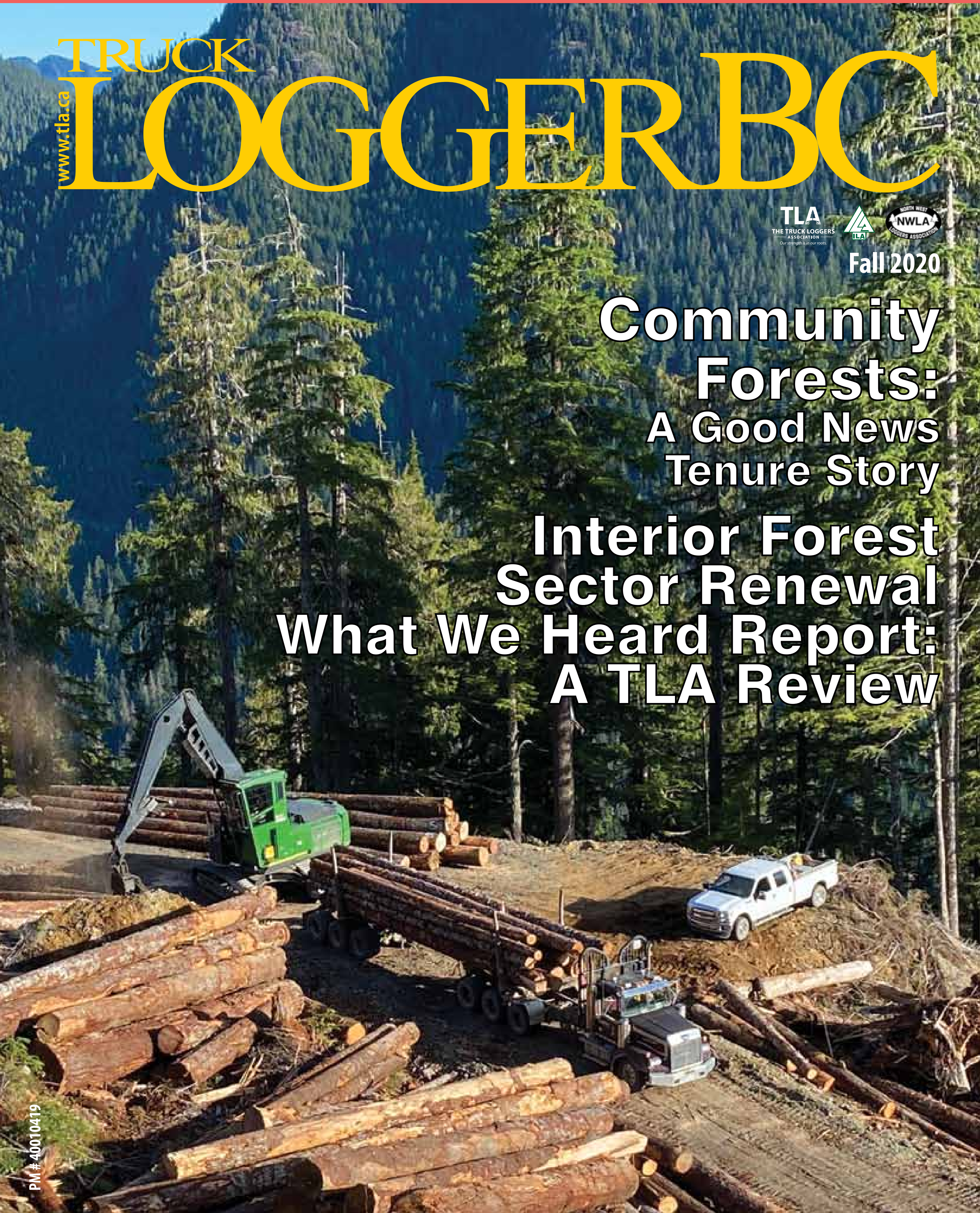
[INSIDE » Can Stumpage Reform Save the BC Interior Forest Industry?]



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Fall 2020

Community Forests: A Good News Tenure Story

Interior Forest Sector Renewal What We Heard Report: A TLA Review

PM # 40010419

FALL 2020 Volume 43 Number 3 www.tla.ca

CONTENTS

Columns & Departments

7 **TLA President's Message**
Making Socially Distanced Progress
Bill Nelson

8 **TLA Executive Director's Message**
A Welcomed Kind of Climate Change
Bob Brash

10 **Southern Interior Perspective**
More Federal Assistance Required
Todd Chamberlain

13 **North West Perspective**
Grassroots Loggers Keep Plugging Along
Trevor Jobb

14 **Northern Interior Perspective**
Supply and Demand of Residual Biomass in the Interior
Paul Schuetz

16 **Business Matters**
Key Performance Indicators for Your Contracting Business
Chris Duncan

18 **Safety Report**
What Log Transport Drivers Need to Know About Workplace MVIS
WorkSafeBC

21 **Market Report**
COVID-19 & European Beetle Impacts on North America & China Prices
Russ Taylor

Cover

30 **Community Forests: A Good News Tenure Story**
Ian MacNeill

Features

22 **Forestry Community: Powell River**
Robin Brunet

24 **Indigenous Best Practices and Learnings: The Good and the Bad**
Lennard Joe

26 **Can Stumpage Reform Save the BC Interior Forest Industry?**
Jim Girvan and Russ Taylor

35 **Interior Forest Sector Renewal What We Heard Report: A TLA Review**
Paul Schuetz

Cover Photo: Courtesy of Bill Nelson

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TRUCK LOGGERBC

FALL 2020 / VOLUME 43 / NUMBER 3

Editor Jennifer Kramer

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Tel: 604.681.1811
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Truck LoggerBC magazine is published four times a year by the Truck Loggers Association, with content and support from the Interior Logging Association and the North West Loggers Association. Its editorial content seeks to reflect issues facing the industry and to provide readers with current information on BC's forest industry.

Advertising Sales & Design Layout office:

Advertising In Print
716 – 938 Howe Street, Vancouver, BC V6Z 1N9
Tel: 604.681.1811 Fax: 604.681.0456

Publication Mailing Agreement No. 40010419.
For subscriptions, contact office@tla.ca or 604.684.4291.

Send change of address notices
and covers of undeliverable copies to:

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FROM THE EDITORIAL BOARD DESK...

Welcome to the fall issue of *Truck LoggerBC* magazine. On behalf of the TLA's board of directors, thank you to all of the members who responded to the bi-annual membership survey; your feedback ensures the magazine continues to provide member value. The results indicated the magazine continues to be well read; a print copy is preferred; and the topics of most interest include business, market updates, safety and advocacy issues. We will continue to strive to bring our readers the most current and relevant information that impacts the forest industry.

In this issue, Business Matters provides information about the importance of key indicators to effectively measure the performance of your business. Following questions raised by contractors about reporting motor vehicle incidents, the Safety Report provides scenarios about when to contact WorkSafeBC and/or ICBC in the event of a driver injury while driving on the job.

The Market Report takes a look at the impacts of COVID-19 and the spruce bark beetle epidemic in central Europe on log and lumber prices in North America and China. Additionally, the "Can Stumpage Reform Save the BC Interior Forest Industry?" article takes a deep dive into the effects of stumpage on the Interior and the need to reduce costs to become sustainably competitive.

In the "Forestry Community: Powell River" article, we take a look at this proud forestry community whose paper mill has been an icon for generations and where logging thrives due to its flagship tenure TFL 39 and community forests. In the "Community Forests: A Good News Tenure Story" we explore how community forests are one kind of tenure reform that is both at work and working in British Columbia.

On September 11, only a few days before this issue went to print, government released its recommendations following the Old Growth Strategic Review. We will be sure to provide a full analysis in the Winter 2021 issue.

As you pick up this issue, you'll once again notice that it is a few pages less and a few articles shorter than what we've come to enjoy over the past few years, which is a result of the continuing impact of COVID-19 and the challenging times of the forest industry. We understand and respect that our regular advertisers need to make difficult decisions these days about where to spend their advertising budgets and would like to express our appreciation to those who have continued to support *Truck LoggerBC* magazine and the TLA.

As we continue to experience the effects of the COVID-19 pandemic and a potential second wave, I hope that everyone continues to stay safe and healthy. As always, I trust you will find this issue insightful and informative. If you have any feedback or comments, please contact our Director of Communications, Jennifer Kramer, by email at jennifer@tla.ca.

Sig Kemmler
Editorial Board Chair


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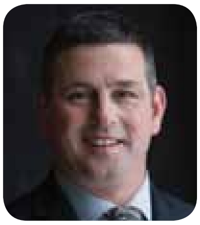
MAKING SOCIALLY DISTANCED PROGRESS



The two issues I am most often questioned about, and rightly so, are the current status of implementing the replacement for the fair market rate test, which resulted from the Contractor's Sustainability Review, and the timing of the release of the results from the Old Growth Strategic Review. The impact of both on the contractor community and our rural communities as a whole cannot be understated.

On September 11—just days before going to print—government released its response to the recommendations resulting from the Old Growth Strategic Review. Over the past year, they heard loud and clear from the TLA, ILA, NWLA, COFI, and many rural communities across the province, and fully realize what old-growth harvesting means to our businesses and the well-being of our communities. One only needs to look at other communities that halted old-growth logging to see the devastating impacts, both socially and economically. For contractors specifically, we need to see access and certainty on the land base (our working forest), and we need to see contractors fairly compensated if they lose access or working rights to the land base. Finally, government has started down the road of making the very difficult decisions that need to be made.

The next steps involve all stakeholders coming together to work towards factually based solutions for creating long-term stability for the industry and province. It will require a united voice from all forest professionals to ensure government hears everyone's perspective on how important forestry is to the province. The TLA is well positioned to be a big part of those discussions and our hope is that other major influencers will join.

As previously mentioned, a great amount of work has gone into finalizing the new dispute resolution under contractor sustainability, which is now in the hands of government and more precisely those of the writers and lawyers. At this stage, even ministers and deputy ministers are in a wait-and-see pattern until it's returned. On a number of occasions, the logging associations have been told that it will be finished in the fall. We are all anxiously awaiting to see it finally come to an end. There are some outstanding pieces of work to be done on the best practices guide and many questions around data collection, but this will not stop the changes being made to the dispute resolution mechanism.

The next steps involve all stakeholders coming together to work towards factually based solutions for creating long-term stability for the industry and province.

In August, TLA board members held their bi-annual strategic planning session to set out the priorities that formulate the plans and goals for the staff and executive over the next two years. I would like to thank the board members for attending the socially-distanced meeting in person and by video conferencing, for sharing their opinions and insight, and being outspoken (in a very large room, six-feet apart, we had no choice but to be outspoken or else we couldn't be heard). The plan is now being formalized and members will see it and its actions shortly.

At the TLA office, staff have been working hard to make sense of the challenging times we are all experiencing with COVID-19 and how we can continue to provide membership value in the absence of networking events and the annual convention. The inability to hold these events is particularly disappointing to me; the board of directors would like nothing more than to continue to hold meetings in smaller communities where forestry is their key industry, but it continues to be a challenge with restrictions on social gatherings. Not having a convention for the first time ever is a financial strain for the association, but it's in times like these that previous boards created a rainy-day fund, which we will need to withdraw from this year.

The good news is, beginning in October, the TLA is launching bi-weekly TLA TALKS webinars and quarterly virtual Town Halls with Bob Brash to fill the gap; but nothing can really replace face-to-face interaction with the TLA membership.

Our new Executive Director Bob Brash has settled nicely into his role. He has been working hard to open up dialog with industry stakeholders including licensees, government, union representatives, First Nations, other associations and, of course, TLA members. Bob's previous experience lends well to having these discussions and we hope that having more open dialog will help to move forward everyone's interests in the forest sector.

Finally, I want to thank our annual sponsors who have continued to support us through these challenging times. Your support is truly appreciated by myself, the board and association as a whole.

Times are challenging right now and there are many other items to discuss but space here is limited. On the bright side, all indications are pointing towards progress; even if it is socially distanced. My hope is that everyone stays safe and prosperous through the second half of the year.

