cubic metre have been calculated and compared to a sample typical sawmill.

Over the course of 20 years, in aggregate, a sample sawmill would invest approximately \$162.8 million in new initial capital assets and ongoing maintenance (\$159.60 per cubic metre total). The contractors serving that sawmill would be expected to invest approximately \$193.6 million in new initial capital assets, reinvestment in capital assets and ongoing annual maintenance during that same time, or \$189.80 per cubic metre. **Comparing the two, contractors would be projected to spend \$30.8 million (18.9 per cent) more during the 20 years than sawmills (or \$30.20 per cubic metre more).**

The forest sector, whether in logging or milling, remains a capital-intensive industry that requires high initial investment and ongoing annual investment. Contractors would be expected to spend a little less than sawmills in annual maintenance expenditures over 20 years but would be expected to spend significantly more in capital expenditures over that same time period.

The bottom line:

On an industry-wide basis, contractors could be expected to spend almost \$2.1 billion more than sawmills in total capital and maintenance expenditures over 20 years. The high initial capital investment, ongoing investment requirements, and low capital returns seen by contractors demonstrate that contracting in the forest sector is high risk with little reward.▲

Logger Sports – Marketing the Forest Industry

By Pieta Woolley



Bob Marquis is showing off his latest “toy,” bought from a retired logger in Oregon, preparing it for its Canadian debut this summer. It’s a 1962 Buick V8 engine attached to a three-foot chainsaw bar, with “LOGGERS” painted on the side in bright yellow. Two burly men can lift the 500-pound tool and saw through just about anything. When the logger and road builder fire it up, it sounds like a helicopter.

The machine is a showpiece for Powell River Logger Sports—an attraction to add vim to the recently revitalized show. The saw is goofy. And it’s powerful. Just like Marquis, a long-time Logger Sports World Champion in underhand chopping, power saw events and double-buck. Marquis started in the 1970’s, competed in Germany, France, England, Australia, New Zealand and across the US and Canada, as well as running the local show.

“The reason there’s small towns all up and down the coast is because of the forest industry,” Marquis said, explaining why he believes in logger sports strongly enough to pour hundreds of hours into the local show each year. His son Brett is the fourth generation of Marquis to harvest BC timber. His late brother Bill is the only Marquis to have died in the woods. Logging culture is in his blood and bones.

“For an industry to have the skills we had in the past, in the era of the hand fallers, and carrying that forward into logger sports competitions which have been going on for more than a hundred years in this province, is about celebrating who we are. Our pride. Our heritage.”

With so much heart and affection for his peers and the forest, he is exactly the kind of guy you’d expect at the helm of one of BC’s most successful Logger Sports shows. But unlike events of the past, today’s shows held in Port McNeill,

Sandspit, Squamish, Campbell River, Port Alberni and elsewhere—have a crucial job to do, beyond showcasing workers’ skills.

As an ambassador for the culture and history of logging in this province, logger sports is helping newbies and urbanites connect to a sometimes invisible and un-

fathomable industry—helping, in other words, to make peace in the woods.

Two summers ago, when Marquis helped revitalize Powell River’s games and attracted both Canadian and World Championship competitions, 10,000 people showed up—mostly locals, and largely, people without any direct link to





the woods. They watched cross-cut sawing, pole climbing, springboard chopping and more; they ate smokies and sat next to each other in the new Loggers Memorial Bowl, a permanent amphitheater newly built into the grassy hill at the downtown beach. For many, it was the first time they'd seen men and women in high-viz vests working with wood.

"Why do we keep doing these things?" asked Marquis, acknowledging that put-

ting on a show is "a hell of a lot of work." He does it "to see the smiles on the faces of the people who come. To foster that sense of camaraderie and friendship."

For the province, though, the logger sports story is greater than simply smiles. This year, 2018, marks an exciting new resurgence in the sport that was, in some places, slipping away. The renewed popularity of BC's official industry sport—proclaimed so by the provincial

government in 1971—is an opportunity to open doors both with forestry skeptics and with the world.

Perhaps no one understands the value and contemporary power of Logger Sports better than Ben Lefler, The Laughing Logger. In Vancouver since 2016, the former New Zealand banker organizes travelling events which include the entertainment show Lumberjack Evolution; BattleAxe, a portable axe-throwing facility; KidZone, which trains children in Logger Sports, and more.

Lefler argued there's nothing as effective as Logger Sports to teach residents and tourists about working in the woods.

