

COASTAL CLARION



THE LATEST NEWS FROM BC'S COASTAL FOREST INDUSTRY

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PRESIDENT'S PERSPECTIVE, RICK JEFFERY, RPF

It is an extremely difficult time for forestry. Forest workers and communities across the province are feeling the awful toll that the worst market conditions in memory are taking on our sector. But time is what is required for markets to recover and it is up to us now to build the basis for this recovery.

Politics aside, it is time to be candid in assessing what government can realistically do to assist the industry. We are experiencing "Dutch disease" where the value of one of our exports – oil – is inflating the value of our currency. The Bank of Canada has limited ability to adjust interest rates to counteract this effect. Like the price of oil, the credit crunch caused by the subprime mortgage fiasco and U.S. housing crisis is beyond our control, yet it impacts markets.

So what can government do to assist the beleaguered forest sector? On the coast our challenges are market driven, but also structural which provides some opportunity for government action. First and foremost, policy driven costs need to be eliminated and no new costs should be added.

The province's 90-day Regulatory Review is reducing some regulatory costs while work continues on a second set of reforms that while harder to implement could significantly reduce costs. Implementing these changes is critical to our industry's survival and recovery.

New initiatives like the carbon tax and the Forest and Range Statutes Amendment Act have increased costs. These and other pending pieces of legislation and regulations must be reviewed to ensure no unnecessary costs are added and a tangible benefit is provided. Required improvements in productivity can be enhanced by taxation, investments in training, education and research and development. The hemlock project, coordinated by FPInnovations and funded by governments and industry, is a great example of R&D measures needed to drive innovation and competitiveness. The Community Development Trust, funded by the federal government and delivered by the province, will help improve the skills of the remaining workforce. Of course, more can be done in all these areas.

During the Asia trade mission in May, Natural Resources Minister Gary Lunn and B.C. Premier Gordon Campbell were excellent ambassadors for our industry, reinforcing the positive benefit of wood and the need to continue to build markets, develop products and gain customers.

Continued funding of market programs is essential in shaping our future. And all the while industry has to keep its sleeves rolled up, relentlessly pursuing improvements to the business. There is a future for the coastal forest industry and our work today, together with government reforms, will position us to survive and capitalize tomorrow.

CANADA DONATES WOOD-FRAME BUILDINGS TO CHINA



Natural Resources Minister, the Honourable Gary Lunn, donates four wood frame buildings to support children's charities in Shanghai, China.

Photo: Canada Wood

While visiting project sites that showcase Canadian wood in residential construction and landscaping in South Korea and China, the Honourable Gary Lunn, Minister of Natural Resources, stopped in Shanghai to donate four wood-frame buildings to Guan Ai Elementary School and the Grace Disabled Children's Centre. The donated buildings will serve as recreation rooms, music rooms and dormitories, a demonstration of the federal government's humanitarian efforts and its commitment to raising awareness about the versatility and environmental sustainability of wood as a construction material that also withstands the effects of powerful earthquakes. (continued on page 2)

CANADA DONATES WOOD-FRAME BUILDINGS TO CHINA



Natural Resources Canada Minister Lunn chats with special needs orphans, the recipients of donated wood frame buildings.

Photo: Canada Wood

(CONT'D FROM PAGE 1) The buildings were constructed at the Canada Wood College, a vocational school specializing in wood frame construction, supported by the Canada Wood program.

EARTHQUAKE RECONSTRUCTION

Coast Forest's recent visit to China came only days after the catastrophic May 12 earthquake in Sichuan Province, in which 70,000 people lost their lives, 18,000 remain missing and an estimated 5 million people were left homeless. As a result, visiting officials such as Canada's Natural Resources Minister Gary Lunn and B.C. Premier Gordon Campbell, as well as Coast Forest's China-based staff and association representatives from B.C. were all closely attuned to how wood construction could be used to provide rapidly constructed, seismically safe and energy efficient homes and other structures for the devastated earthquake region. Stay tuned for news on Canada's assistance in this area.



A local Chinese worker shakes hands with Minister Lunn on a tour of a public housing roof renovation project.

Photo: Canada Wood

LUMBER BUSINESS, CHRISTINE KENNEDY

TRADE MISSION Coast Forest's President and CEO Rick Jeffery joined Minister of Natural Resources Gary Lunn on a trade mission to China and South Korea in May to increase market opportunities and awareness about the importance of the Asian market to the future of the coastal industry, our communities and our workers.

