

VISION 2020: THE TLA'S ANNUAL CONVENTION + TRADE SHOW

By Adam Kveton



The Truck Loggers Association's 2020 convention in Vancouver from January 15-17 sought to provide attendees with a clearer vision of what's to come during a very difficult time for the lumber industry in BC.

But with fingers being pointed at high stumpage rates, a push for diversification of tenure, stalled projects due to razor-thin profit margins disappearing, waste penalties, and an overall acknowledgement that changes are needed at a time when government is loath to provide support during touchy negotiations with the United States, you very well might miss the forest for the trees.

Some good news did come to the conference in the form of Russ Taylor's forward look at the global market, along with an explanation for this past year. The managing director of Forest Economic Advisors (FEA Canada), Taylor said, "The question I've been getting a lot this year is 'Why was 2019 so bad?'"

He noted that average growth in global lumber demand over the past 20 years (factoring out the 2008 and 2009 recession) is about 2.2 per cent.

"In 2018 and 2019 it was only 0.9 per cent growth, so that's why it's bad. Because we never got going," he said.

However, Taylor said that he expects better things for 2020, saying "we're projecting somewhere around two to two-and-a-half per cent. Capacity curtailments in North America especially are not going to be able to meet demand, so we expect some price spikes coming up probably this quarter, but maybe early second quarter. So, it should be promising going forward."

But slow market growth wasn't why BC in particular had such a bad go of it in 2019.

"You can get into any market if you're competitive. If you're a high-cost supplier,



it doesn't matter about markets, it's all about your costs, and that's the problem BC faced in 2019," he said.

With Russia providing more and more exports to China, and spruce value in central Europe down due to wind and a rampant beetle problem, BC's costs were just too high to compete due to stumpage, said Taylor.

"My simple logic is, looking at other markets as well, the stumpage rates stayed too high, no adjustments came in early enough, a squeeze play was on, so the economics are negative for the industry," he explained.

On the other hand, BC Minister of Forests, Lands, Natural Resource Operations and Rural Development Doug Donaldson said during his Friday morning question-and-answer period that he wouldn't say the stumpage system is the problem.

He said as of October 1, 2019, the quarterly readjustment saw coastal stumpage decrease by 24 per cent, and that, after ensuring that lumber price data has more of an influence on stumpage rates, there's been an average stumpage decrease from around \$18 per cubic metre to \$9 per cubic metre as of January 1.

He added that changing to a monthly stumpage rate would introduce too much volatility, and that doing too much to change the existing system could hurt national trade agreement talks with the United States.

"We don't want to be seen as politically intervening in the stumpage system in any way whatsoever when we're in sensitive negotiations and trying to get a resolution on a softwood lumber deal because the US lawyers are looking for any kind of inkling of that," he said.

But US lawyers and an abysmal 2019 aren't stopping the provincial government

from making some changes with a view to long-term shifts in how the forest industry functions.

Minister Donaldson said the government is motivated by trends between 2003 and 2017, including a 45 per cent decrease in lumber production, a 40 per cent decrease in forestry employment, 30 per cent decrease in timber harvesting, 50 per cent decrease in pulp production and a 155 per cent increase in log exports.



The last government “was focused really on shipping as many raw logs out of BC as could be processed overseas,” he said.

Major changes included a new fee-in-lieu of manufacturing for coastal logs, and implementing waste penalties in coastal fibre recovery zones. Those reforms have seen adjustments and pauses being made by the end of 2019. But thanks to the Western Forest Products (WFP) strike and a general lack of forestry activity on the Coast, the provincial government doesn’t have enough data to be able to tell if the changes are having the intended effect, he said.

He noted, however, that the government does not want to pile on too many consequences that the industry can’t absorb, and also acknowledged the difficulty families are having.

Minister Donaldson also referred to the \$5 million trust the Province has created—announced by BC Premier John Horgan the day before—for eligible coastal logging contractors to receive loans for payments on logging equipment. But some attendees at the conference suggested the funds are not enough.

In a talk on January 16, Robert Schuetz of Industrial Forestry Service Ltd. described the fibre recovery zones and waste penalties as ways to bolster the pulp and paper industry. He said he feels the government has been focused on the residuals side of the forestry industry for the last few years, noting the ongoing decline of sawmills in BC from 2,500 in 1955 to 344 in 1976 and 90 in 2019.

The demand for pulp logs, on the other hand, “is significant and it’s going to increase,” he said.

