



# CONTRACTOR SUSTAINABILITY REVIEW – HOW THE RECOMMENDATIONS WILL HELP CONTRACTORS

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

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

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

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

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

## RATE MODEL

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

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

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

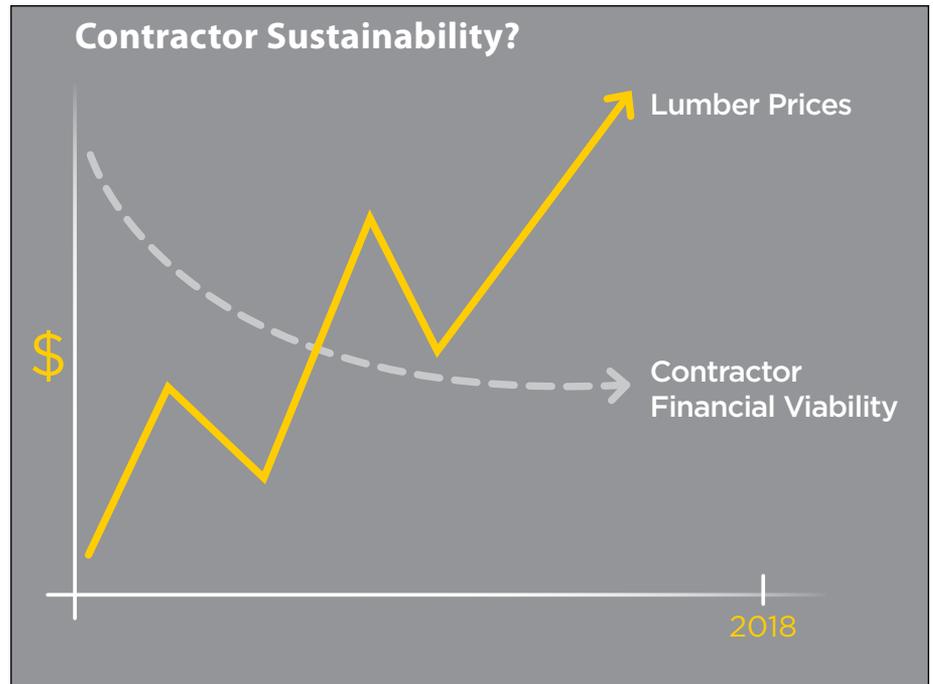
nism for leveling the playing field between major tenure holders and contractors, an underlying theme in the report. Establishing healthier Bill 13 rates should help raise the rates for all contractors.

## RELATIONSHIPS

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

## TRAINING & LABOUR SUPPLY

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



## BILL 13

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

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

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

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

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

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

#### PLANNING & HARVESTING

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

contractors to efficiently deploy their resources and retain their employees.

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

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

#### CAPITAL INVESTMENT

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

#### BC TIMBER SALES

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

#### WHAT'S NEXT

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

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

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



# PURPOSE-BUILT MACHINES TO MEET YOUR LAND-CLEARING NEEDS

Vermeer forestry tractors offer tough, effective solutions for your land-clearing needs. Whether you work on small-scale residential jobsites or large right-of-way clearing projects, the Vermeer forestry tractor line has what you need.



Westerra Equipment Abbotsford  
1.800.563.7313

Westerra Equipment Nanaimo  
1.877.700.0024

Westerra Equipment Kamloops  
1.888.314.3601

Westerra Equipment Victoria  
1.877.478.8860