Facing unprecedented challenges in the U.S. housing market, significant currency appreciation and falling lumber prices, B.C.'s forest companies know that there is no time like the present to invest in market diversification.

"Diversified markets will provide a stronger, more resilient future for our sector, which is why Coast Forest has been extremely grateful for the support that Natural Resources Canada and Forestry Innovation Investment provide for offshore market development," explains Coast Forest's Rick Jeffery.

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Government support, including \$8 million per year from Canada's Ministry of Natural Resources and similar support from FII, has allowed the forest sector to pursue market development in China, South Korea, Japan and many other countries. This support is critical to strengthening our industry by diversifying our customer base, increasing demand for wood products and demonstrating the suitability of wood in construction, landscaping, manufacturing and value-added applications.

Minister Lunn had the opportunity to directly witness how his ministry's support for a complex array of building code, training, quality assurance, demonstration and promotion activities comes together to create tremendous success in new wood products markets. Canada has seen more than a 900 per cent growth in forest products exports to China and a doubling of exports to South Korea as a direct result of in-market program activities. In both Seoul and Shanghai, Minister Lunn met with key builders and wood products customers, hearing firsthand about the extent of market opportunities and the work that remains to be done.

Opportunities in Asia can be very different from our traditional wood markets, as less land is available in cities like Shanghai and Beijing for single-family homes. Applications such as landscaping, re-roofing and hybrid construction offer immediate scope for very significant wood use in urban China, while rural areas offer more promise for wood frame structures.

During his time in Shanghai, Minister Lunn visited the first commercial wood truss roof renovation site at Zhabei, donated wood structures built by students at the Canada Wood College for use by foster care children and rural elementary students, and visited an amazing landscaping project. The mission concluded in Beijing, with the opening of the British Columbia-Canada Pavilion for the 2008 Olympic Games, a prominent facility near Tiananmen Square, featuring a variety of Canadian wood.

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"The contributions that both governments are making to offshore market development are providing great returns," says Jeffery. "Minister Lunn's support for the forest sector and his understanding of how important international growth is to our future is making a difference."



MORE POLICY, LES KISS, RPF

90-DAY REGULATORY REVIEW In mid-May the provincial government announced a number of changes to the regulatory review process, selected from over 540 submissions. The announcement is a modest first step as most of the changes do not require regulatory or policy shifts and will not significantly impact needed reduction in operational costs. Many simply reaffirm good business practices government agencies should be following on a day-to-day basis. There is a focus on eliminating unnecessary information requirements and on taking a risk-based approach in managing a number of business areas.

There was good news for forest companies operating in the North and Central Coasts of B.C. Government has recognized there is an increased cost of new ecosystem based management practices by providing a cost estimate in the stumpage rate determination in the region. It's also good news that government agencies must ensure consistency with the Government Actions Regulation by identifying the need for land removals from the Timber Harvesting Land Base and the impacts of these decisions, something Coast Forest has long been calling for.

Coast Forest Products has been working on priority issues to improve timber pricing and submitted a number of policy proposals to the review, including the inclusion of BC Timber Sales costs, the modernization of points of origin, and the ability of licensees to allocate costs incurred on Forest Service roads. In addition, J-grade whitewood pricing should reflect the current market conditions and its utilization for pulp products to make Hembal stands viable for harvest. These recommendations were not included in this first regulatory review announcement but if acted upon, these policy changes could start making a significant difference for coastal operators, workers and communities.

BILL 37 CARBON TAX The provincial government's carbon tax, which introduces a graduating tax on fossil fuel purchases, will cost the beleaguered forest sector \$34 million in its first year, with a price tag rising to \$100 million by 2012.

"The revenue neutral provisions of the bill have minimal offset value to the sector," explains Coast Forest's Rick Jeffery. "Over time, the forest industry will be able to capture the carbon value in its products, but transitional help is needed to reflect the vulnerability of the industry."

Coast Forest is asking government to consider additional transitional revenue offset measures, including a possible recognition in stumpage appraisals to reflect the increased costs of the tax, PST reductions on electricity, and return of the tax on a company specific basis for investments in energy efficiency and greenhouse gas reduction. Currently, 70 per cent of the tax will be paid by industry, but only 30 per cent will be returned through corporate tax cuts. The association has united with the province's other major industries to convince the provincial government that more of the tax should flow back to industry.

Adds Jeffery, "The forest industry has much work to be done to ensure the GHG Reduction Targets Act and carbon tax are implemented in a manner that is consistent with other jurisdictions so as not to create further economic hardship for a sector that is at the bottom of the worst economic cycle in its history."

