



## PROVINCIAL FORESTRY INDUSTRY MELTDOWN

My prediction that conditions were becoming very bad in the Summer 2019 *Truck LoggerBC* issue was not an overstatement. Trade and production data (see pages 21, 48 & 49) show strong indications of sector weakness on par with the last major downturn of 2009-2010.

Heading into early fall, timber harvesting contractors, their suppliers, workers and families are facing a province-wide forestry industry meltdown. The Coast must contend with the United Steelworkers/Western Forest Products strike well into its third month (at time of writing), Interfor's timber operations reconfiguration, and Teal-Jones halting all timber harvesting. And in the Interior, numerous mills including Canfor, West Fraser, Tolko and Norbord announced either production curtailments, or permanent closures.

The common theme throughout is contractors and their workers are being cast aside when economics don't make sense for their employers, the major licensees, to continue. Retrenchment is rational from the majors' perspective who have seen a return to financial health, but devastating to a contracting community that has been fighting to survive, even during the best of times.

Typically, in tough market conditions, seeking to lower delivered log costs becomes the mantra to achieving competitiveness for the major licensees. But squeezing the supply chain is not going to work in this downturn as contractors have nothing left to give with many already at the breaking point.

There is no doubt there is a recession in the BC forestry sector. However, conditions are different from the last go-around in 2009-2010:

- China was just becoming a major market for BC logs and lumber—today BC's international markets are diversified more than ever with China representing the largest market for BC logs and second largest destination for BC lumber.

- Major BC lumber producers still had the majority of their capacity within BC—today most major lumber producers have invested in sawmilling capacity in the US. And most importantly,
- There was a major global recession centred around the collapse in US housing starts—today, as of yet, there is no broad economic recession in Canada or the US, but US housing starts are stagnating.

While we can't avoid the boom and bust of commodity markets, a crisis is an opportunity to make bold changes to strengthen the sector. One thing is for certain, we don't need another round table or process to study the issues. The TLA offers the following solutions for government to improve the resiliency of BC's forest sector:

- Immediately provide early retirement support for contractors in the Interior where timber supply has led to surplus capacity (i.e. making contractors whole on dispersals and harvesting rights/contracts).
- Take another look at all of the 13 recommendations from the Contractor Sustainability Review to improve the overall competitiveness of both logging contractors and licensees. There is more to do than just fix the Timber Harvesting and Sub-Contractor Regulation.
- Implement a strategy to encourage the full harvest of the allowable annual cut to help ensure there is enough fibre brought to market for those that need it.
- Make adherence to forest policies such as utilization, cut control and log exports based on incentives to drive desired objectives, rather than simply applying penalties.
- Increase certainty on the land base as currently it is increasingly uncertain. Stand firm on current levels of conservation. Our old-growth forests have been conserved and we will never run out. Invest in educating the public about forest stewardship and

start by giving our working forest protected status with no more reductions.

- Acknowledge that a significant bottleneck in the forest sector, is the lack of support for First Nations' capacity and as such, dedicate resources to resolve this.
- Invest in research; back up a desire for a value-added sector with serious investments in researching new forest products that support small to medium manufacturers. Drive research in technology that reduces our consumption of carbon rather than maintain a pointless carbon tax.
- Seek federal support to invest in site productivity to accelerate rehabilitation of beetle-killed and wildfire-burnt forest lands.
- Review the Province's tax regime, including PST on road building and logging trucks, and carbon tax etc. to attract investment capital rather than drive it away.
- Support the contractor community's future need for skilled workers by developing a training tax credit.
- And finally, take on the elephant in the room and diversify the tenure. It is clear that the veil has come off of the major tenure holders' commitment to BC (or diminishing lack thereof). End the master servant relationship that persists in the industry between major licensees and contractors by diversifying the tenure system with the addition of small to medium players including possible expansion of BCTS' sales and First Nations' tenures through another take back. Such action will likely resolve many other perennial conflicts that weigh on the sector like access to fibre and log exports. Create a true market for timber harvesting services rather than the oligopolistic one we have today.

Market downturns don't last forever. Let's build a forest sector that is resilient and strong, and that provides prosperity for those that have invested their entire livelihoods into working in British Columbia's forests.▲

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