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A WELCOMED KIND OF CLIMATE CHANGE

Only a few days before going to print, the Province finally announced its response to the long-awaited release of the Old Growth Strategic Review they commissioned last year. A lot more work is required to adequately decipher the intracacies of both the Province's actions moving forward and the consultant's original recommendations. In general, it appears the Province has taken a reasonably rational approach in terms of its commitment to socio-economic and scientific analysis to guide their final decision-making over their expected three-year timeline to finish the process. However, you can be assured others with decidedly preservationalist agendas will be lobbying very diligently and aggressively for their desired outcome. Collectively, our job will be—as an understatement—to counter such viewpoints.

While the old-growth issue is paramount, it should not distract from the broader areas of concern: retaining the working forest and reducing uncertainty.

Current lumber prices are in the stratosphere, and for many of us, this is an obvious relief as the BC forestry sector struggles with ongoing structural issues and the implications of COVID-19. We all want this market to continue but the reality is that it too will pass. Those who are knowledgeable about the industry have all seen these market cycles and know we will see a return to normal sooner than later.

While we collectively enjoy these high market prices, who really thinks we've solved any of BC's forestry problems? Our major problems continue to be high structural costs and the absolute need for an improved investment climate that increases prosperity in the forestry sector.

To get there and make real change happen, it requires all parties involved to actually believe there is a problem. There remains a serious question as to whether those governing us at the federal, provincial, and municipal levels actually get it. In this issue of *Truck LoggerBC,* Jim Girvan and Russ Taylor's excellent article on the struggles in the BC Interior asks pointedly whether "hope" is the current long-term strategy of those leading us into the future.

Canada, more than ever, will depend on forestry and other resource sectors to economically lead us through COVID-19 and the path toward recovery. For the federal government, this would hopefully translate to a plethora of programs to help the forestry sector and, more importantly, enable it to compete better in world markets. A deliberate signal that they actually support resource industries would be helpful. The question is, how many worthwhile and supportive programs for our sector have been implemented during the COVID-19 era?

On the provincial level, a lot of hard work is necessary to improve the business and investment climate to encourage the expenditures needed in the private sector to move our industry forward. More work is needed to reduce overall cost structures, increase revenues per unit of wood and improve general prosperity. It's very clear what is not needed: more regulation, more cost impositions and indecisive support.

Municipalities, particularly in the Lower Mainland, are not exempt from critique. Stories are constant about skyrocketing property and business tax rates. Businesses say the rates are unsustainable and unrealistic, and many have closed due to lack of affordability.

Fortunately, the TLA's membership includes many resource-based communities who realize and recognize the importance of forestry. Many others are also increasingly recognizing the importance of the resource sector to our country's well-being. There are several initiatives by like-minded groups representing broad coalitions of those in the resource sector who are striving to bring a suite of policy recommendations to government. At the local level, initiatives such as the BC Forest Alliance, Resource Works, and Forest Friendly Communities are getting forestry facts out to the public.

As a sector, we should continue to be proud of the work we accomplish. Many independent reports continue to reaffirm Canada's forestry leadership in sustainability, certification, product quality, and environmental considerations. In short, we're continuing to do an exceptional job in our forests.

I have the pleasure of working with a very committed organization and board of directors. Everyone involved is committed to their business, employees and communities. They also recognize that challenges in the industry need to be addressed. On that front, the TLA will continue and strengthen our work with governments to improve the prosperity of our industry. We'll ask:

- Are any proposed policy and regulatory changes going to strengthen the overall forest industry and reaffirm the working forest land base?
- Will the proposed changes enable businesses to be more prosperous?
- Will the investment climate be such that it promotes real, sustainable investment in our forest resource?

All parties in our forestry community have to work together on solutions that make all of us better off. The challenge is to get those governing and influencing it through their regulations and policies to accept that this particular kind of climate change is actually necessary and real.

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MORE FEDERAL ASSISTANCE REQUIRED

Prior to the COVID-19 pandemic, the Interior forestry sector was already facing significant challenges as a result of the mountain pine beetle epidemic, record-breaking forest fire seasons and a declining lumber market. The ILA's board of directors was actively lobbying the Ministry of Forests, Lands, Natural Resource Operations and Rural Development to identify solutions to assist its members through these challenging times. While there have been some small successes, it's very obvious that more has to be done.

As indicated in recent federal government news releases, they recognize the importance of resource-based industries as providing economic, social, and environmental benefits for our country, and that they're a key factor in Canada's economic recovery from the COVID-19 pandemic; however, from our perspective, it's clear they are not all regarded or funded equally.

Government is feeling the effects of these challenges as well; a declining forest industry results in declining revenue for government, which results in fewer dollars available to assist our industry. In February 2020, government released its What We Heard report following last year's Interior Forest Sector Renewal public engagement, and while the feedback is interesting, if there is not more done now to assist contractors financially, the results may never see the light of day.

Today, what resonates the most with ILA members is that the federal government needs to do more to assist our industry. In August 2019, Minister Donaldson engaged with then Federal Minister Amarjeet Sohi requesting federal financial assistance for forest sector workers and communities in British Columbia. Provincial forest ministers from across Canada were also engaged in the request to assist because in reality, if it can happen to BC, it can happen to any other province as well. At that time, dialogue was ongoing and we were optimistic through our conversations with Minister Donaldson and his staff that relief may be coming. Fast forward to October 21, 2019, when the federal election resulted in a new natural resources minister, which unfortunately caused another delay.

In Spring 2020, Premier Horgan and Prime Minister Trudeau met to discuss the forest industry. Minister Donaldson then re-engaged with the new Minister of Natural Resources, Seamus O'Regan and again, there was cautious optimism as his roots are tied to the resource sector; being born and raised in Newfoundland, he knows firsthand when a community is dependent on a natural resource to survive. Ongoing discussions ensued, committees were struck, and time marched on with still no result.

In March 2020, the ILA was contacted by the House of Commons' Standing Committee on Natural Resources to let us know they were going to undertake a study on the crisis in the forest industry to find out what actions the federal government needs to take. They asked if we would participate by providing witnesses and for industry stakeholders to provide relevant information. You did not have to ask us twice, but apparently you do, as we never heard from them again.

Also in March, our nation plunged into a pandemic, but as Canadians we rose to the challenge and managed to keep moving forward through this most difficult time. Our industry, like many others, was designated as an essential service and, as always, we also rose to the challenge to ensure that our economy remains strong. Timber harvesting contractors got back to work and found new ways to ensure the safety of their employees and families while still making sure the right log got to the right place. Unfortunately, these new measures came at a financial cost that is borne by the contractor; yet another financial pressure that contractors can ill afford.

As indicated in recent federal government news releases, they recognize the importance of resource-based industries as providing economic, social, and environmental benefits for our country, and that they're a key factor in Canada's economic recovery from the COVID-19 pandemic; however, from our perspective, it's clear they are not all regarded or funded equally.

On July 10, the Federal Minister of Natural Resources announced up to $30 million in economic relief for the forest sector to offset additional costs due to COVID-19 safety measures for small and medium enterprises. While much needed, unfortunately this is for the entire country and will be available in the early fall to be administered by the individual provinces. What's unknown is how the funding will be allocated across the country and what criteria will be used to ensure that it goes to those who need it the most. These are critical questions that need to be answered and quickly.

On August 5, by comparison, the Federal Minister of Fisheries, Oceans and the Canadian Coast Guard announced $469.4 million to support the hardship faced by Canada's fish and seafood harvesters due to COVID-19.

So, while programs like CERB and CEWS are appreciated, I think we can agree the federal government could do more to support the forestry sector. Therefore, I ask each and every one of you, regardless of your association affiliation, to call your member of parliament and remind them of the importance of what you do for British Columbia and our country's economy.

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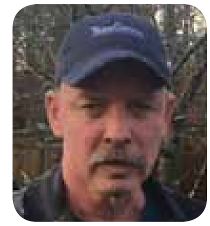
GRASSROOTS LOGGERS KEEP PLUGGING ALONG



In the midst of uncertainty due to the COVID-19 pandemic and falling log export markets, the Northwest forest industry continues to plug along. It has never reached its full potential since the economic meltdown of Skeena Cellulose Inc. in 2001 and the shuttering of its sister ships, West Fraser Timber sawmill in 2007 and Eurocan Pulp & Paper in 2010. The forest industry in our region was controlled by a few players and when the end came, it came hard, affecting our members, and many businesses and communities in the region.

What came out of the ashes of the meltdown was a redistribution of the parts. Tenure was redistributed to community forests, First Nation licensees, small forest companies, BC Timber Sales and private ownership of the domestic sawmilling industry. This redistribution of forest tenures was a form of forced tenure reform. The result for us was a more diverse, adaptive and responsive industry that has the ability to react to changing log and lumber markets, technologies, and the opportunity to diversify the range of products by re-tooling the domestic processing sector into value-added and specialty products.

The Northwest is blessed with a vibrant and healthy forest land base that provides a diversity of tree species, ages and quality that are suitable for numerous markets and products. We have a stable harvest sector that has proven to be innovative and adaptive over the last two decades to supply logs to domestic and international markets; getting the right log to the right place. Domestic wood products producers have also been aggressive and innovative in developing or finding markets that provide a premium price. The standard 2x4 lumber market is very competitive and cannot be our only one-trick pony if we are to survive.

Domestic sawmills are producing products such as cants and adding value into products such as prefab bridge panels, drill pads, docks, fence panels, instrument blanks, piano sound boards, finishing mouldings, house siding and tongue-and-groove flooring, just to name only a few. With market development comes new investments such as Kitwanga Forest Products' recent upgrade to a small-log line in its sawmill; and Skeena Sawmill's new pellet plant—a planned upgrade to their head rig that is well under way and their work to install a new small-log line. This has been planned for a few years, with the line being purchased and plans to install once capital funding is in place to complete the work. Recently, we've seen the opening of Touch Wood Forest Products, a new, small mill that produces high-end slabs up to six-feet wide for the European market, as well as piano sound boards, which is a niche and lucrative market.

Let's get to work on the fundamental changes needed to improve the prosperity and future of the industry.

This is a time when our industry has stabilized the best we can, in an industry that is never static. The people who live and work in the region are the reason why. They are the ones who are innovative, take chances and lay it on the line in an effort to ensure the profitability and the economic stability of our communities.

The NWLA has and will continue to engage government on the gaps and roadblocks that are preventing contractors from being successful in this industry and identify what is required for the industry to continue to be a main contributor to the province's economy. Government has looked at cost drivers, contractor sustainability, securing certainty of the working forest land base and streamlining bureaucratic processes; but nothing has happened. We need leaders in government to finally make the rubber hit the road and make decisions. If we want to have all the benefits of a healthy forest industry to provide for the tax base and community stability, then we need to start ticking some boxes. A lesson can be learned from the federal and provincial government leaders in their response to the COVID-19 pandemic and their bold and historic decisions that are helping us through this crisis.

The NWLA, along with our TLA and ILA partners, have been working collaboratively to impress upon government leaders that the status quo can change, and fundamental and structural change is possible. We ask that the elected leaders proactively engage with the associations that represent the grassroots of the industry.

Let us all take some lessons from those in communities who are innovative, know the industry, go to work every day and make decisions that work; the people and businesses who contribute to the continued prosperity of the province. Let's get to work on the fundamental changes needed to improve the prosperity and future of the industry. Let's get to work with the people that make up the grassroots of the industry.

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SUPPLY AND DEMAND OF RESIDUAL BIOMASS IN THE INTERIOR

Historically, forestry trucking operations in the BC Interior have been focused on the transportation of sawlogs from the forest to the sawmill. However, we have increasingly experienced a trend to bring more biomass from the forest to pulp mills, pellet plants and energy plants. A look at the outputs from a BC fibre model quantifies the history of this trend and the forecasted increase in the demand for the consumption of non-sawlog fibre acquired from post-harvest roadside operations.

