

# COASTAL CLARION



THE LATEST NEWS FROM BC'S COASTAL FOREST INDUSTRY

Issue No. 5 • December 2005

## PRESIDENT'S PERSPECTIVE, RICK JEFFERY, RPF

As an 18-year-old I found myself working in Franklin River camp and bunking with a faller named Aubrey Price. Safety was one of Aubrey's key themes. He used to say, the woods are no place to be taking risks and everyone has a personal and collective responsibility to make sure the men get off on the hill safely each day. Aubrey taught me well and I had a safe career in the woods without serious incident. But the truth of the matter is that the elimination of fatalities and serious injuries will only come about if, at all levels of the business, we are all like Aubrey.

I want to make this clear: Coast Forest member companies are committed to safety. It is a priority. We have been engaged with the B.C. Forest Safety Council, the government and the TLA to define an action plan that will create an accountability framework that delivers safety on the ground and gets workers home safely to their families each night.

There are five elements in the safety plan that we have outlined for the coast. First, all companies eligible to work in the industry must be registered and maintain their status as a Qualified Company – which means they have demonstrable safety programs and processes in place and are actively and consistently applying these programs. Second, the term 'shared responsibility' must clearly define the safety roles, responsibilities and accountability from the boardroom to the forest with no ambiguity. Third, we must implement a safety Ombudsman that provides a 'safe' mechanism for individuals and contractors to report safety issues and allow re-assessment or resolution of these issues without fear of retribution. Fourth, we need to embrace the WorkSafeBC Forestry Compliance Strategy to ensure it works and includes a role for safety advocates – qualified people that can provide on-the-ground assessments, audits and training services, thereby directly providing safety programs and procedures to myriad firms that require assistance. These advocates would assist companies of all sizes with the implementation and auditing of required safety programs. And finally, though politically incorrect we need mandatory Drug and Alcohol Testing Programs. If Congress demands this of baseball players surely we as a society should expect no less for our loggers. The future of our industry depends on the safety of our forest workers.

The Steelworkers Safety Summit has developed other ideas to consider to ensure that we implement a safety net that is the best in the world. And we will do so.

I wish you all a healthy, happy, prosperous and, above all, safe New Year!

## ECONOMIC PICTURE

### 2005 DISTRIBUTION OF DOLLARS LUMBER AND CROWN LOGGING

-3% SHAREHOLDERS EARNINGS
20% EMPLOYEES
45% OTHER SUPPLIES
15% CONTRACTORS
5% CAPITAL AND DEBT (depreciation & interest)
15% GOVERNMENT



Source: PricewaterhouseCoopers estimates based on 6 coastal forest products (excluding CatalystPaper)

A PricewaterhouseCoopers report, commissioned by Coast Forest and released last month, indicated that both provincial and federal government investment is required to help B.C.'s struggling coastal forest industry recover from more than a decade of decline. (The full report is posted at [www.coastforest.org](http://www.coastforest.org))

On November 24, 2005 Minister of Industry, the Honourable David Emerson, announced the federal Forest Industry Competitiveness Strategy, providing almost \$1.5 billion to support the competitiveness of Canada's forest sector. (continued on page 2)



## JAPAN HOME SHOW

Coast Forest's Canada Tsuga program in Japan has continued to show results, most recently at Japan's premier building show, the Japan Home Show. Between November 8 and 11 in Tokyo, more than 1,000 home show attendees visited the Canada Tsuga display. Coast Forest's display featured a visit from Canada Tsuga Ambassador Mai-no-Umi, the retired sumo wrestler whose small but strong stature make him the ideal spokesperson for hemlock. In addition, product displays and a questionnaire for participants were combined with the perennially popular nail-pulling display. Of the attendees completing a survey at the show, 92 per cent stated that Canada Tsuga had the strongest nail-pull resistance.

## LUMBER BUSINESS, CHRISTINE KENNEDY

**ECONOMIC PICTURE (CONT'D FROM PAGE 1)** "The aid proves that the federal government has been listening to our concerns and has responded by providing a plan that can assist the coastal industry in making real progress toward increased productivity and competitiveness," says Coast Forest's Rick Jeffery.

Over five years, new Government of Canada funding support will include commercial-scale forest products research and development efforts for Canada's pulp and paper, solid wood and value added sectors, funding to continue Canada's expansion into foreign markets, support to address skills needs within the forest sector, and assistance for community economic diversification. In addition, the package includes funding to support insured loans, providing short-term financial assistance to the forest industry pending the resolution of the softwood lumber dispute with the U.S., as well as conditionally repayable contributions for smaller firms not eligible for the loan insurance program.