NEW FORESTRY PROGRAMS TO SUPPORT WORKERS, COMMUNITIES

Over 5,000 forestry workers, reeling from the impact of mill closures and layoffs in communities across B.C., will have access to programs from a \$129 million Community Development Trust announced in January by the federal government. The Fund will help forestry workers upgrade skills, create new forestry job opportunities and support older workers as they move towards retirement.

\$26 million will provide immediate assistance to forest workers and affected communities through short-term employment opportunities.

\$17.25 million will help forest workers facing layoffs upgrade their skills, knowledge and education by funding tuition costs and fees to a maximum of \$5,000 per worker for one year at an accredited public or private post secondary institution in B.C.

\$85 million will provide financial assistance to help older forest workers transition to retirement.

For information, visit the Community Development Trust at www.labour.gov.bc.ca/cdt



Photo: Forestry Innovation Investment

CLARION CORNER, KEITH RUSH, RPF

SAFETY UPDATE On April 17, 2008 Owen Fransen, a 55-year-old faller from Crofton on Vancouver Island, was killed while working for Island Pacific Logging near Lake Cowichan. Owen was falling timber on extremely steep ground when he was struck by a cedar windfall that had become dislodged. Sadly, our thoughts and prayers are with his friends, family and loved ones as they work through this difficult time. Tragically, after two years of no faller fatalities in the industry, this is the third faller who has died on the coast this year.

This major amendment to the health and safety regulation for forestry is focused on reducing the high number of serious injuries and fatalities in the sector.

Two weeks after this accident changes to WorkSafeBC's, Occupational Health and Safety Regulation, Part 26 – Forestry Operations came in to effect. Not unexpectedly, part of the focus of the changes affect the supervision of fallers. This major amendment to the health and safety regulation for forestry is focused on reducing the high number of serious injuries and fatalities in the sector. The regulation has been reorganized, and major changes were made in the following areas:

1. Prime Contractor: Making the requirements for having a qualified prime contractor on multi-employer sites clearer and more detailed (section 26.1.1)
2. Planning: Stepping up the requirements related to "planning and conducting" (section 26.2)
3. Equipment Operations: Introducing specific requirements identifying hazards and safe work areas around equipment (section 26.14.1)
4. Manual Falling and Bucking: Making the requirement to have a qualified supervisor for hand fallers more specific and detailed (section 26.22.1)
5. Hauling: Outlining logbook requirements for log haulers (section 26.71.2), and changes regarding climbing on bunks and trailers.

There are also a number of other changes relating to training, initial safety meetings, high visibility clothing and other parts of the regulation. All of these regulations came into effect May 1, 2008, **except** those for section 26.69(6) which requires binder removal stations to be certified by a professional engineer. This section will come into effect January 1, 2009. In addition, proposed changes concerning roads are still in the works. WorkSafeBC considers the first two months of the regulation an implementation phase with the emphasis "on consultation and education on the new provisions of Part 26."

OWNER OPERATOR UPDATE Early in April, the BC Forest Safety Council launched a certification program for the Individual Owner Operator. This first-of-its-kind program in Canada, now makes it possible for the one-person firm to get SAFE certified and will enable individuals such as owner operator log truck drivers, backhoe operators, machine operators, forestry professionals and fallers to get certified.

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This program is for those individuals that do not hire either employees or contractors, with a focus on how well the IOO integrates his or her safety activities with those of the larger organization they are working for. Part of the program requirements include a four-hour training course being held frequently around the province. Certification is obtained through the use of the *SAFETY Log*, which is an 'in the truck' safety business centre, and submission of documentation to the BC Forest Safety Council to support safety related activities. For more information visit www.bcforestsafef.org.



Coast Forest CEO Rick Jeffery on recent Asia trade mission, participating in donation of wood frame buildings to Guan Ai Elementary School and Grace Disabled Children's Centre in Shanghai.

Photo: Canada Wood

Coast Forest represents forest and paper companies in coastal British Columbia engaged in the harvesting and manufacturing of primary and added value forest products, and pulp and paper products. Together, these companies manufacture 95% of the lumber produced on the coast, 70% of the pulp and paper production and are responsible for 70% of the total harvest. The Association works to ensure that the five coastal species and their product lines have fair access to the global marketplace. Committed to providing leadership to create a thriving forest industry, Coast Forest facilitates cooperation between stakeholders and government on behalf of its member companies.



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