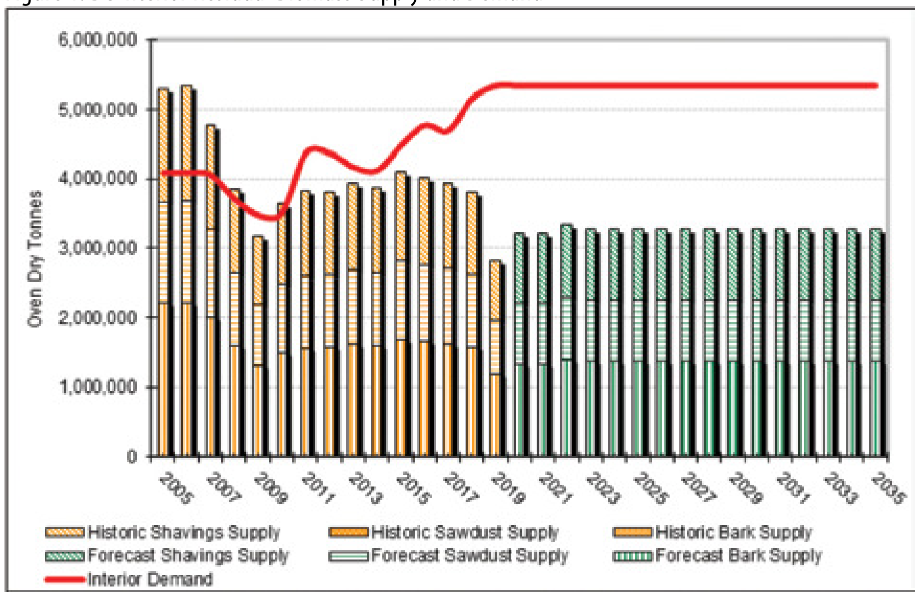
The industrial consumption of non-sawlog biomass across most of the BC Interior has increased significantly over the past decade. This increase in demand was brought on by three principle factors that have evolved since 2008:

1. Fibre demands from the construction of six new pellet plants.
2. The 2007 BC Energy Plan that subsequently resulted in: two electricity power purchase contracts (i.e., electricity purchase agreements or EPA) to stand-alone biomass independent power producers; four EPAs to sawmills; and seven EPAs to BC Interior pulp mills.
3. A decrease in the number of sawmills including over 30 permanent closures, 13 of which were in the last five years. Fewer sawmills means a reduction in the supply of sawmill by-products (sawdust, shavings and bark) and a corresponding increase in the demand for post-harvest roadside logging waste.

Until about 2010, most of the residual fibre users in the BC Interior were able to meet their residual fibre demands with supplies from sawmill waste. As pulp mill bioenergy plants started to come on line in 2011, the spread between sawmill residual supply and demand began to grow. Since many pellet companies did not have long-term supply agreements in place, a few were forced to shut down, while others began to supplement sawmill residuals with post-harvest roadside logging residues or pulp logs.

The change in the supply and demand for residual sawdust, shavings and bark across the BC Interior (Figure 1) demonstrates where historically the gap between sawmill residual supply and demand averaged about 600,000 oven dry tons (ODT) per year from 2012 to 2018; that gap was close to two million ODT in 2019 and is forecasted to stay at this level.

Figure 1. BC Interior Residual Biomass Supply and Demand



Courtesy of BC Fibre Mode – IFS Ltd.

For pellet and bioenergy plants to operate, this supply must be filled with the next cheapest alternative source of biomass. Typically this is roadside logging waste and standing pulpwood timber. The question of whether or not there is sufficient *economic* roadside logging residues to satisfy demand is ongoing. Improvements in logging practices and recovery methods are evolving to improve supply; however, supply is linked to logging activity and terrain. Depending on the region, the level of economic post-harvest biomass that exists at roadside may not be there.

This is where government programs like the Forest Enhancement Society of BC (FESBC) can play a key role. Projects funded by FESBC have helped minimize wildfire risk, improve low-value forests, replant damaged forests and utilize fibre that would otherwise be burned, which in turn reduces carbon emissions. Several pulp and pellet mill companies have capitalized on these funding initiatives to support their operations in an environment of declining supply of sawmill residuals. Instead of licensees burning waste piles or pulp logs that would normally be too far from the mill, or cost too much to salvage, FESBC pays the incremental cost to salvage this material, beyond what the market might otherwise afford. Thus, the fibre does not get burned, but supports the mill and truckers working to haul the biomass fibre to the mill. Offsetting incremental haul costs, salvaging fire damaged stands or reducing carbon emissions is a win-win for all BC residents.

Notwithstanding this government program, some of the biomass electricity purchase agreements held by independent power producers are scheduled to expire in the next one to 10 years. It remains questionable which biomass electricity contracts will be renewed and which will be terminated, given that BC Hydro is long on power and does not really need the electricity. If renewed, it means cleaner air and more jobs for the truck logging industry. Hopefully the regulatory agencies see the benefit in that.

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KEY PERFORMANCE INDICATORS FOR YOUR CONTRACTING BUSINESS

Historically, many contractors have run their business by a gut feel or measured their success by the balance in their bank account. However, with ever-decreasing margins and increasing costs, it's more important than ever to effectively measure the performance of your business. The following are a few of the areas and key performance indicators that can be used to measure the success of contracting businesses.

Start by reviewing the costs of running your business over a five-year period, which offers a view of the ups and downs through various business cycles. From there you can identify business trends and patterns, and set benchmarks to aspire to, allowing you to react to those patterns and make pre-emptive moves to help increase your bottom line.

Figure out your overhead

To measure performance, you need to understand overhead costs and how much volume you need to produce to break-even. This means you need to be able to separate out your costs by those direct harvest costs and those that are ancillary to the harvesting.

Quite often business owners are shocked to see the costs they incur each year to keep an office going, pay non-harvesting staff and administer the day-to-day business. All of these costs are flexible based on management decisions.

Break-even

Another exercise you should undertake is to determine where the break-even point is for your business. How many cubic metres do you need to harvest at your agreed upon rates to break-even and cover all of your costs? This is one of the areas where contractors have the most difficulty. Gearing up for 80,000 cubic metres of volume when you need 100,000 cubic metres to break-even will be a losing situation year after year.

Harvest cost indicators

The following expense categories should be tracked as a percentage of your total revenue generated. By doing this, you can track where your high-cost areas are and work on minimizing these expenses.

Wages

Employee wages can make or break your business. Pay them too much and you won't have any funds left for yourself; pay them too little and they won't be engaged, or they may leave, leaving you to struggle with being understaffed.

By reviewing wages as a percentage of revenue, you can learn to understand the productivity of your team and whether you are paying too much or too little for the given output in their production.

Fuel

Fuel is another important indicator to review as it can be impacted by older or poorly maintained equipment, which consumes more fuel. It can also be strongly impacted by the arrangements you have with your supplier. Many suppliers will offer discounts for preauthorized debit pulls the day after delivery, or volume discounts by committing to a set amount on an annual basis.

Repairs and maintenance

The cost of repairs and maintenance of equipment can be an indicator of when to consider buying new equipment. You should be able to watch this number rise and fall with your purchases of new equipment. This number is also a good indicator of lost opportunity; the higher the percentage, the more time is spent fixing equipment in the shop and opportunity is lost.

Amortization and depreciation

A business that is not properly showing depreciation can be deceptively profitable, when in reality, it is losing. By including depreciation in your key factors to monitor, you are providing the best representation of the wear and tear on the equipment being used. This is not the actual maintenance and repair costs, these are reflected elsewhere, but the devaluation of the equipment as it is used to log. You should have this cost represented in one form or another; by omitting it, you are only fooling yourself. People are quite often shocked at the large effect depreciation can have on a business.

You should note that a higher percentage can indicate that either newer equipment or an aggressive depreciation policy is required. This percentage is always compared alongside repairs and maintenance, as they both are related.

Interest

By looking at your interest and financing costs you can compare how much you are making versus how much you are paying the financier to run your gear. If you are paying a higher rate on non-traditional vendor take-back financing, they may be making more by financing you their gear than operating themselves.

Conclusion

There are many factors that contribute to the profitability of your contracting business and these are only a few of the costs to keep an eye on. By monitoring these costs and analyzing them over a five-year period, you should be able to get a good idea of where there may be opportunity to be more profitable in your business.

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WHAT LOG TRANSPORT DRIVERS NEED TO KNOW ABOUT WORKPLACE MVIS

An aging workforce and a shortage of drivers are among the many challenges facing today's log transport drivers in BC. To keep these drivers healthy, safe and on the road, the industry is finding solutions for addressing road safety and enhancing return-to-work programs for injured workers.

Between 2010 and 2019, motor vehicle incidents (MVIs) accounted for 30 per cent of time-loss claims for log transport drivers accepted by WorkSafeBC, with 166 of these claims categorized as a serious injury. During this same period, on average, serious injury claims for log transport drivers cost almost $130,000 with 156 days of time lost.

Compared with an average time-loss claim for all industries, an MVI claim costs more than twice as much and lasts almost six weeks longer. The cost of an MVI may also impact an employer's experience rating. If drivers are injured in MVIs while driving on the job, this may likely be within the jurisdiction of WorkSafeBC. If a person is driving for work when they are involved in an MVI, they may be asked to initiate the claim process with WorkSafeBC.

When a person is involved in an MVI while working, it is best practice to report the MVI to both WorkSafeBC and ICBC.

When should an injured worker report an MVI to WorkSafeBC and ICBC?

When a person is involved in an MVI while working, it is best practice to report the MVI to both WorkSafeBC and ICBC. If the MVI involved another party who wasn't considered to be working at the time of the incident, the injured worker may have the right to choose whether they claim their injury-related benefits with ICBC or WorkSafeBC.

For example, consider the following scenarios:

Scenario 1: A worker is marshalling a logging truck between yards and fails to negotiate a tight corner on the highway. The truck rolls over the embankment and the worker is injured. This is likely within the jurisdiction of WorkSafeBC.

Scenario 2: A worker driving a loaded logging truck meets a working service truck unexpectedly on a narrow switchback road. The service truck moves to the uphill side of the road and the logging truck driver attempts to pass, but the downhill shoulder of the road fails and the truck and its load roll down the bank. The log transport driver is injured. Since both drivers are working at the time of the incident, this scenario is likely within the jurisdiction of WorkSafeBC.

Scenario 3: A worker driving an unloaded logging truck on a rural road hits a patch of ice, spins out and collides with a pickup truck driven by someone who was not working at the time. Although the worker is deemed at fault due to excessive speed and failure to drive for conditions, this does not preclude the worker from being eligible to apply for a claim with WorkSafeBC.

Scenario 4: A non-worker driving a van on the highway is distracted by a text message, crosses the centre line of a highway and collides with a loaded logging truck in the oncoming lane. This MVI involved a worker and non-worker, which means the injured worker has a choice to elect a claim with WorkSafeBC or ICBC.

The WorkSafeBC Claims team will advise injured workers and explain all of their options to them. As WorkSafeBC does not cover costs for damages to equipment, such as vehicles, a driver may need to coordinate with WorkSafeBC for their injury claim and ICBC for their vehicle damage claim.

Preventing the personal and financial costs of MVIs

Investing in road safety strategies is smart business and it's also the right thing to do. Employers need to assess the hazards their drivers face on and off the road and then implement training, policies and procedures to mitigate the risks. MVIs are preventable; by investing in road safety, employers can reduce both the personal and financial costs of MVIs.

To help reduce the risk of workplace MVIs, WorkSafeBC's Road Safety At Work website (roadsafetyatwork.ca) provides free resources to employers, supervisors and drivers including online courses, webinars, workshops and consulting services, and templates for policies, procedures, and tool box meetings.

We're here to help

For claims information visit worksafebc.com/claims or call 1-888-967-5377.

WorkSafeBC
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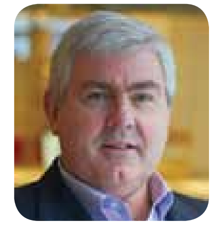

COVID-19 & EUROPEAN BEETLE IMPACTS ON NORTH AMERICA & CHINA PRICES

First it was a toilet paper shortage at the start of the COVID-19 pandemic and then it shifted to a crisis in finding building materials across North America.