The coastal industry was clear in its request to secure funding for worker and community transition as the coastal industry renews itself over the next five years. "Some mills will be closed and others will be built, and the community adjustment funding will support workers and communities through this transition," adds Jeffery. "This is good news for the industry and it is also beneficial to the 32,000 British Columbians and coastal communities that rely on the forest sector."

Coast Forest will continue to work cooperatively with the Forest Products Association of Canada to support and inform the development of these programs.

**PARTNERSHIP AND COLLABORATION** Working in partnership with other industry associations is an effective way to expand the visibility, reach and cost-effectiveness of lumber promotion programs at home and abroad. During 2005, the Canada Wood Group (CWG), a partnership between Canadian industry associations, made substantial progress in bringing a unified Canadian "brand" to market development activities.

Across a wide variety of programs, teamwork and collaboration is increasingly evident. In China, association representatives working together from the Dream Home Canada (DHC) demonstration centre emphasize shared delivery of seminars, training programs, trade shows and other customer events. In October, landscape seminars were delivered in Nanjing, Qingdao and Beijing, providing the opportunity to promote western red cedar, treated hemlock and other Canadian species, and to inform Chinese customers of the services available through the CWG in China. A "Canada Wood Week" event will take place in the DHC facility from December 16 – 18, 2005.

In Canada, partnership efforts between the Forest Products Association of Canada and Coast Forest helped to ensure symmetry in new funding requests made to the federal government. On the same theme, the 2010 Coalition has brought organizations such as the Canadian Wood Council, Forintek Canada Corp., industry associations and forest company representatives together, providing a unified, service-focused approach to increasing wood use in structures built for the 2010 Olympic Games.

In 2006, the CWG will assume responsibility for addressing foreign market access and technical issues on behalf of its member associations.

**MARKET OUTREACH** Complementing efforts to grow market share and visibility with major customers around the globe, Forestry Innovation Investment (FII) has turned a portion of its attention to a smaller but no less significant effort: relief housing in Indonesia.

With a need for more than 100,000 replacement homes to take the place of those destroyed in the December 2004 tsunami, FII is in the process of constructing 10 demonstration homes near Banda Aceh, Indonesia. Offering a durable alternative to steel, brick, concrete and other housing options available to international relief agencies working in Indonesia, FII's efforts will demonstrate the safety, ease of construction and cost-effectiveness of prefabricated wood housing.



## MORE POLICY, LES KISS, RPF

**FOREST STEWARDSHIP PLANS** It's a daunting task to have the entire coast operating under approved FSPs by December 2006. To date, there are three approved FSPs on the coast with a number of others in various stages of preparation for submission.

"It is incumbent upon industry to work collaboratively with government to facilitate the FSP approvals in a timely fashion," says Bob Craven, Interfor's Manager of Forestry Operations. "In the interest of forest workers, companies and communities we must drive this process forward. There is a collective need and a sincere willingness for all parties to focus on results and to give professional reliance a chance to work."

Despite the switch from a prescriptive regime to a results world, the coast will maintain a high level of forest stewardship. Coastal operators will continue to demonstrate to B.C. and to customers globally that where it matters – "on the ground" - their forests are responsibly managed to the highest standards.

**BILL 28** Coast Forest member companies have been working with the Ministry of Forests and Range (MOFR) to complete the timber volume take back and reallocation enabled under the Forestry Revitalization Act. While the volumes have been taken and the areas impacted by reallocation and transition plans for most areas have been agreed upon, there are still a number of outstanding issues including adequate and fair compensation for licensee improvements and assets. It is critical that all of these issues are resolved early in 2006 to allow for stable business planning and continuity of operations.

**COAST RECOVERY** Improving the economic performance of the coastal forest industry is one of the biggest challenges facing the industry as 2006 approaches. The Coast Recovery Group, made up of Coast Forest's senior policy advisory group and the MOFR team, led by Cindy Stern, is working on a short-term plan that builds on the foundation laid by the Forestry Revitalization Plan. The strategy applies market based principles and reduces unnecessary regulatory costs to improve economic performance.

The Coast Recovery Group has completed a series of discussion papers focusing on the critical issues facing the coast which will be used to brief the Minister of Forests and Range in early January. Coast Forest's President Rick Jeffery has been engaging coastal MLAs and key Cabinet Ministers in discussions in support of the Coast Recovery Group's initiatives with a focus on improving their understanding of the key issues.

