



OFFERING SOLUTIONS FOR RELATIONSHIP BUILDING

A question asked regularly during my meetings with major tenure holders and land managers is “Is it us or the other guys that contractors have issues with?” I find such questions interesting. I wonder, does it mean these executives are so disconnected from their own supply chain they don't know? Or do their queries come from genuine concern?

Here's a good rule of thumb. An indicator of a poor relationship between contractors and their employers is contractors declining offers of work. An even blunter signal is contractors choosing to send their equipment to auction. These signals are not subtle and they mean something is wrong.

For those willing to learn, please consider some insider's advice, or what might be called the secret sauce to improved relationships with your harvesting contractors. To have a good relationship with your contractor, the agents for the tenure holder must recognize their contractors are independent business owners.

Contractor Independence

There are many ways contractor independence—or the lack thereof—manifests itself within the industry today. A prime example is found within the safety realm. Regulations that all business owners must follow exist and are enforced. However, contractors are often required to also follow another standard set by their employer—typically more restrictive than the regulation. While undoubtedly the laudable intention is to improve safety performance, how that intention is implemented is critical. Using a big stick to deliver a punitive response is not considered a good way to grow a safety culture. Yet my members report that some major licensees are currently using negative feedback as a tool. This concerns me because it shows no acknowledgment of or respect for an independent contractor's ability to manage his/her own safety program and operations.

Solution: Discuss what a true safety culture looks like and collaborate with contractors on how to achieve this. I recommend contractors facing a punitive response discuss their situation with the BC Forest Safety Ombudsman, Roger Harris.

Industry Rates and Labour Markets

Rate negotiations are another area where the concept of independence is disregarded. And no, it's not just that rates are too low. There are many facets to this one. For instance, during negotiations, contractors are often told their work should be priced at the “fair market rate” or the “industry rate.” This doesn't acknowledge aspects such as productivity, reliability and stability of the service. The contractor interprets this statement as “forget about negotiations, the price is what the price is.” On page 26 of this issue, there is an article calling into question how the “industry rate” is derived and through that questioning, wonders if we have a functioning fair market?

Finally, if contractors have their rate dictated to them, obviously there is no market. Contractors have also explained to me, that this approach shuts down communication and closes the door on the type of collaboration that leads to innovation.

Solution: Assemble your team of contractors not based on rates, but by the value each contractor generates. Or alternatively, look at what the margin improvement is for your company, not based on squeezing costs, but based on the various service attributes your contractors brings to the table.

When Contractors Leave

When a contractor leaves because of a failed relationship, the pool of alternatives to fill the gap has shrunk and those left are more aware. I know this is a fair observation today because when a contractor does say “no, thanks” there is often effort to re-engage the contractor with a world of promises.

Solution: Don't let the incentives given to contract managers' overrule the long term success of your business. Conduct respectful negotiations, and if the goal posts change, acknowledge the change and cost implications.

The Big Picture

When the major licensees externalized the harvesting function for the timber they hold the rights to cut, they should have stepped aside to allow contractors to do what they do best—go logging.

Solution: Integrate contractors into your planning process. Or better yet, let contractors conduct their own planning and deliver the logs as required to the sawmill. Or even better, support tenure reform as means to the end.

Solutions have always been available, but largely not applied. I have forewarned in previous reports that contractors' businesses are not sustainable. In my assessment, the issue of contractor sustainability has grown worse evidenced by the Alberni situation and many stories of contractors walking away from their employers in the last six months. As such, we have asked the provincial government to help, as clearly intervention is required. A successful industry does not have one side operating at a loss while the other earns a profit.

Maybe it is too idealistic to think that the problems I am advocating about can be resolved by the solutions I've provided. However, I know maintaining the status quo will only worsen the situation for contractors and thus harm BC's forest industry as a whole.

I'll close by coming back to the original question, “So is it us or the other guys that contractors have issues with?” If you can't look at the problems I have identified here and agree with the solutions, then you are the problem.♣

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