North America lumber

Almost as fast as sawmill and panel plants had curtailed operations in April (about 1.6 billion board feet of lumber curtailments occurred at North American sawmills) due to almost no demand, a boomerang effect took place. Most US states and Canadian provinces deemed house construction an essential service. At the same time, activity in the remodeling market was kindled as homeowners were spending more time at home and the opportunity to start renovations and home improvement projects started to quickly ramp up everywhere. By early May, the supply chain was in shambles, including shipments from Canadian mills that were delayed because of the US and Canadian border closures. At this time, lumber and panel prices began to bounce back from below break-even levels. Since early June, lumber and panel markets have been on fire with rising to soaring prices, led by the repair and remodelling segment. At the time of writing (in early September), the benchmark western SPF (spruce-pine-fir) 2x4 #2 and better lumber had probably peaked at a record US$955/Mbf as compared to a low of US$277/Mbf in early April 2020.

Since April, North American demand has continued to outpace supply for softwood dimension and treated lumber, and studs, as well as OSB and plywood. Mills still had order files extending four to five weeks in mid-October. All lumber as well as panel prices had smashed any previous records achieved (most from 2018). Customer inventories were so lean that in many cases price was no object for many buyers throughout the distribution channel.

North America paper

While work-from-home policies have been a boon for wood product producers, office, business and school closures are devastating another tree product: paper. These shutdowns have clobbered the demand for newsprint and writing paper used in everything from newspapers, schools, stores, restaurants as well as offices. While consumers stuck at home have been buying more paper as well as hygiene-based paper products (and everything else) from Amazon and other e-commerce sites, it has not been enough to offset the normal purchases by companies or from schools.

European lumber in the US

In the current pandemic cycle, were it not for the rapidly increasing and incremental imports of lumber from Europe, it's highly conceivable that US prices would be even crazier. The largest source of non-Canadian lumber imports into the US continues to be from Europe (excluding Russia). European lumber imports grew by only 5 per cent to 2.24 million m^3 (950 million bf) in 2019—this is still a long way off the peak of 4.5 million m^3 reached in 2005. However, total European exports increased by 43 per cent in 2020-Q1. After Canada, Germany was the largest exporter to the US with a total of 1.15 million m^3 in 2019 (+14.4 per cent versus 2018). Sweden is the second-largest European exporter (401,000 m^3; +2.1 per cent), followed by Austria (216,000 m^3; -10 per cent).

With a massive log-salvage operation facilitating very low log costs, central European companies operate some of the most efficient sawmills in the world. This means that the German as well as some Austrian sawmill companies are now some of the most competitive in the world. On a delivered cost basis to the US south, German sawmills have 35 per cent lower costs than BC Interior mills. This is where the bite of the 20 per cent US import duties and the high stumpage costs put BC mills at a major disadvantage: the BC western SPF lumber had the highest costs on a delivered basis to the US south in 2019-Q1 and is expected to be in an almost similar position in 2020 (although stumpage costs have finally moved lower).

The escalating spruce bark beetle epidemic in central Europe has resulted in a massive timber salvage program that includes a huge increase in log exports to China. The outbreak in Germany, the Czech Republic and Austria is so severe that it is predicted that the killed timber volume from the European spruce bark beetle will eventually exceed that of the BC Interior's mountain pine beetle outbreak.

European logs in China

In 2019, the total log export volume from Europe to China reached an astounding 8.1 million m^3 in 2019 (18 per cent of China's total softwood log imports), and through the pandemic-induced first seven months of 2020, volumes have already reached 6.2 million m^3 (28 per cent of China's imports). Germany and the Czech Republic accounted for 80 per cent of log exports from Europe to China in 2019, a proportion that is expected to grow in 2020 and beyond.

European exports have, in part, displaced US PNW and Canadian (BC Coast) logs: total North America log exports to China dropped from 7.4 million m^3 in 2018 to 5.3 million m^3 in 2019 and are lower again by more than 40 per cent in the first seven months of 2020. BC Coast log exports to China are off by more than 50 per cent so far this year.

Based on the potential harvest of damaged timber and the capacity limits of the central European sawmill industry to process the damaged logs, rising log export volumes could result in further disruptions to global trade flows. It is expected that central European log exports to China will stay elevated at low prices until at least the middle of the decade forcing higher cost exporters out of the market.

Despite the current and staggering US lumber prices, the inevitable correction will occur. While some expect more of a "soft landing", others are less confident. This means we are in for a wild ride in the fourth quarter during which anything and everything can happen.

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FORESTRY COMMUNITY: POWELL RIVER

By Robin Brunet

In a community whose paper mill has been an icon for generations and where logging thrives due to its flagship tenure TFL 39 and community forests, Powell River has had an eventful 2020—and not just because of the COVID-19 pandemic.

Early in the year, the proud city of 13,500 residents was still contending with an eight-month strike affecting more than 2,000 workers in the manufacturing and logging sectors as a result of negotiations breaking down between United Steelworkers union Local 1-1937 and Western Forest Products (WFP).

Then, Paper Excellence Group announced that the mill would be "curtailed" until mid-summer. Vice President of Environment, Health & Safety and Communications Graham Kissack explained, "An exceptional intersection of events has negatively impacted our operations, including: a material shortage of economic forest fibre on BC's coast; [and] a significant external malware attack which rendered our paper business enterprise systems inoperable."

COVID-19 was also cited as a reason for the curtailment, having "materially impacted the supply chain for many of the paper products that we manufacture," according to Kissack, whose mill produces newsprint and uncoated mechanical specialty papers and employs 360 people.

By August, when *Truck LoggerBC* met Powell River Mayor Dave Formosa, foresters had returned to work thanks to the signing of a five-year agreement—but the mill remained closed with no timeline for re-opening. "It requires new products and a change in the market landscape," he said, adding that running and selling thermo-mechanical pulp might be a potential option.

And yet, despite the strife, Formosa was in a good mood. "We've worked hard to create a harmonious community and our efforts continue to pay off," he says. "A lot of elements are working in our favour as the economy re-opens, and the demographic of our city is changing in an exciting way."

After a pause, Formosa enthusiastically blurts a statement that perhaps only long-time locals would fully appreciate. "The changes are such that even children have returned to Powell River! There's a great sense of life to our community now."

Clint Williams, Hegus of Tla'amin Nation, is even more upbeat: "Sure, everybody has had their challenges in 2020, but our business opportunities are endless and the world is truly our oyster, after many years of not being in a good state."

That is not to say the Powell River of old wasn't lively or attractive. The region's potential was first identified in 1908, when two Minnesota lumbermen realized the power generation to be had from the 188-foot waterfall cascading off Powell Lake. The following year they constructed the Powell River Paper Company mill—the first pulp and paper mill on the west coast of Canada—and in 1912 the first roll of saleable newsprint was produced (eventually, one in every 25 newspapers in the world would be printed on paper from the mill).

Concurrently, Julius Bloedel, John Stewart, and Patrick Welch leased logging rights on 10,000 acres of prime timber at Myrtle Point for $100,000, and by the time they moved operations to Vancouver Island in 1928, Powell River's status as an industry town was well established.

Today, Powell River's loggers cut timber on TFL 39 Block 1 held by WFP, which covers 360,000 hectares of land on northern Vancouver Island, North Broughton Island, and the mainland coast in the vicinity of Powell River and Phillips Arm. And although economic diversification has led to an increasing focus on ecotourism and the arts, Formosa (whose family emigrated to the city in the 1950s) says his home is still widely valued as a logging community. "That goes for the former city dwellers and young families who are moving here to take advantage of our lifestyle opportunities and lower cost of living," he says.

Photo: Emma Larocque

But why would millennials with no ties to the industry be so respectful of it? Without hesitation, Formosa replies, "Because of our community forest, for starters."

The mayor is referring to the Powell River Community Forest Agreement (CFA) that was awarded in August of 2006 and covers 7,100 hectares with a sustainable allowable annual cut of 35,000 cubic metres. "Our CFA pumps hundreds of thousands of dollars into our community yearly and has paid for the roof of our curling rink, the equipment used in the rink, and many other things," he says.

Indeed, in June of this year city council withdrew $957,000 from the CFA's reserve fund for 18 projects (with President Greg Hemphill appearing in the council chambers sans recipients due to social distancing concerns). Some of the money will be COVID-19 related and allocated to Powell River Public Library, Evergreen Care Unit, and outdoor projects with seasonal restraints. Money will also support the thermal energy conversion for the Powell River Recreation Complex.

Minus this spending, a healthy $2.3 million remains in the fund for this fall and the spring update in 2021. "Logging as an industry in BC may be facing enormous challenges, but it's still a huge part of our livelihood," says Formosa.

Powell River's other community forest, the Sliammon, is operated by the Tla'amin Nation, whose status as a treaty nation means it also has tenure in the region. "To say this has transformed us for the better would be an understatement," says Hegus Clint Williams. "Our CFA cut is 28,000 cubic metres annually and we were recently awarded our third harvesting block on the 8,300 hectares of fee-simple lands we obtained through our treaty settlement four years ago. We also have a small woodlot that yields about 3,500 cubic metres yearly."

By contrast, Williams says that when his nation was still the Sliammon Indian Band, "We were in a horrible cash/debt situation and everything was piling up. Frankly, it was a miserable situation, but obtaining tenure turned everything around for us. We went from being in the red to into the black very quickly."

Treaty status has also given Tla'amin Nation the potential to expand upon its propensity for partnering with other community members, thus building on the success that began 14 years ago when it began a 50/50 partnership with Goat Lake Forest Products, which provides shakes and shingles to homeowners, construction contractors, importers, and distributors around the world. "Sliammon Lake Contracting is the contracting arm," says Williams. "We do the logging and split the profits with our partners."

Currently, Tla'amin Nation is updating its community plan to identify goals and business opportunities; meanwhile, Formosa is busy strategizing on how to increase the influx of new families and build Powell River's tax base. The common bond between the two men is optimism about the future, something evident when they are asked what lies ahead for them.

Williams says, "The future is really bright, and collaboration will be the key moving forward. There's a very strong team spirit that defines Powell River, and we're glad to be a part of it."

Formosa concludes, "Newcomers should know that they can get a job in many fields up here, skilled or unskilled, and we're an excellent place to start a new business.

"My own career began when I was 18 and got a job at the mill, then I became an independent trucker. Back then I thought the sky was the limit for me, and it's heartening to see the younger generation come to Powell River and feel the same way."

INDIGENOUS BEST PRACTICES AND LEARNINGS: THE GOOD AND THE BAD

By Lennard Joe

Growing up in the Nicola Valley on the Shackan Reservation, it seems like only yesterday that I was envisioning a career in forestry but looking back I am surprised that it has been over 25 years. As a registered professional forester and graduate of the University of British Columbia with a BSc in Natural Resource Conservation, I am grateful for the friendships I developed during those early days within the learning institutions of college and university, as many of my colleagues became my network in the forest industry who play a part for Indigenous involvement and integration within the forestry sector.

It is hard to imagine that Indigenous peoples had little to no involvement in forestry until the 1990s, but it is true in most cases throughout BC. Sure, we had minor opportunities in silviculture and harvesting operations but there was nothing in the form of tenures or fibre management capacity within the forest industry or ministry offices. While I was attending UBC, I recall coming home and sitting in the Tribal office with our administrator discussing what I was taking in school and we talked about the Band owning woodlots and the few silviculture slashing jobs that members were doing. That was when I realized we had very little presence in the forest industry and were doing very little to become more involved. One of the key missing elements was that we did not have the capacity to inject ourselves into acquiring tenures and becoming effective managers of the land within the bounds of the acts and regulations of the *BC Forest Act*.

Since the early 2000s, Indigenous peoples have become more present in almost every facet of the forest industry. The number of registered professional foresters and registered forest technicians with Indigenous backgrounds is growing as more are being attracted to the industry. One of the main reasons is that forestry is an integral part of many of our rural communities and it provides great employment opportunities with long-term job security right in our backyard. Access to forest tenures has also increased, which has allowed Bands and individuals to invest in logging and hauling equipment.

