

Wood price war meets B.C. labour peace

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Market has fallen during lengthy strike: analysts

BY NATHAN VANDERKLIPPE

VANCOUVER • A tentative three-year agreement reached yesterday could put most of British Columbia's 7,000 striking forestry workers back on the job next Monday, but it is something of a Pyrrhic victory for those who must now return to a bloodbath in wood markets.

The agreement, which includes annual wage hikes of 2%, 3% and 2% according to one company source, was negotiated between the United Steelworkers and industry bargaining group Forest Industrial Relations, which represents 31 of B.C.'s coastal forest companies.

Another industry source said the agreement provides for greater union input into companies' abilities to shuffle shifts — although not the veto power Steelworkers had sought — and will provide workers with full closure benefits if a mill is shut down for 24 months, ending a situation where a mill could be indefinitely placed into "partial closure." Few other details were available since the agreement must still be ratified by both striking workers and the FIR member companies. It comes nearly three months after unionized coastal sawmill, log-

ging and lumber-manufacturing workers walked off the job on July 21. It is one of the longest strikes in the history of the B.C. coast.

Workers for three other employers — International Forest Products Ltd. (Interfor), Island Timberlands I.P. and TimberWest Forest Corp. — remain on strike since those companies have yet to negotiate their own agreements, and no talks are yet scheduled.

However, Interfor negotiator Andy Smith said his company will likely mimic the FIR agreement, and could also see its workers back on the job next week.

But that is hardly cause for celebration, he said.

"I don't think anybody wins after a months-long strike," Mr. Smith said.

In fact, analysts said the market for coastal products has dramatically worsened since the strike began, portending more gloom for an industry that entered the strike looking dismal. Every penny rise in the loonie coasts the coast about \$45-million, said Coast Forest Products Association president Rick Jeffery, and the loonie has risen well over 10¢ in the past year — including its burst past parity in recent months.

"Our return on capital employed is 1.8%. We've had positive net earnings two years in the last decade and then you take another \$500-million off the top of these guys? That's pretty difficult stuff," he said.

This summer has brought even more bad news from Japan, the destination for a quarter of the coast's exports, which saw housing starts down 43% in August.

"Even if these guys do settle, it's not a given that all the mills or all the crews get back to work from an economic point

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of view," said RBC Capital Markets analyst Mark Bishop. "It's hard to justify why you'd run some of these mills still."

In fact, market factors have been so terrible that the strike's financial cost was "negligible," Mr. Jeffery said.

It also had little impact in the forests. Between January and September of 2006, the coast logged 14.4 million cubic metres of wood. During those same months in 2007 companies logged 15.3 million cubic metres, a 900,000 cubic metre increase in spite of the work stoppage.

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