



## SHARING THE PROSPERITY, CHANGING THE RELATIONSHIP

The TLA believes a strong and sustainable working forest will generate ongoing prosperity for the people of British Columbia, and the people who work in the forest should share in that prosperity. These core values are why the TLA strives to be a strong and unifying voice for its members, the broader forest sector and the communities where we live and work across the province.

Why am I reciting key passages from the TLA's strategic plan here? It's because I want you to keep these values and visions in mind as I celebrate the success of major forest products producers in our great province. Take note of the following passages from the Q4 and 2016 financial results press releases:

- West Fraser: "Record sales exceed \$4.4 billion" and "Adjusted EBITDA up 62% compared to 2015."
- Conifex: "In 2016, adjusted EBITDA was a record \$33.6 million, compared to \$7.7 million in 2015."
- Interfor: "Adjusted EBITDA was a record \$199.6 million, eclipsing the previous record set in 2014."
- Western Forest Products: "Notwithstanding adverse harvest conditions, Western achieved its highest fourth quarter adjusted EBITDA in ten years."

Stunning—in fact—awesome. Undoubtedly, 2016 was a record year for many forest products producers with operations in BC and elsewhere. We should celebrate these companies' spectacular achievements in prosperity. They came from a focus on cost control, strategic initiatives, strengthening markets, and of course, the stronger US dollar.

Unfortunately, the prosperity of these forest products producers—which are also major tenure holders in this province—is not shared with their supply chain. In sharp contrast, over the last twelve months, I can say that seven medium to large logging contractors on the BC coast have turned out the lights, or significantly down-sized and dispersed their equipment. That capacity and in-

frastructure is now gone. And I am only accounting for the businesses I know about. There are likely more small operators and contractors in the Interior that are not on my list.

Many of these contractors have been in business for years. They have had successful operations. They too have focused on cost control and made strategic investments in their businesses. In fact, several told me they weren't broke or even losing money. However, they were unanimous in saying their margins simply don't justify continuing in this industry. What? How can this be? When records are being set by almost every publicly traded forest products company operating in BC, why are contractors failing?

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It is nearly impossible to deny, there is a distinct disparity between those who work in the woods and those who control the tenure. This observation was the motivation behind the many David versus Goliath themed articles we have published over the last three years. Looking back at them, their warnings have all come true.

But there is great news! The provincial government is embarking on one of the most impactful and significant initiatives in over 20 years. The Contractor Sustainability Review announced by Premier Christy Clark at the TLA convention last January has the potential to reshape our industry.

The first phase was to establish a baseline of financial performance by the province's logging contractors. PNL Consulting was hired to collect and analyze the financial statements of contractors and in less than a month obtained information from contractors that represent approximately 30 per cent of the provincial harvest. Politicians take note—that is a resounding response and

speaks volumes to the frustrations of the contracting community.

By the time you read this, the government will have followed the Premier's direction and announced an independent facilitator who will build upon the financial performance baseline. They will interview contractors to formulate a thorough picture of what is happening to timber harvesting contractors in this province. The facilitator will hopefully identify the reasons why the disparity we have demonstrated here exists.

However, this work will not be completed before the provincial election. My ask of the new government (and new opposition) is to ensure this very important work does not lose momentum. Please understand, the future of our

contracting businesses, our rural communities and the forest industry itself relies on this initiative.

Contractors want forest products producers to succeed and we celebrate their record performances. But contractors want to be able to do so as well. It is not just about rates, it's about the relationship between contractors and the licensees that hire them and how we all do business. What do I hope the Contractor Sustainability Review will achieve? When this work is done, it should identify ways to allow those who work in the forest to share in the prosperity of the resource.▲

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*David Elstone, RPF, Executive Director, TLA  
Tel: 604.684.4291 ext. 1 Email: david@tla.ca*