Today, Indigenous peoples are heavily integrated within all aspects of the forest industry; we are investors and owners of large silviculture, harvesting and log hauling operations. Currently, Indigenous peoples hold approximately 10 per cent or 7.7 million cubic metres per year in some form of a Forest and Range Agreement and are pushing for more. Some tie their volume to the Forest Consultation and Revenue Sharing Agreements (FCRSA) to generate additional income from stumpage revenue sharing with the Province. Indigenous peoples are utilizing this increased presence as a bridge to access opportunities that can be provided by the Province and industry in the form of fibre development, management and harvesting operations, and in exchange, the licensees create increased certainty to access and purchase Indigenous tenures at fair market prices to apply to their annual fibre flow to milling operations.

Today, Indigenous peoples are heavily integrated within all aspects of the forest industry; we are investors and owners of large silviculture, harvesting and log hauling operations.

Past and recent court cases now recognize that Indigenous rights and values must be taken into account through forest licence tenure programs. Consultation with Indigenous Tribes and Bands is required, which has resulted in a referral process that is followed within each forest district throughout the province.

It is in the best interest of all parties to invest in one another and develop strong working relationships. The Province has been working hard on reconciliation and has developed a government-to-government approach with Bands and Nations throughout BC. Licensees and many Bands recognize the importance of relationships as it can bring about some measure of certainty to moving their allocated volumes as well as being able to purchase additional volume for their milling operations from Indigenous tenures. Like major licensees, Indigenous tenure holders have learned to use replaceable tenures as a form of currency on which they can borrow or attract investment and have recently advocated for an increase in tenure in order to secure more opportunities for success.

Fibre security by having long-term, replaceable tenures is not worth much if you don't have the certainty that you can get your volume successfully across a scale. This is true whether you are an Indigenous licensee who is a market logger or a major licensee who needs Indigenous consent to move your own volume to its milling facility. The reduction of the allowable annual cut (AAC) throughout most of the province in response to the mountain pine beetle epidemic has reduced the volume in many of the Interior forest districts, making every cubic metre of fibre valuable. Many rural communities throughout the province share in the risk of losing continual flow of fibre, which is the case for many Indigenous communities as well. With investment in the forest industry comes monthly payments on equipment and employee paycheques. Access to fibre has allowed many Bands and individual entrepreneurs to invest and take out loans and lines of credit to invest in capital and capacity for business opportunities.

Today, Indigenous leaders must make decisions that will maintain a balance between the cultural and environmental values of their people along with the economic requirements that contribute to the well-being of the community. It is not only businesses that require the forestry program to be successful; many Indigenous communities rely heavily on its own source of revenue to be injected into its communities' health, education and other social programs.

All of our communities benefit from a healthy forest and a strong forest economy. Today, we can see Indigenous involvement at all levels in the forest sector. Indigenous voices are heard in many working rooms within government and industry organizations. The Truck Loggers Association (TLA), Council of Forest Industries, and the Province have invited Indigenous foresters to join them in developing solutions for long-term certainty of the forest industry. The Interior Logging Association, TLA and national forest certification groups such as the Canadian Sustainable Forestry Initiative and Canadian Forestry Stewardship Council have Indigenous board members who contribute to the richness and diversity of their organizations. And, the BC First Nations Forestry Council has continued to work tirelessly for its Indigenous body, for inclusion in the forest industry.

Over the years, Indigenous communities have developed a plethora of experience in the forest industry and hold the corporate knowledge of their traditional territories. Today, there is a lot of change happening in the forest industry; with reduced AAC there is less certainty of whether mills can sustain the reduction in volume. They are still adjusting to the AAC reduction and either require investments to become the "right size" to handle reduced volumes or shut down, resulting in the loss of hundreds of jobs. Indigenous communities who live within small, rural mill-dependent communities also feel the loss. Indigenous peoples hold the highest responsibility to their traditional lands because if anything goes wrong, they can't just pack up and move to set up a new business elsewhere. Therefore, it is in all of our best interests to find solutions for the well-being of our communities. Investing in Indigenous capacity is investing in local capacity that will not leave.

With rights comes responsibility. As the field levels out, Indigenous peoples are looked at as investors who also create an alternate source of fibre as they market their volume. Therefore, our social, economic and environmental well-being is tied to the health of our traditional lands and communities. As Indigenous capacity grows, so does the capacity of the BC forest industry. Today, there is still much work to be done. Indigenous knowledge is being incorporated into stewardship plans and will soon become measurable like all other values such as visual quality or old-growth management strategies. Tenure reform is a primary point of discussion between Indigenous and provincial governments as many of us still believe that there is an acceptable compromise that can be reached regarding the allocation of the AAC. In any case, Indigenous peoples are here to stay, and we recognize that we are all responsible for coming up with solutions to maintain a strong and healthy forest industry.

CAN STUMPAGE REFORM SAVE THE BC INTERIOR FOREST INDUSTRY?

By Jim Girvan and Russ Taylor

North American lumber prices peaked in mid-2018 and some thought it may have been the last hurrah for the BC Interior forest industry.

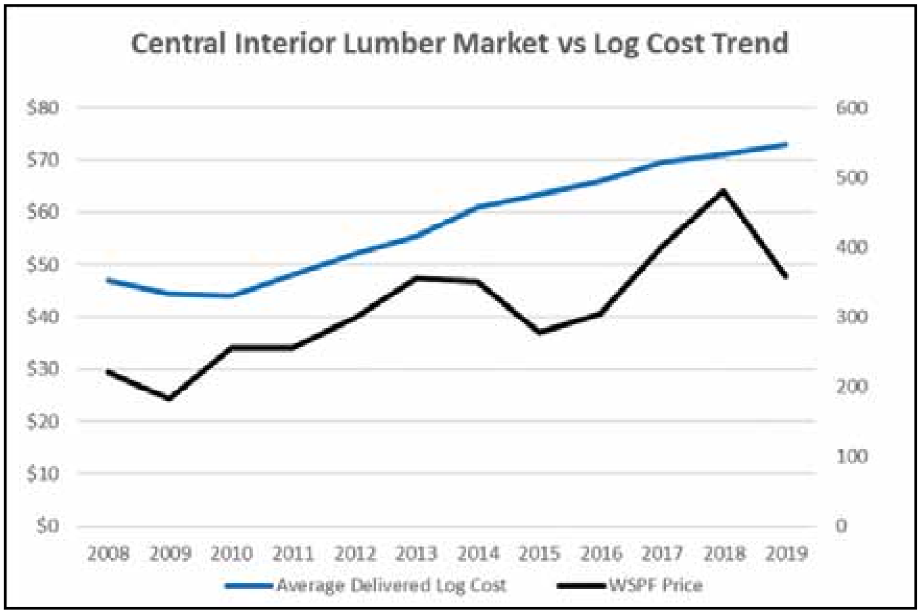
Since the peak of that market cycle, lumber prices fell quickly to below cost levels as global supply out-stripped demand. A flood of low-cost lumber from Europe precipitated by a massive spruce bark beetle infestation provided a plethora of cheap logs for central European sawmills, with many mills exporting to world markets, including BC's two largest markets: the United States and China. Combined with rising log costs for the BC Interior, these various factors accelerated an unprecedented number of mill closures through the summer of 2019, as was predicted by the authors. With the first mill closure being announced in May of 2019, by the fall, six sawmills had closed permanently, four had eliminated shifts permanently and many more had announced some form of periodic downtime or indefinite closure.

While BC harvest reductions due to the mountain pine beetle (MPB) epidemic can be blamed for some mill closures, the catalyst for these curtailments was the steadily rising cost of sawlogs when lumber market prices were falling. During 2019, the BC Interior became one of the highest-cost producing regions in North America—and essentially the world—under these unfavourable conditions.

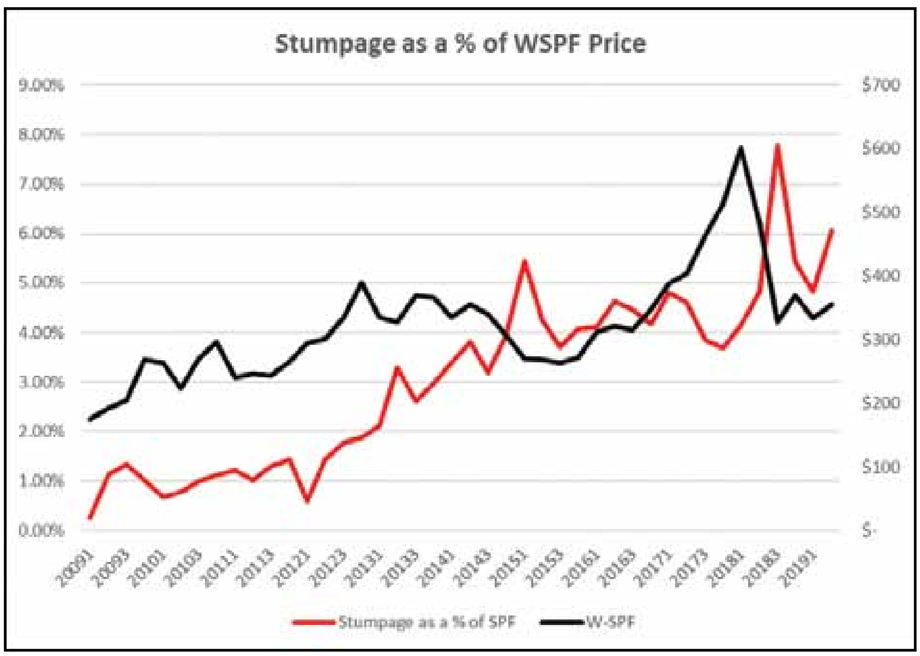
So, what is driving the steady increase in log costs in the BC Interior?

Many factors are to blame following the mountain pine beetle epidemic including declining volumes of low-cost, but uneconomic MPB-killed logs as the industry transitioned back to green timber; longer haul distances; increases in logging rates as the contractor sustainability review progressed; steeper slopes; and stumpage increases.

At the recent annual Global Softwood Log & Lumber Conference, Russ Taylor echoed his perspectives from the TLA's 2020 Annual Convention + Trade Show where he pointed to stumpage fees as a leading culprit to the steadily rising log cost issue in the BC Interior.



