



BUILD A HEALTHY FOREST INDUSTRY, BUILD A HEALTHY PROVINCE

What does the forest resource sector mean to the success of the province of British Columbia? At first glance, the recently released annual budget for the provincial government shows that the answer to my question is not so apparent. Direct revenue from all natural resources (i.e., mining royalties or, in the case of forestry, stumpage) makes \$2.3 billion for the province. Forest resources directly generate some \$1.3 billion or almost 60 per cent of all natural resources revenues—a fair size number that has grown over the past few years. However, in comparison to overall revenues of \$47 billion, which includes personal and corporate income taxes of \$24 billion, our industry's significance seems less when compared to the prominence of tax payers' dollars.

A healthy forest industry is critical to the stability of our province's overall economy. It's what provides the tax revenues to finance the healthcare, education and social services that British Columbians have all come to rely on. I guess-estimate that a minimum of 30 per cent of tax revenue comes from rural communities outside of cities based on the distribution of the population in cities vs. those who are not. Typically, rural communities rely on the natural sources sector—namely forestry—for economic activity. So while the forest resource's direct contribution is about 2 per cent to 3 per cent of overall government revenues, the employment and well paying jobs that forestry generates in rural communities, means the indirect contribution of the forest resource to our province is substantial.

Independent timber harvesting contractors and their suppliers are the economic backbone of BC's rural communities. It is generally these businesses that are generating employment in the woods near the rural communities. However, it has been the TLA's message that contractor sustainability, or in other words, the viability of contractors' businesses has increasingly become a concern. And following the logic I have

drawn out, if the forest resource via logging contractors is at risk, so too is the tax generating ability of our rural communities.

My concern is based on survey results taken at the TLA Convention last January. The audience said 66.3 per cent felt that contractors were not sustainable. Another 60.9 per cent answered that they saw their business was at risk or were uncertain because of industry issues. And then only 10.4 per cent said that their relationship was good with their major licensees. A consequence of weakening contractor sustainability would be that the supply chain breaks, impacting the delivery of logs to sawmills.

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And in fact, that prediction came true with the situation in Port Alberni where part of Western's ADP sawmill was closed in February due to a log shortage because of a contract dispute with the local contractor attempting to keep his business going. Not only were the mill workers temporarily laid-off, so too have been the many loggers, and forestry consultants and...the list goes on. All the while, Western records a 100 per cent improvement in Q4 EBITDA (operating earnings) over a year-ago. Clearly, Western can afford to run the mill. Contractors need to have a level playing field when it comes to negotiating contracts and business relationships with their major licensees that employ them. Otherwise, as we have seen in Port Alberni, we expect more instability and turmoil for communities in the future.

I think one of the solutions to contractors' and the industry's problems rests with the current amendments of Bill 13. There is an article on page 18 that describes what Bill 13 does.

For the mayors and MLAs reading this letter, the value to their communi-

ties of the original intent of Bill 13 was identified by then Forest Minister Dan Miller back in 1991. "The stability of many families and, indeed, many communities are dependent on contractors maintaining secure and fair contracts with holders of timber rights in their vicinity" (Hansard). The legislation that followed was Bill 13 and its purpose was, as Minister Miller stated, "to improve the balance in these contractual relationships. It will also provide a quick and inexpensive system for resolving contract disputes. This will ensure security and fairness for all parties in timber harvesting in British Columbia."

The TLA's advocacy message is this. It's

been 12 years since the last changes to Bill 13, so it would be prudent governance to review this legislation. Clearly it has not been an effective tool for contractors to utilize in its current form. With only a single successful arbitration in 12 years, how much more evidence is needed?

Bill 13 or replaceable contracts were put in place to act as a counterweight to the dominant influence of the major tenure holders over the forest resource, by helping re-distribute the prosperity that the publicly owned forests provide to the people that live and work in them. Replaceable contracts are not the most efficient form of supply chain management, but neither is the oligopolistic control of the timber tenure rights in British Columbia. The cracks are forming, but hopefully change can occur before there is an irreversible impact on our tax payer base in rural BC communities.▲

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