"It's so important that logger sports are not lost and that it's brought back into the main centres," Lefler said. "You don't have to be a logger to feel it. We all live in timber frame homes, so we are all part of this industry. I think there are great opportunities to mitigate the perception of those old logger practices of the past—this sport is a great way to do that. It draws the eye, it's dynamic and explosive. It's just a great communication platform."

Furthermore, audiences love it. "We're off the charts," he explained, noting that he's booked through summer 2018.

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At universities and colleges, logger sports are helping to generate interest in working in the woods among a new generation of young people. Lefler also coaches the recently revived UBC Logger Sports team. In January, the university hosted the Great Canadian Classic, with teams from BCIT, SFU, VIU, University of Montana and University of Idaho. UBC took the PanAm Trophy. The team practices in a newly-built facility at UBC farm, adjacent to a Musqueam cultural teaching facility and agriculture research.

Finally, in the category of “only in Vancouver,” Lefler will bring Logger Sports back to the PNE this fall as part of a large fitness conference. Attendees will be invited to enhance their core strength on cross-cut saws and belay up a pole to “feel the thrill of Logger Sports passion and culture.”

Lefler isn't the only one who has noticed the surging appetite for logging culture. Young urbanites are surprisingly riveted by logger sports, reports champion chopper Kat Spencer. Back in Edmonton, she helped start an indoor axe-throwing facility that lets office workers try a core Logger Sport. It's now bringing in \$1 million a year and three

more facilities have opened in Edmonton, plus one in Kelowna.

“I guarantee that people who say they don't like cutting down trees are going to these facilities,” said Spencer, who manages a tree seed orchard in Salmon Arm. “There's a huge younger demographic in their 20's and 30's who want to connect with something primitive. You throw the axe and it sticks in the target. Honestly, it just feels great.”

As a member of the Maine-based Axe Women show, which travels throughout North America, she's noticed that audiences more engaged with the sport than ever. “There's a cultural shift,” said the woman who founded the Alberta Forestry History Association. “History. Is. Sexy.”

Gerry Burch certainly hopes so. In the early 1980s, the now-retired RPF helped Bill Moore—arguably BC's most accomplished Logger Sports promoter—plans for a forestry education centre in the Lower Mainland. It was part of Moore's larger vision to educate city dwellers about the forest sector; other initiatives included bringing Logger Sports to the PNE and starting the Festival of Forestry, which immerses school teachers



Photo: Sean Perry

in forestry for a few days, to help them understand the sector and communicate

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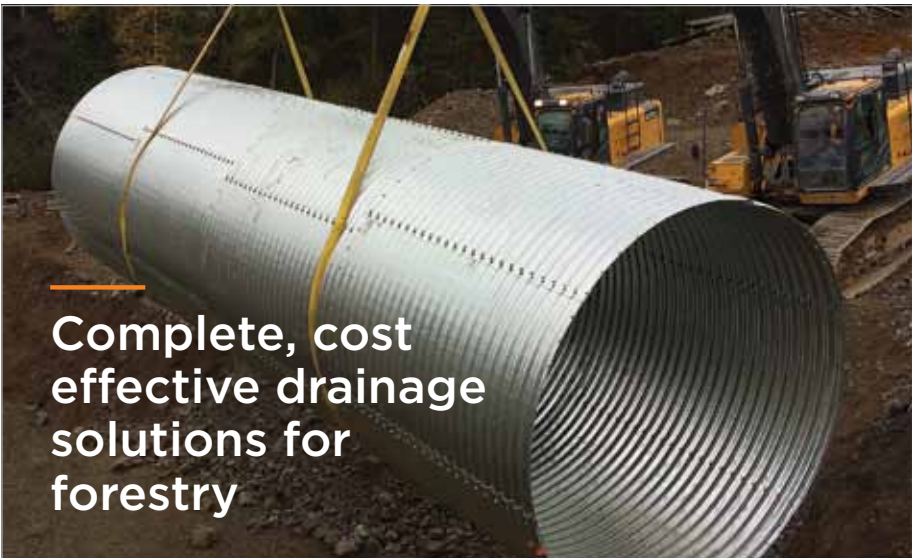
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it back to their students. The forestry education centre got lost when the bottom fell out of the industry in 1984. But Burch, who lives on Vancouver's West side, argued that the need for urban education has never been more acute.

"It's always been an uphill battle to get people to understand the industry," said Burch, who originated the Forest History Association of BC—which in March held its 20th annual general meeting. "I call it 'the silent profession.' It's like pulling teeth to get loggers involved in public relations locally or provincially."