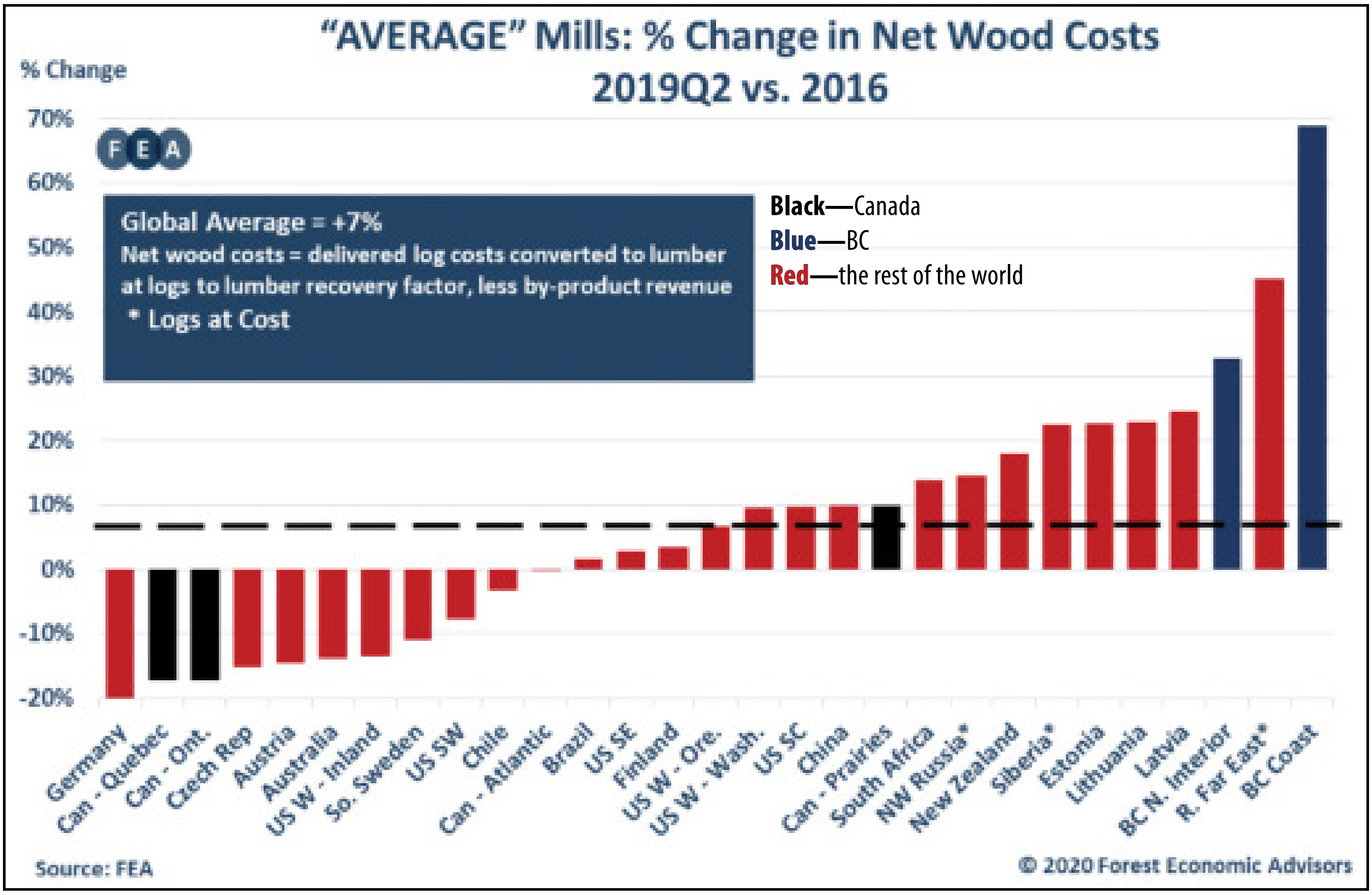
Charts: Jim Girvan



Perhaps he is right given Alberta has a stumpage system that is more responsive to market change and has seen most sawmills continue to operate over the past two years when compared to the catastrophic mill closure story playing out in BC. A major difference in log costs between BC and Alberta is stumpage and the methodology used to derive it.

As a result of the Ministry of Forest's stumpage system being based on the market pricing system (MPS), at its core, stumpage is driven by the market behaviour of independent loggers in the timber auction system used by BC Timber Sales. One would expect that as the market price of western SPF (spruce-pine-fir) lumber rose, so too would bids for standing timber; conversely, as lumber prices moderated, so too would bid prices.

However, what we saw was a disproportionate rise in stumpage as the value of standing timber at auction was bid up in an environment of rising lumber markets and tight restrictions in log supply.



Courtesy of FEA

The timber auction price is an input in the stumpage formula, and with scarce incremental timber supplies in the BC Interior, the price for timber was driven higher and often well beyond a mill's ability to break-even.

Over the past decade, stumpage as a percentage of the selling price for western SPF lumber has risen steadily and has been particularly offside for approximately 12 months after high lumber prices tapered in mid-2019.

Combined with the other cost pressures detailed above, the BC Interior has become one of the least competitive lumber producing regions globally when total delivered costs-to-markets are considered. In fact, Taylor estimates that the BC Interior net wood costs have risen a whopping 33 per cent between 2016 and the second quarter of 2019. By comparison, Alberta, with a more market responsive stumpage system, has seen net wood costs rise less than 10 per cent and close to the global average of 7 per cent over the same period.

These costs have put the BC Interior forest sector near the bottom of the global competitiveness list—with the

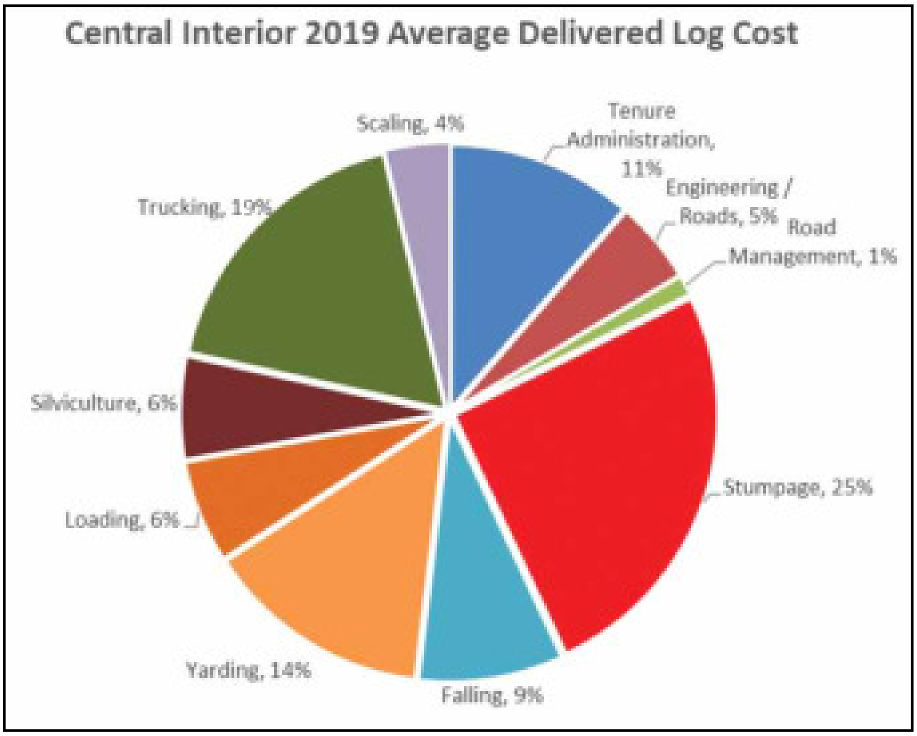


Chart: Jim Girvan

BC Coast at the absolute bottom—and speaks directly to why many mills have closed with some BC Interior mills remaining curtailed despite recent improvements in the market through 2020.

The Random Lengths Framing Lumber Composite index price hit a new, all-time high in August 2020. At the same time, western SPF lumber prices have exceeded their 2018 highs because of the huge demand from the do-it-yourself trade due to renovation projects during the COVID-19 pandemic.

Simply put, BC Interior log costs are becoming too high from a global competitiveness perspective. In 2019, stumpage comprised approximately 25 per cent of the total delivered log cost and 6 per cent of the average western SPF selling price (up from less than 1 per cent in 2009). BC also has to pay a punitive import tax averaging 20.2 per cent on US shipments (about 60 per cent of all exports) and has high logistics costs to US destinations, given the large lumber volumes that need to be shipped out of BC, which further reduces our competitiveness.

When net raw material costs are too high in comparison to global competitors, market improvement needs to be very strong, as we have seen recently, before the Interior industry can start to recover.

Looking forward, there have been recent changes to the Interior MPS formulas that some hope will improve the market sensitivity of the stumpage system. On the other hand, the government's Interior Forest Sector Renewal initiative

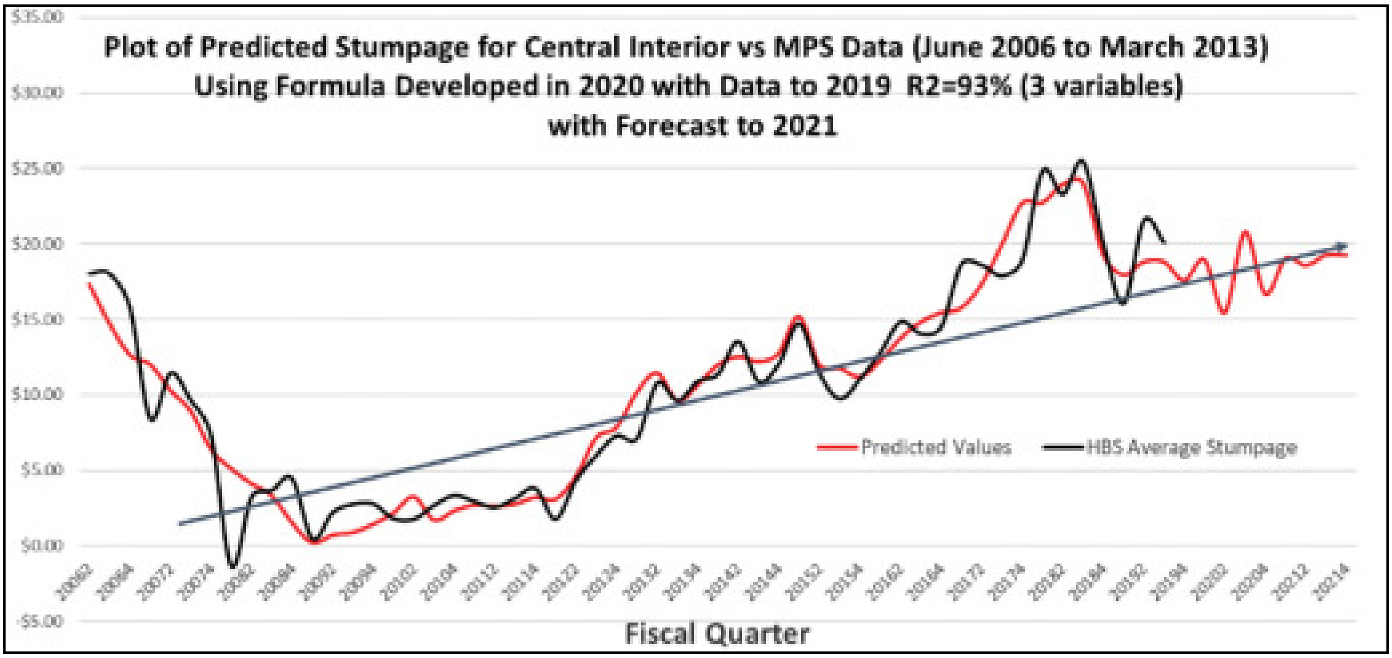


Chart: Jim Girvan

is expected to add more costs to the industry. Time will tell.

Can we expect stumpage relief in the future with the current MPS system?

The authors correlated actual stumpage paid to key market indicators since MPS was instituted in 2006 and can now forecast relative stumpage rates independent of the MPS model. With a forecast for rising US housing starts, improvement in western SPF prices in 2020, and moderation of prices into 2021, stumpage is expected to also moderate with some volatility as it continues its long-term upward trend. Given the market-based nature of the MPS system and despite the potential for MPS changes to improve sensitivity to markets, this rising stumpage price outcome was not unexpected.

To become competitive on a sustainable basis, the BC forest industry must

(Continued to page 34)

COMMUNITY FORESTS: A GOOD NEWS TENURE STORY

By Ian MacNeill

True fact. Discussions about tenure reform in British Columbia have been going on ever since the first timber licences were granted in 1888. No fewer than four Royal Commissions have been struck over the years to examine the issue, all of them recommending at least some kind of redistribution, but staunch resistance from industry and a succession of industry friendly governments have made change difficult.