“When you look at the supply across all of BC, the volume is there... There is enough volume. But is it economical? Probably not given the framework and lower cost traditionally of all of that volume,” he said.

With the residuals side of the industry at risk in a system focused on saw logs, the government’s changes are focused on recovering the considerable waste left in cutblocks to support pulp mills and others, he said.

Stew Gibson of Paper Excellence Canada suggested that penalties for leaving waste can work for the industry by eventually driving stumpage costs down and leaving profit margins. He noted that providing monetary benefits for taking costly waste out of forests could work too, but that the government is concerned that US lawyers will equate that to subsidizing the industry.

In a presentation entitled “Solutions for Making the Most of Timber Supply,” Rob Stewart of Stewart Systems Inc. gave attendees a breakdown of his grinding and chipping operations. The company goes into cutblocks to process wood chips for pulping and does grinding to produce hog fuel, pellets and more.

He noted the benefits of having a contractor like him come in on a harvest, including a reduction in slash burning and waste. But a key to keeping his business viable is being part of the harvest plan from the start, allowing for roads and turnabouts that can accommodate his equipment.

Larry Fedorkie with Capacity Forest Management shared the perspective of small First Nations forest tenure holders, saying that many projects have been curtailed or halted due to the small size of the tenures and increased costs.

“We need to be successful on every project. We don’t have a margin for error,” he said.

He noted a careful balance between log exports and local manufacturing is needed to keep stands economical and, without that balance, there will be fewer logs available for local mills overall.

“We all want to see the allowable annual cut harvested... Any costs or increased penalties and taxes at a time when margins are thin or nonexistent and few people are working will not revitalize the coast,” he said.

During a panel about forest tenure diversification, BC First Nations Forestry Council’s Charlene Higgins agreed with Fedorkie’s assessment that small tenure holders cannot bear the additional cost of waste penalties. However, she pointed to the consolidation of the majority of tenure within a handful of companies as a major problem, and suggested putting more land under the management of First Nations as a solution.



“First Nations want to play a bigger role in the management and stewardship of forest lands and resources, and industry wants fibre certainty,” she said. “This can definitely happen when we put more volume in the hands of First Nations. It’s going to create the certainty that everybody is looking for. Wood has to get to market, they do not have milling capacity.”

The challenge is that the forest land base is fully allocated. As such, Higgins believes the government’s most promising tool for providing First Nations and other communities with more tenure is apportionment.

“Apportionment really is defined as a discretionary decision by the minister

on how the annual allowable cut, determined by the chief forester, can be divided,” she explained.

Last November, this was used to increase the available First Nations forest tenure in Quesnel, BC, from 42,650 cubic metres to 162,500 cubic metres, as well as earmarking 77,000 cubic metres for new community forest agreements.

During the same panel, Jennifer Gunter with the BC Community Forests Association promoted the benefits of community forests.



Jennifer Gunter

“Now is the time to rebalance the tenure system so the local communities, both Indigenous and non-Indigenous, have more control over land management,” she said.

By doing this, foresters can have greater access to sensitive land areas because the community itself is making the decisions and forests are managed more responsibly because decisions are made for the long term by the people who live there. It can also create more jobs and even opportunities over the winter when larger companies aren't working, better collaboration on fire planning, and profits can and often are redistributed back into the community, Gunter said.

Community forests aren't just about the money, though, of course, economic benefit is still amongst the highest priorities, she said.

“It's about being able to link forest management decisions and styles with community development objectives.”

After a question from the audience, Gunter acknowledged that community forests have a lower stumpage rate, but said that's necessary for success and appropriate because the provincial government expects greater forest management.

These and many other presentations made for a dizzying array of possible ways forward for the BC forest industry and the province's timber harvesting contractors, but few, if any, immediate supports for a struggling industry.