Up in Squamish this year, that old dream of a forestry education centre may be coming to fruition just down the road from that community's historic logger sports grounds. Eric Anderson, a lifelong chokerman, is a director of the Sea to Sky Forestry Centre, which started a capital campaign this Spring. Teaching the community's many tourists—and locals—about the significance of Logger Sports is just good business sense, Anderson said.

"Logger Sports is a neglected opportunity. When Canada was entering the Japanese market in the 1960's and 70's, they saw Logger Sports as part of the branding they could bring to Japan. It is, like Canada, a forestry country and so it became part of the marketing efforts. The best showcase was the Osaka World Fair in 1970. There were these giant Douglas-fir flares next to the Logger Sports arena. Everyone went to Japan and performed. In Squamish, we had Japanese exchange competitors all through that era because of it."

Now, Anderson says, Canada has the opportunity to bring that same friendly Logger Sports branding to China—which is not a forestry culture—to help build a respect there for responsible forest management.

For loggers, though, the games are simply about family, and pride, and heritage. This summer, Marquis' son Brett will defend his three Canadian Championship titles on the CANLOG circuit, in small cities across BC, continuing his family's legacy. That's still the heart of Logger Sports—people who work in the woods showing their neighbours their exemplary skills.

"We show people what we do and why," said Marquis Sr. "That's it."



Rural pride surges again: Logger Sports in the 21st century

- Since the beginning of logging, bored loggers tested their skills against each other as entertainment.
- 1890s: Logger Sports appears at BC's Big Lower Mainland Agricultural Fairs.
- 1930s: Community Logger Sports shows are first established in Sooke, Squamish and elsewhere. Many more emerge over the next decades.
- 1966: The PNE hosts Logger Sports for the first time. Thanks to industry enthusiast Bill Moore, it's a pillar of BC's biggest urban exhibition for decades. The Festival of Forestry begins in this era, too.
- 1969: Canadian Logger Sports Association is incorporated. CAN-LOG sets sports standards so that championships can be decided.
- 1970: Osaka World Fair Logger Sports is part of the Canada Pavilion. Competitors come from around the world.
- 1970s: The Wickheim brothers brought their travelling show to Tokyo, as well as offering long-time shows at SeaWorld and the CNE. Peter Holmquist brings the sport to Sweden. University teams are going strong, as are community festivals. BC's competitors are on the podium around the world.
- 1971: BC's Legislature proclaims Logger Sports as the Province's Official Industry Sport.
- 1986: Logger Sports at Expo 86. One of the most popular pavilions, and a symbol for British Columbia.
- Early 2000s: Some Logger Sports are in decline due mostly to the originators retiring. Powell River, Sooke, Duncan and others lose their long-time shows.
- 2010s: Resurgence University teams are back and competing internationally; TLA sponsors shows in Port McNeill, Powell River, Sandspit, Squamish, Campbell River and Port Alberni; entertainment shows are bringing the sport to Asia and around North America; a capital campaign for a Logger Sports education centre is in the works for Squamish; women outnumber men in chopping for the first time in Western Canadian championships, and much, much more.▲

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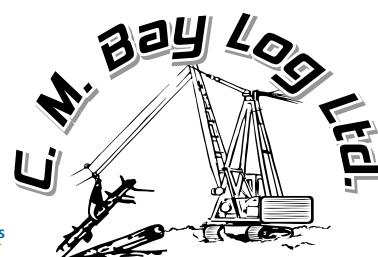


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From left: Terry Anonson, Kevin Legros, Dean Redknap, Chris Miller, and Budd Phillips. (Missing is Dave Bedard.)

(Continued from page 21)

We hope and expect that this team will contribute to a measurable reduction in injuries, serious injuries, and fatalities among hand fallers in the years to come.

Team members

Dave Bedard, Forestry OSO (Nelson)
Southern Interior/Vancouver Island/
South and Central Coast

Chris Miller, OSO (Port Moody)
Lower Mainland/Vancouver Island/
South and Central Coast

Dean Redknap,
Forestry OSO (Kamloops)
Thompson Okanagan/Central Interior/
Wildfire

Kevin Legros, Forestry OSO (Terrace)
Northern Interior/Haida Gwaii/North
Coast/Oil & Gas

Terry Anonson, Team Lead, Provincial
Budd Phillips,
Manager of Interest, Provincial ▲

*Budd Phillips is a Prevention Field Services
Manager for WorkSafeBC. He can be reached
at budd.phillips@worksafebc.com.*

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Are we in the “supercycle” first predicted by WOOD MARKETS some eleven years ago? Maybe/probably. Certainly, the reduction in lumber output in the BC Interior and Eastern Canada

by 140 per cent in 2017 and are up 125 per cent through the first two months of 2018: European and Russian producers are attracted by high US lumber prices and can provide the incremental

All of this should translate into continued windfall of earnings for BC sawmill companies. One of the issues facing some of the larger firms will be what to do with the huge amounts of cash generated from operations.

has materialized as forecast. The wildcard has been the level of demand and US housing starts which have recovered much more slowly than almost everyone predicted but are now at a level to reveal the supply gap. This is why European lumber exports to the US grew

volumes that Canada and US sawmills cannot supply.