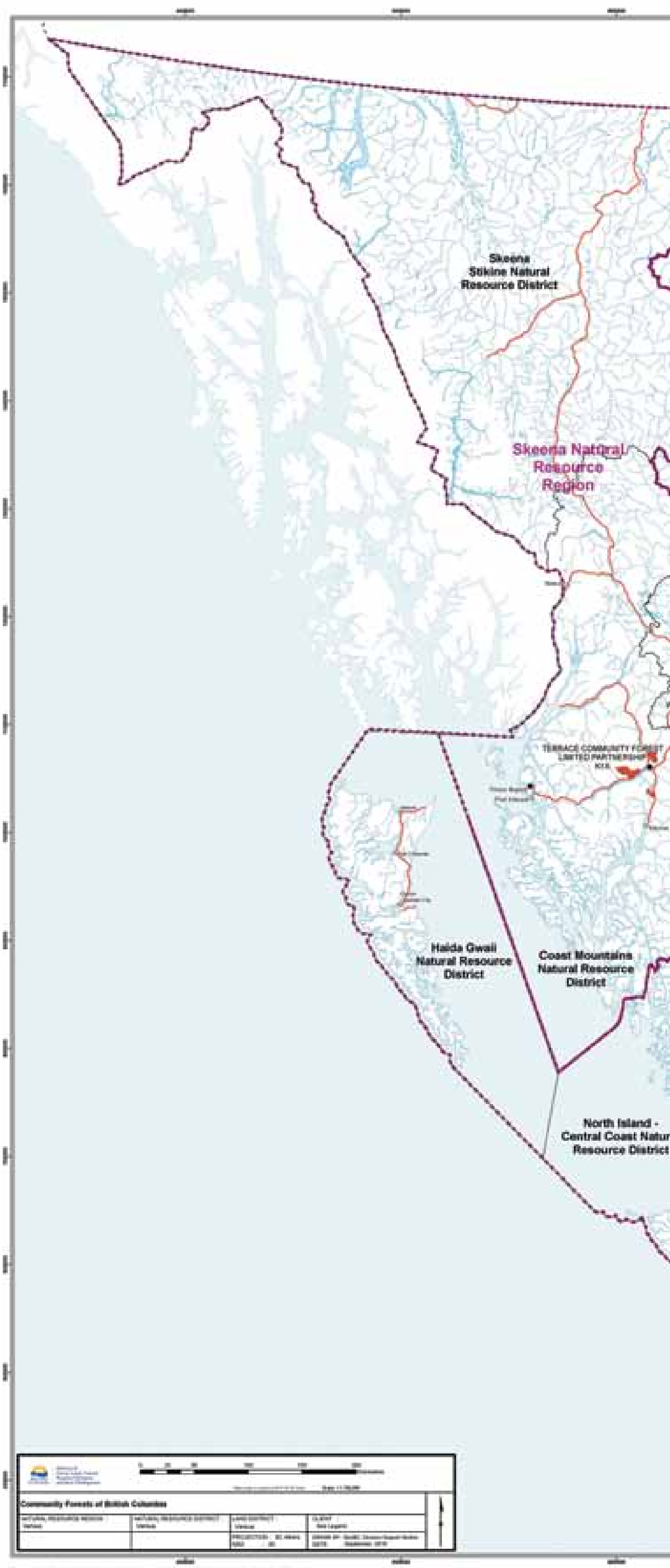
However, there is one kind of tenure reform that is both at work and working in British Columbia. In 1998, influenced by rural communities fearful they would turn into ghost towns after the cut-and-run forest industry had packed up and left for other pickings, the government of Glen Clark (NDP) introduced a new form of tenure—Community Forest Agreements (CFAs). These are area-based licences providing the exclusive right to harvest timber as well as manage botanical forest products. Licences are long-term, 25 years, and replaceable every 10. There are currently 58 CFAs in BC, with another five applications pending. According to the BC Community Forestry Association (BCCFA), these licences are held by a variety of community-based legal entities, including limited partnerships, societies, co-ops, First Nations and local governments. Collectively, more than 100 Indigenous and rural communities are involved in community forestry in BC.

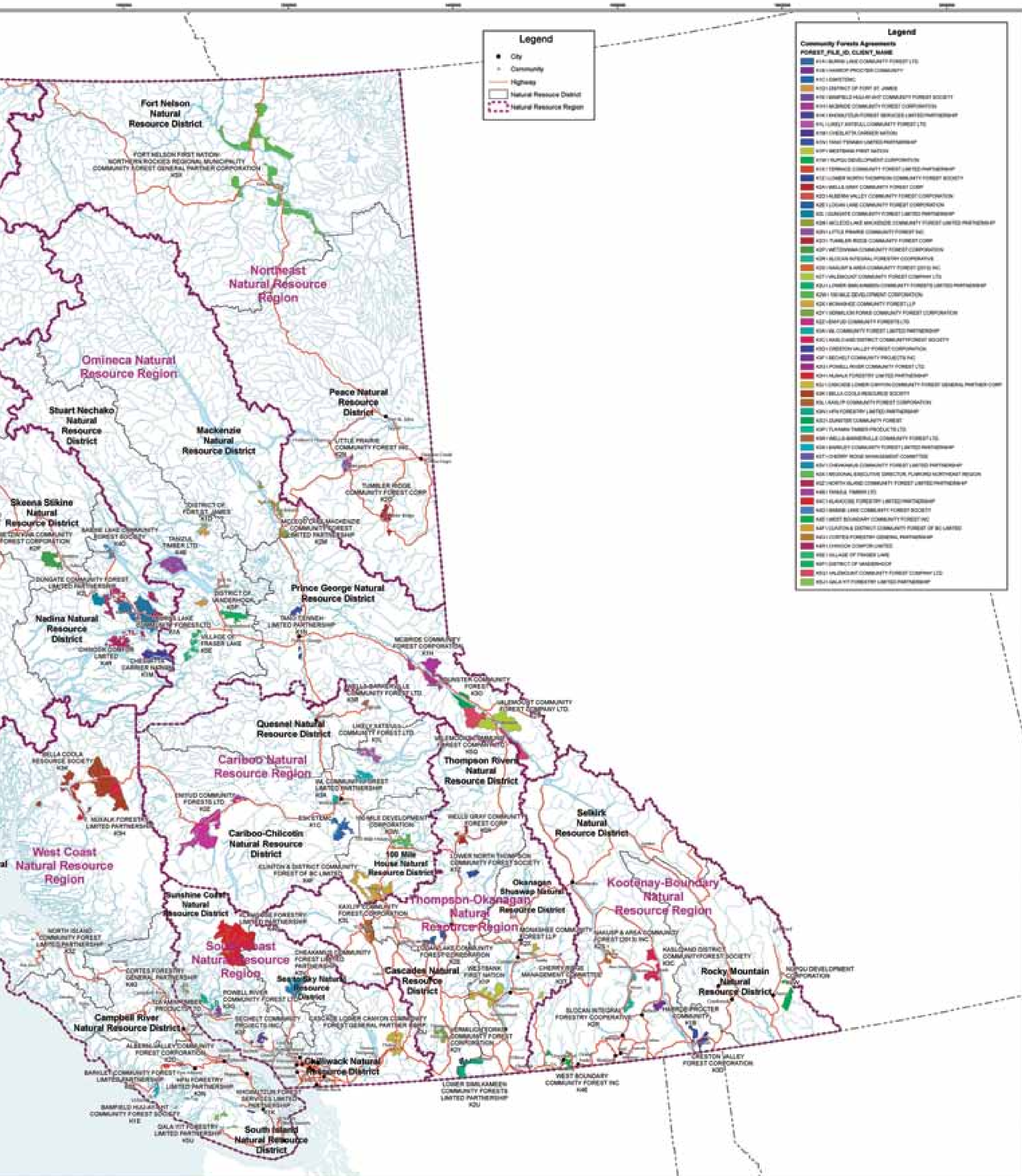
Although CFAs only represent less than 2 per cent of the allowable annual cut (AAC) at 1.9 million cubic metres, they have an outsized influence on the communities they serve. According to the BCCFA's most recent indicators report, community forests are creating 80 per cent more employment in forestry, logging and support services than the industry average. They often operate in sensitive areas and are meeting their cut control while reliably supplying logs to both major processing facilities and small manufacturers. On average, they generated $1.96 million in economic activity each, and contributed $527,235 cash and in-kind to local projects. The total funds donated to community projects by the participating community forests in the reporting year alone exceeded $16.8 million. CFAs also play an important part in wildfire management, with each one spending an average of about $40,000 to keep the flames at bay.

CFAs are also playing an important role in the reconciliation process. More than half the community forests surveyed in the recent report are held by First Nations or are partnerships between Indigenous and non-Indigenous communities. In many cases, First Nations are engaged in cooperative planning, share profits, have memorandums of understanding and employment contracts, and work with community forest organizations in capacity-building activities like training and education.

In terms of environmental outlook, they are hard to beat. According to the BCCFA, a community with a long-term, area-based tenure is motivated to manage for ecosystem resilience and to invest for the future. For these kinds of reasons, CFA holders typically consider a range of objectives, including enhanced forest stewardship, recreation and the conservation of ecologically and culturally significant areas and values. This year's survey respondents collectively invested $1.9 million in enhanced forest stewardship above and beyond legal requirements.

Those that have CFAs love them.





Courtesy of Ministry of Forests, Lands, Natural Resource Operations & Rural Development

"By far, the most important thing for us is that our community forest is an area of land where we get to make the management decisions," says Dave Gill, general manager of Ntityix Resources, which manages the 46,000-hectare Westbank First Nation Community Forest. The decisions are not just made based on the interest of the Band today. "Like most First Nations, we look forward seven generations. You don't get that opportunity with a volume-based licence." In addition, community members can go out on the land, reconnect with it and see for themselves how it's being managed.

The CFA has also helped the Band create employment for members and build capacity. All the contractors working the land are from the Westbank First Nation, including those engaged in logging, hauling, road building and silviculture. Gill says that before the CFA was granted, Band members who wanted to go logging had to leave town. "It really helps when you can come home every night and help raise your family," he says.

Gill adds that in the long term, the community would like to see its management practices pushed beyond its CFA boundaries and into tenures owned by others, including major licensees. This may not be as unlikely as it sounds. In *Smart Future: A Path Forward for BC's Forest Products Industry,* the Council of Forest Industries (COFI) endorsed strengthening ties between the industry and both communities and Indigenous peoples. Specifically, it suggested increasing "community forest agreements and First Nations woodlands licences in areas directly adjacent to communities to allow for greater local management, protect communities from wildfires, and provide fibre to local manufacturers."

Problematically for some aspiring communities, there is a rigorous set of criteria for obtaining a CFA and interested entities do not always have the internal capacity to navigate the process. To address that shortfall, the BCCFA serves as a first point of contact, having at its disposal a wealth of information and contacts; its annual conference invariably attracts community representatives interested in rubbing shoulders with potential knowledge sources and partners. The BCCFA can also, on a fee-for-service basis, provide direct support.

There are private consulting firms that can help as well, and even manage the CFA on behalf of the community. In 2014, the 16,700-hectare Logan Lake Community Forest Corporation turned to Forsite Consultants Ltd., a provider of integrated forest land development and management services. "Forsite has been instrumental in turning our Logan Lake Community Forest Corporation into the successful business it is today," says corporation President Claire Newman on Forsite's website.

The community of Logan Lake has benefitted both socially and economically from having a CFA says Garnet Mierau, RPF, a Forsite manager working on the Logan Lake project. "I think one of the big ones is the way in which it has deepened relationships with First Nations," he says. It's complicated, because there are a number of First Nations involved, but providing them opportunities to share in management decisions has led to "better conversations."

Then there are the obvious financial returns. Each year Logan Lake Community Forest does a transfer of profits to the community that are then invested in civic projects. In the past five years, that has amounted to as much as $3 million, which has been used to fund civic upgrades and provide support to as many as 40 community groups. In 2018, the $1.6 million transfer was used to leverage both provincial and federal funding. One key initiative is a collaborative program through the community forest, Logan Lake Wellness, Health and Youth Society (WHY) and the District of Logan Lake that hires high schoolers to participate in its FireSmart program, which provides them with employment, as well as teaching them the benefits of forestry to their community.

CFAs can also contribute to economic diversification. The 33,018-hectare Cheakamus Community Forest surrounding Whistler, which includes participation between the Lílwat and Squamish First Nations as well as the Resort Municipality of Whistler, has a forest fuel reduction project that in 2018 delivered nearly 3000 metric tons of post-harvesting biomass to a municipal composter where it was mixed with solid waste from sewage and composted into a Class A soil amendment for sale locally.

According to Gord Chipman, manager of the Esk'etemc First Nation Community Forest at Alkali Lake in the central Interior, the nation's 30,000-hectare CFA provides 12 full-time and 70 seasonal jobs for community members and has a payroll of $2 million. In the past 10 years, nine community members have been encouraged to pursue and complete degrees or diplomas in resource management.

And the future looks bright. "We have strategic relationships with Pinnacle Pellet with our biomass program and are just entering into a long-term relationship to develop timber with Tolko Industries on the traditional territory with their forest licences," he says.

Considering the tangible and intangible benefits of CFAs to communities and First Nations, it would be surprising if there wasn't a long list of communities that would like to have one. As it happens, many have either tried, or would like to, but have been turned down, or realize it's futile, for one thus-far insurmountable problem.