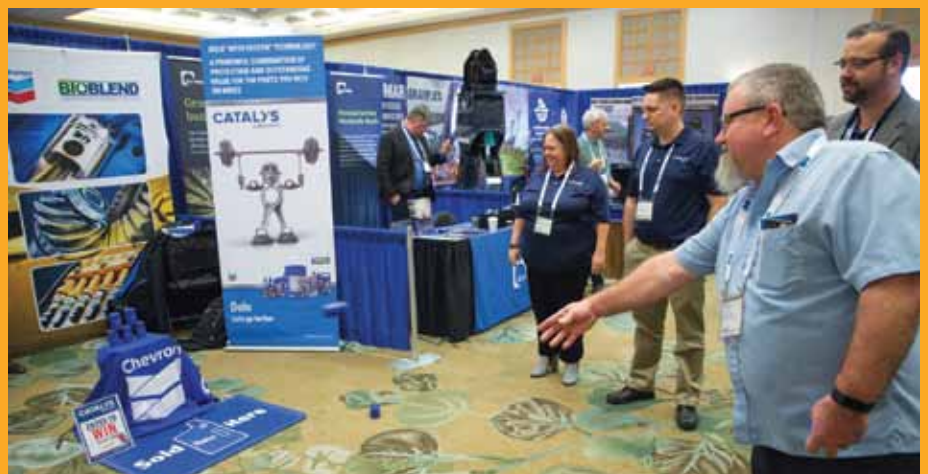
While Premier Horgan and Minister Donaldson encouraged those in attendance to continue to use their voices to push for change as they did in September when over 400 truck loggers drove to Vancouver, and others envisioned major changes to the tenure system, some remain convinced that it's politicians like Premier Horgan and Minister Donaldson who need to get out of the way of the industry.

“It's a great industry,” said TLA Director Barry Simpson at the end of Taylor's presentation. “We have customers that want to buy our product and we have product to make and we've got a government that's stopping us from doing that, so we've got to keep the heat on.”



Each year, members and suppliers generously donate items to the live and silent auction. The funds raised through the auctions support student scholarships and forestry education programs. The silent auction raised \$15,500 and the live auction raised \$95,500 which will continue to provide funding for the forest industry's future.

The sold-out trade show continued to provide a central networking spot for delegates and suppliers. Each vendor joined in the fun at attempting to win the best booth contest, including interactive equipment simulators and sweet treats, with the winner going to Catalys Lubricants whose drum toss game kept delegates engaged and entertained.



Approximately 1,000 delegates attended this year's convention held at the Westin Bayshore, and we look forward to seeing you again next year in the same location from January 13-15, 2021.



Laughs were non-stop for delegates who were treated to the hilarious Loggers' Dinner and Comedy Theatre from Vancouver Theatre Sports League.

Back by popular demand, Rob Shaw from *The Vancouver Sun* and Richard Zussman from Global BC enlightened delegates with their views and fascinating discussion about the political landscape for BC.



Deborah Baker from the Squamish Nation Council welcomed delegates with a First Nations song and drumming.

The Spouse Event – Forest to Table, showcased the best of what BC has to offer in a creative pairing of food from the forest and local BC wine. Attendees were joined by a sommelier from Andrew Peller Ltd. for some wine tasting with flair, and all proceeds went to support the BC Children's Hospital Foundation.

The TLA would like to take this opportunity to thank all of our event sponsors, silent and live auction donors, and annual sponsors. Your generous contributions enable us to continue to advocate on behalf of timber harvesting contractors across the province.



TLA Board elected in January at the AGM:

(left to right, back row): Tyson Lambert, Tim Lloyd, Carl Sweet, Mark Ponting, Dave McNaught, Bob Marquis, Dorian Uzzell, Brian Mulvihill
 (front row): Barry Simpson, Lawrence Van De Leur, Jacqui Beban (Immediate Past President), Bill Nelson (President), Aaron Service (Vice President), David Elstone (Executive Director), Jen Norie. Absent: Matt Wealick, Sig Kemmler



Bob Marquis is President and owner of Bob Marquis Contracting Ltd. in Powell River.

For 25 years he has been in the road building and bridge installation business on the Sunshine Coast, from Howe Sound to Knight Inlet. Born and raised in the coastal forest industry, Bob began working for his father's logging company when he was 14 years old, followed by an extensive career with Percy Logging. Bob is a



This year, the TLA awarded \$34,900 in scholarships from the Forestry Education Fund to 21 forestry students at VIU, UBC, BCIT, and UNBC. The students met with and were congratulated by Doug Donaldson, Minister of Forests, Lands, Natural Resource Operations and Rural Development.

third-generation logger, followed by his oldest son who is carrying on the family tradition.

Since 1983, Bob has continued to be an integral force in providing leadership and contagious energy to the much anticipated, world class, annual Powell River Loggers Sports event.

Bob's experience combined with his practical reasoning will help the TLA achieve their directive of growth and sustainability for the forest

industry in British Columbia. He is looking forward to and is thankful for the opportunity to work with the TLA Board of Directors.