The outlook for lumber prices for the rest of 2018 and 2019 is for more of a wild ride. There has been so much uncertainty and so many dislocations throughout the entire supply chain

since mid-2017 that price predictions have become difficult to make. However, FEA Canada/WOOD MARKETS' current forecast calls for record average annual prices for 2018. For 2x4 W-SPF, an average price increase of at least 25 per cent (including US import duties) is expected in 2018 versus 2017, with the average price for the year expected to exceed US\$500/Mbf. For 2019, we project strong prices in the first half of the year before a slowdown begins in the second half; the average annual price should ease, but it will still be in the high, US\$400/Mbf range. Similar strong and record-level prices are expected for BC Coast lumber.

All of this should translate into continued windfall of earnings for BC sawmill companies. One of the issues facing some of the larger firms will be what to do with the huge amounts of cash generated from operations. As has been common industry practice, some companies will be spending more on mill capital expenditures, while some will be considering more acquisitions and some will need to resort to buying back their shares. The thing companies will also need to remember is that their entire supply chain needs to be properly managed and maintained if these strong operating results are to be achieved. This means from loggers and truck drivers to logistics (rail cars, trucks and containers) from mills to customers worldwide, any part of the supply chain that is not properly managed will leave some companies unable to take full advantage of this incredible lumber market run.▲

Record 2x4 #2&Btr Dimension Lumber Prices				
	Record Date	US\$/Mbf	Previous Record	US\$/Mbf
W Red Cedar* (grn)	Jun 23 2017	915	Oct-07	815
W-SPF	Apr 13 2018	546	Dec-93	446
E-SPF (Gr. Lakes)	Mar 21 2018	625	Nov-96	529
Douglas-fir (grn)	Feb 23 2018	607	Jul-99	525
Hem-fir (Spokane)	Feb 23 2018	595	Sep-96	499
SY Pine (West)	Mar 16 2018	595	Nov-96	540
* Note: Std&Btr	Before duties	Source: Random Lengths		

Table 1

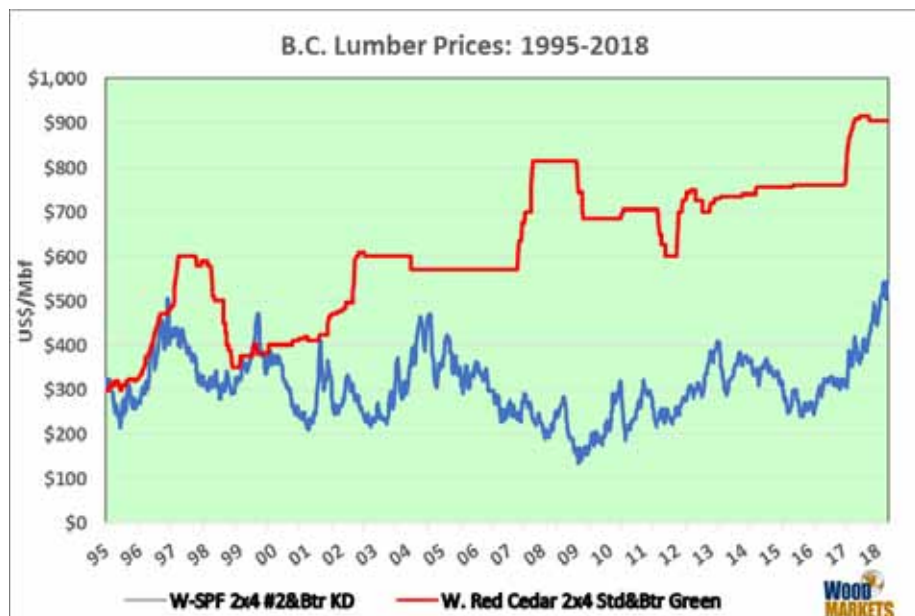


Chart 2

Russ Taylor's background in the forest industry started in 1974 and encompassed forestry, manufacturing, marketing and consulting positions. Mr. Taylor gained hands-on expertise in marketing lumber and specialty products throughout North America and overseas, holding positions in sales, marketing, custom cutting and remanufacturing.

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