It comes down to competing interests on the land base, says BCCFA Executive Director Jennifer Gunter. "The allowable annual cut is fully subscribed," she explains. "A strategic shift in government policy and reapportionment of AAC is key to achieving this pragmatic and important vision of increased community-based forest management."

This is where it gets political. The good news is that industry, as evidenced by the COFI declaration, is supportive, at least on some level. How that will translate into land and tenure transfers remains to be seen, but it is unlikely that current tenure holders would cede tenure assets without some form of financial compensation, at least voluntarily.

Either way, the BCCFA intends to press on providing support and lobbying for policies that will support existing and potential CFA aspirants. "The BCCFA has recommended that the provincial government consider a reapportionment of volume to community-based tenures that meet the objectives of the provincial government, as well as Indigenous and non-Indigenous communities," says Gunter. The association would also like to see community-based tenures (community forest agreements and First Nations woodlands licences) prioritized in the 10-km zone surrounding Indigenous and rural communities. "This is a critical zone for community wildfire protection and climate change adaptation," she says. "The 10-km zone also includes areas where critical social values, ecosystem services and economic opportunities intersect."

It makes a lot of sense to continue growing CFAs, but that's not going to happen until an increasing number of British Columbians are educated to understand the value of community forests and are then willing to articulate their support at both the local level and the ballot box.

Cowichan Community Forest: A Not-So-Good News Story

It's not exactly another "War in the Woods", but there's definitely some scuffling going on when it comes to planning the future of the North Cowichan Municipal Forest Reserve.

Dating from 1946, the 5,000-hectare parcel is unique in that it is located on fee-simple land owned by the community. It was left largely unmanaged until the 1960s when a consulting forester was hired to come up with a plan, which called for diameter-limit cutting by "local" operators. This was updated in the 1980s with a new management strategy that replaced diameter-cutting methods with practices that are still in use today.

From the beginning of the modern era, the forest has been managed on a sustainable basis with multiple users in mind. The original mission statement made that clear, calling for maintaining and enhancing "North Cowichan's valuable municipal forest resources for all users through sustainable forestry, ecological stewardship, and sound fiscal management."

"It's probably been one of the best-managed forests in the country," says Sig Kemmler, a TLA board member and co-owner of Integrated Operations Group Inc. (IOGI), which had a contract last year to harvest blowdowns from a winter windstorm. Areas to be harvested in the reserve are carefully selected using a wide-ranging and comprehensive set of criteria; environmental, cultural, recreational, and social issues are all taken into consideration.

In addition to providing valuable revenues to the municipality—as much as $3 million annually—forestry operations provide employment at wages that far exceed those typically available to unskilled or semi-skilled labourers.

Nevertheless, despite the economic benefits and the efforts that have gone into managing the forest on a sustainable basis, groups and individuals opposed to logging in any form have managed to throw a wrench in the works. Protesters have shown up at council meetings, and on one occasion, tried to block IOGI from going about its business. (The RCMP was called, cooler heads prevailed.)

Clearly rattled, the municipal council suspended "normal" forestry operations indefinitely pending a review from the University of British Columbia. More recently, it put a 60-day hold on a public engagement process that was supposed to gather community input on the future of the reserve.

Will that future include forestry operations? At this stage it's hard to tell, but Kemmler says that curtailing them altogether would be a blow to a community where many residents have been hard hit by the COVID-19-induced financial headwinds.

A big part of the problem is that those opposed to forestry operations have seized the initiative, he says. They have made good use of social media platforms and have the time and inclination to organize and attend public events. "People need to understand the other side of it," says Kemmler. "They need to understand the benefits forestry operations bring to the community. They need a better understanding of the progressive way in which management decisions about the reserve are made and will continue to be made. I've been a North Cowichan resident for more than 40 years and I'm proud of what we do. We're not here to cut and run. What we are essentially doing is tree farming. There are other kinds of farming in the area and no one protests that. And we are doing it in a way that ensures future generations will both profit from and enjoy this remarkable asset. That's the message we need to get out."

We'll keep you posted.

(Continued from page 29)

reduce costs and hope that no new regulatory costs are added to an already dire situation. If stumpage is to remain high and government is not willing or able to consider stumpage reforms to allow fees to be consistently in line with markets as seen in other jurisdictions, then the focus has to be on the systematic reduction of the other components of delivered log costs. However, this will not be an easy task since globally, BC is already one of the most efficient regions in logging, trucking and sawmilling.

The alternative is to hope that the current good (stellar) markets continue indefinitely or, at least, intermittently. But history has demonstrated that hope is not a good long-term strategy.

INTERIOR FOREST SECTOR RENEWAL WHAT WE HEARD REPORT: A TLA REVIEW

By Paul Schuetz

Photo: Kai Jacobson

Recent dramatic changes in the BC Interior's forest industry brought on by the end of the mountain pine beetle epidemic, sawmill closures and tariff pressures from the US resulted in the BC government undertaking the Interior Forest Sector Renewal initiative, which involved a public engagement process to solicit feedback that would help guide decision making on renewed forest policies for the region. Between July to October 2019, feedback was gathered by the Ministry of Forests, Lands, Natural Resource Operations and Rural Development through an online survey, written submissions and 36 community meetings. In February 2020, government conveyed their findings in its What We Heard report. The following provides a brief synopsis of the report and the TLA's review on issues deemed of potential interest to its members.

To better streamline and focus the flood of incoming data directed toward new forest policies and programs, the public engagement process solicited feedback on the following themes:

- Forest tenure and fibre supply
- Climate change and forest carbon
- Manufacturing capacity and fibre utilization
- Wood products innovation
- Reconciliation with Indigenous communities
- Fibre and sustainability of timber and non-timber forest values

Of these six themes, forest tenure and fibre supply were the most popular with 910 comments recorded, and 41 per cent of participants ranked it the most important policy. Wood products innovation was deemed the least popular, but still had 236 comments recorded. The following bullets provide a brief summary of the most popular issues and respondents' opinions that were heard for each of the categories, followed by the TLA's review.

Forest tenure and fibre supply

- Redistribute forest tenure. There is "not enough access to tenure and fibre supply for smaller, local operators." Many felt that local communities should have more control over current and new tenure close to home.
- Move from volume-based tenures to area-based tenures. This would encourage long-term investments that would inevitably better protect ecosystems and ensure sustainability of forests.
- Reform the forest tenure model. Keep lumber production of locally harvested timber to nearby community mills and avoid "long haul logging."
- Improve access to affordable fibre. This will generate a "constant and predictable flow of fibre to the industry" to allow for better and longer-term forest planning.
- Reform the stumpage system. Make stumpage prices more responsive to current market conditions to "allow industry to cope with cyclical downturns." Also, by adopting a Cruise Based stumpage system in favour of a scale-based one, respondents felt that there would be greater motivation to increase the utilization of harvested trees.

- Establish sustainable forest practices. This will ensure biodiversity, moving toward alternate harvesting systems and away from clearcutting, and increase the diversity of trees planted post-harvest.

Reform of the BC forest tenure model and stumpage system were among the most commented-on issues, and many respondents appeared passionate about it being time for province-wide restructuring. Currently, the majority of tenure in BC is held by a small handful of large companies, whose interests (rightly) lie with their shareholders before community well-being. Diversification of tenure ownership would help local communities be less dependent on large corporations.

Improving the utilization of volume harvested in the field will benefit users of residual fibre, such as pulp mills and bioenergy plants, while providing more jobs for logging truck drivers to haul the extra volume. Transitioning to more area-based tenures was viewed favourably by many respondents, as licensees tend to invest more capital into future stands and thereby help ensure timber quality is enhanced for future generations.

Climate change and forest carbon

- Increase efforts for more carbon sequestration. Planting a greater number and more diverse array of tree species and protecting old-growth forests.
- Use incentives to reduce carbon emission. Carbon-based tax exemptions or refunds could be given to companies that reduce carbon emissions and environmental impacts from their daily activities.
- Give more control to local communities over the management of their nearby forests, since these "rural communities are the first affected during climate events."
- Improve wildfire risk management and prevention. Better utilization and increasing the use of residual fibre, planting more fire-resistant trees, creating effective fire-smart programs around communities and ensuring adequate funding for fire-fighting during dry summers.

Reducing wood waste in the field is a sound strategy to reduce wildfire hazard, while increasing the availability of residual fibre. Planting more trees would also prove to be effective; however, the question is if the cost-to-benefit ratio of increased planting densities will make this strategy worthwhile.

Manufacturing capacity and fibre utilization

- Encourage greater utilization of residual fibre. Limiting the amount of pile burning in the bush by providing tax credits for the utilization of residual waste or providing waste wood free of charge to local Indigenous communities. Also, making residual waste available for "secondary manufacturers" and creating fibre recovery zones for movement of fibre.
- Promote the development of new products and markets. Government support and incentives for manufacturing value-added products was suggested, including banning some plastic products in favour of paper-based alternatives such as grocery bags and drinking cups.
- Provide incentives for innovation. Government programs and incentives could be directed toward research institutes and the development of new and "innovative ideas for the use of waste."
- Buy and use BC-made wood. "Banning or restricting raw log exports as a way of enhancing wood manufacturing," which in turn would provide more jobs and create stability within forestry communities.

As mentioned above, enhanced utilization would partially decrease the demand for residual fibre for non-sawmill users. However, would suggestions, such as whole-tree hauling and logging to a two-inch top tree, be feasible and cost-effective for logging contractors? Incentives may need to be put in place so that sawmills, whose primary focus is the recovery of sawlogs, adjust operations in consideration for other users in a manner that is economically feasible for all parties.

Wood products innovation

- Provide incentives for innovation and investment. Include tax credits, especially for smaller, innovative and start-up companies; and long-term loans and "long-term tenure" that allows for lengthier investment opportunities and enables better planning.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- Develop and diversify markets for BC wood products. Changing building codes to encourage further use of wood products; providing financial aid and incentives for bioenergy firms; and marketing the quality of BC wood to the international market.
- Support investment in research and development of wood technology. Grants could be issued to universities and other institutions to improve technology, product development, etc.

It is imperative for the BC forest industry to remain cutting edge and innovative to stay competitive in world markets. Government grants and tax credits might help in this regard. Wood products innovation also provides an opportunity to improve the industry's image in the eyes of the public, and money in the form of grants might be enough to attract experts into the BC wood innovation field.

Reconciliation with Indigenous communities

- Increase Indigenous participation in the forest industry. Allow Indigenous communities more "decision-making power over how resources are managed," creating more opportunities and programs in which partnerships can be fostered with forest companies and increasing Indigenous communities' ownership of "forestry assets and businesses," especially in the form of new tenure prospects.
- Support Indigenous education, training and mentorship. Provide opportunities and funding for Indigenous workers to become employed, trained and mentored within the forest industry.

With tenure reform likely awarding Indigenous communities with more forestry management opportunities, it is sensible to forge long-lasting business relationships with First Nations communities. Providing employment, training and mentorship is a win-win situation for anyone working in the forest industry today and will be even more of a factor in the future.

Fibre and sustainability of timber and non-timber forest values

- Support a sustainable approach to forest management. This can be done by preserving ecosystems; supporting the involvement of Indigenous communities in land use planning; improving forest planning techniques by updating inventory through use of LiDAR; and revaluing "non-timber uses, such as tourism."

Sustainable forest management is the goal of forest planners and having proper tools such as updated inventory and LiDAR helps them do the best job they can. There is room in BC forests for a healthy and sustainable industry to work alongside recreation, tourism, and other resource values. Distinguishing rare and sensitive ecosystems and important wildlife areas is vital to preserving areas that should be protected, instead of classifying them into broad and contentious categories such as old growth. Identifying high productive stands, and then performing intensive silviculture on those sites to maximize volume on minimal areas tends to create more opportunities for other resource users to enjoy BC's forests.

It is important to solicit public input and opinion to incorporate into new policies and programs and government's engagement process has succeeded in acquiring a broad section of public responses. Now, will government engage the *forest sector* before they incorporate what they've heard into upcoming policies and decisions? The entire industry is hoping so.

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	Page #		Page #
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