



SO, EXACTLY WHAT IS OUR MESSAGE?

Well, another BC election is complete, and we now know (to nobody's real surprise) the government we will be working with over the next four years as we tackle forestry sector issues.

Firstly, our appreciation to Premier Horgan for his letter to the TLA in this issue. Our association has always believed in working together with the governments of the day to move our collective agendas forward. Luckily, most of the time, we share similar goals and wish lists for the changes we believe are necessary to improve the sector. The trick is to actually convert our messages into real changes that benefit us all.

To help the sector achieve this objective, we have a new minister. The TLA welcomes Minister Conroy to what we consider (and perhaps a tad biased on our part) to be the most important—and essential—ministry in BC. Our industry remains a prominent employment generator, the backbone of many communities and a huge contributor to government revenues. Several articles in this issue clearly demonstrate the magnitude and scope of our industry. The new minister's mandate letter contains many ambitious goals; most of which we will do our best to support. The challenge for all concerned will be helping the minister navigate the wide breadth of varying agendas between licensees, contractors, value-added manufacturers, environmental groups, communities, and First Nations.

So, what is our message? Over the years, we've been consistent with our core messages: we've had enough of the constant erosion of the working forest; we need to dramatically improve BC's investment climate; government needs to provide far more certainty on the land base and regulatory environment; make the contractor community more sustainable; and set up an environment to reduce our excessive high-cost structure compared to our global competitors.

Why are those our messages? In short, we could say it is because we believe in BC, our communities and the forestry sector, but there really is an even simpler answer. To be successful, any business has the basic fundamentals to uphold: revenues, costs, margins, capital employed, and certainties/risks moving forward; and therein lies the challenge for many participants in BC's forestry sector.

Specific to harvesting contractors, recent studies and surveys confirm most remain challenged by the rates offered by licensees (and that is putting it diplomatically). If rates are marginal or below the effective costs of running an operation, that is clearly not sustainable, especially as we need to attract more youth. And while I'm not defending the licensees, BC's overall high-cost structure is out of tune with our competitors globally, hence pressures by all concerned to save costs wherever possible. The net results for many in our business are very slim to non-existent margins, which sets up a difficult environment to find capital and continually reinvest in our very capital-intensive industry. Add in the uncertainties many contractors face with the degree to which their capital is employed and the length of their operational season, and the margins become further strained. As a side note, the Contractor Sustainability Review process remains a critical component towards finding longer-term solutions to rate concerns.

Layered on top of these difficulties is the remaining—and at times escalating—uncertainties of the working forest from two perspectives. Firstly, BC's regulatory and permitting structures remain complex with the consequential impacts of inconsistent harvesting approvals in many areas of the province. Secondly, environmental groups continue to advocate strongly for increased protection of forest stands at both the global and localized levels. Of even greater concern

is some ENGO's reneging on previously negotiated land use plans by ever-escalating demands for outright protection of areas and consequential withdrawal from working forests.

Make no mistake; BC's forest industry is and remains a prominent force in the global market. We should collectively be proud of our accomplishments and contributions to BC's overall strength. Unfortunately, in concert with what all the independent forest investment analysts are saying, the concerns we've described do not instill the needed confidence in BC's forestry sector to attract the necessary capital and investment to move it forward in the manner we would all like to see.

Is there a roadmap to success? Sure, but the challenge remains in negotiating through the myriad of different agendas each group brings to our politicians. At the end of the day, perhaps we should all concentrate on the core issues: set up an environment whereby all the factors of costs, revenues, margins and certainty are improved. This means even looking at our high stumpage level (sorry to our government friends). If these core realities are not addressed adequately, all of the other solutions will probably be moot. And let's not be distracted by the current good lumber markets; I've "been there, done that" in terms of seeing market cycles. Our future depends on being well situated for all market conditions.

If nothing else, BC's loggers have shown an enormous capacity to adapt to change over the decades. Set up the environment for better success and we'll know our message has been heard—and we'll take care of the rest.▲

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