

INCREASING OUR GLOBAL COMPETITIVENESS: THE TIME HAS NEVER BEEN BETTER



40 per cent, from 2.5 billion board feet to 1.5 billion feet, on the heels of a number of sawmill closures and a reduction of overall operating rates.

On the logging side, delivered log costs, although high, have been reduced over the last decade following a major coastal restructure that commenced in 2003. Today we have less contractors harvesting about the same volume of wood. Amongst many things, age demographics and diminishing contractor sustainability don't favour increased investment.

Using the addition of new sawmills as a bellwether of significant investment, consider the following. In a region widely known to have a shrinking timber supply, the BC Interior has seen both a number of new or major sawmill rebuilds as companies strive to utilize the increasingly challenging wood basket while staying profitable. Yes, some mills have closed in the Interior, but most closures are a result of impacts of the beetle.

Another comparison is the US Pacific Northwest, which has seen a multi-decade transition from smaller, higher costs sawmills to larger, more efficient sawmills. That trend continues today with Sierra Pacific building a new sawmill in northwest Washington this year. And this is a region with a significant log export program.

One has to ask, "Why hasn't investment occurred to the same degree on the BC coast, after all, the timber supply is green and productive?"

One reason is the coast carries the stigma of being a region with high delivered log costs. And for good reason. The slopes are steep, the areas remote and using old equipment does not support increased productivity. Higher value markets of the



Photo: Dreamstime

The current coastal BC narrative is about a region with a diverse and high quality timber base, relatively high delivered log costs and largely antiquated conversion facilities—a view which does not sing out to investors as a place to park their funds. And yet when one sees the timber of this region, you can almost taste the potential, and not just at sawmills, but throughout the entire supply chain. At a very general level, it seems the rest of the global industry has been moving forward, while the BC coast has little to report for change.

Now is the time to rewrite this less than

attractive narrative with a new pitch that speaks to stakeholders, First Nations and investors alike. Both the logging and sawmilling sectors are ripe for technological advancements. In fact, the window of opportunity exists now since manufacturers have mended their balance sheets from the lows of the recession and the upside to the business cycle has yet to ramp up, at least from a US market perspective.

Since the 2005 peak in North American markets, investment in the coastal sector has been less than that needed to maintain our competitive edge. Coastal sawmilling production has decreased by

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past that helped absorb these costs are no longer the size they once were. The softwood lumber agreement (and pending future machinations) is one barrier that discourages investment as well.

However, northern Europe is, in many respects, comparable to the coast with very

lion board feet today, to over 3 billion in a peak market.

There is a host of reasons for why the BC coast is different from the BC Interior, Pacific Northwest or European countries, but it is fair to ask why investment has been lagging here. It is clearly not because

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high costs of logs. However, the European way has been to invest in technology to offset its high input costs. Europe is a complicated region to analyze as each country is unique in its circumstances, but much of the region's investment over the last decade has been to position European producers to capture that long pending upswing of a rebounding US market. It is forecast that when US lumber demand eventually returns, that European lumber producers will fill the supply gap, increasing shipments from well under half a bil-

lion board feet today, to over 3 billion in a peak market. There is a host of reasons for why the BC coast is different from the BC Interior, Pacific Northwest or European countries, but it is fair to ask why investment has been lagging here. It is clearly not because of a lack of profitability as the major manufacturing companies operating here have seen significant returns over the past few years. But the time for squeezing that extra drop out of the supply chain needs to transition into one of investing in it.

It should be noted that Western Forest Products, the largest coastal lumber producer has invested \$94 million in approved projects over the last few years, including a \$28 million modernization of its Duke Point mill this year. While it is a start, undoubtedly, more needs to be

done. At the same time, many contractors would like to move forward with equipment updates of their own, but without a better prospects for their businesses, that investment will be kept to a minimum.

The province's Competitiveness Strategy intends to address many aspects of this article, including how to attract investment as well as looking at ways to fully utilize the potential of BC's coastal forests. Hopefully, the results of this Strategy will help form a new coastal narrative, where the BC coastal industry will be able to out-compete European supply. The BC coastal industry should not be pitched simply as an opportunity to backfill a decline in the BC Interior supply given it is an apples to oranges comparison with species and products. Maybe it's time to consider if those who control the resource are not willing to invest to use it, then let those who are motivated take over.

Set a target to be more competitive on the global stage. After all, others like the Europeans want our market pie and they have already started to shake the whipped cream.▲



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