Clearly, there are a number of major challenges that remain to be addressed to revitalize the coastal forest sector with priorities focused on the pulp log crisis, the softwood lumber dispute, opportunities to reduce delivered log cost, successful implementation of FRPA (Forest and Range Practices Act) and expansion of market opportunities to name a few. Early in 2006 there is a collective need for all parties to implement the right solutions in order to once and for all unhook the IV bottle and show what the coast can really do.

The past year has been a challenging one and there is no doubt heading into 2006 that there will be further changes and additional challenges for the coastal forest sector to adapt to. I am confident we will succeed. Have a very Merry Christmas, enjoy time with your families and all the best in the New Year!

## B.C. TIMBER SALES

BCTS coast business units are experiencing a significant increase in no bid sales and a reduction in the number of bidders on auction sales. Coast Forest contends the advertised upset stumpage (i.e. 70 per cent of the estimated winning bid) is contributing to sale failure and is increasing administrative costs for BCTS. By setting the high upset, the Ministry of Forests and Range is signaling that it wants to maximize stumpage at the expense of providing a credible reference point for pricing non-auctioned timber. Simply put, whenever the upset price is above variable cost, legitimate market observations will continue to be suppressed, with the end result of inflated stumpage rates for non-auctioned timber. Coast Forest recommends that very early in 2006, BCTS should advertise all sales at variable cost and in some areas test sales without a reserve rate.



## SOFTWOOD LUMBER

The U.S. Department of Commerce has announced the final results of the second administrative reviews which resulted in another win for Canadian producers.

"The new, combined countervailing duty and anti-dumping rate of 10.81% will save B.C. producers approximately a quarter-of-a-billion US dollars a year in duties," says John Allan, President of the B.C. Lumber Trade Council. "The unending efforts by the Canadian industry, federal government and B.C. government to fight for fair trade in softwood lumber should result in the duties being revoked and the \$4.3 billion US in cash deposits being refunded."

## CLARION CORNER

### SAFETY IN THE WOODS - IT'S TIME, KEITH RUSH, RPF

**Keith Rush joined Coast Forest this fall on a part-time basis as Safety Coordinator, bringing to the association an intimate knowledge of the coastal forest industry and the challenges it faces.**

**SAFETY** Lately there has been an increased focus on the forest industry's safety record. So far this year, 43 fatalities have occurred. In particular, the recent deaths of three manual tree fallers (two on the coast, the other in the Interior) have heightened the call for action at all levels. We've been having a very bad year, but we've had them before. We've also had safety initiatives in the past, however, now there are three important differences.

First, the level of discussion and debate has been elevated and is more public than ever before and we have better, timelier information on serious injuries and fatalities. Second, we have a permanent body dedicated to safety, the B.C. Forest Safety Council, with a clear mandate to eliminate fatalities and serious injuries in the sector. Third, we have a detailed plan, set out by the Forest Safety Task Force.

Will we succeed this time? We should and we must.

There is much to do, but in my view, the key is industry leadership. As a coastal group we need to get out in front of this issue and demonstrate that this is our issue and that we are going to solve it. The large companies need to take the lead on this with the full involvement of their contractors.

Through the B.C. Forest Safety Council we have the vehicle to make this happen: the Qualified Companies Initiative. Qualified Companies is basically a 'safety certification system' where companies – large and small - demonstrate through external and internal audits that they have the kinds of policies and programs in place that will ensure worker and worksite safety.

Qualified Companies is basically a 'safety certification system' where companies – large and small - demonstrate through external and internal audits that they have the kinds of policies and programs in place that will ensure worker and worksite safety.

One of the criteria to become a qualified company is management programs and policies, which include adoption of the Forest Safety Task Force Health and Safety Accord and its three key beliefs. These beliefs are extremely powerful in dealing with day-to-day safety issues on the ground and in demonstrating our seriousness to fundamentally change how we manage safety. They are:

- We believe that all fatalities and injuries are preventable.
- We believe that the safety of all workers has overriding priority.
- We believe that excellence in safety is key to our long-term success.

2006 will see this key Initiative piloted on the coast and in the Interior. And Coast Forest will continue to work with the B.C. Forest Safety Council and the TLA to develop a safety initiative specifically for the coast. In the coming year, safety will be our greatest challenge and reduced incidents our greatest reward.

**CERTIFICATION TRAINING** Training Dates for supervisors, with special emphasis on bullbuckers, will be held in Campbell River in the New Year.

Place: North Island College in Campbell River

Dates: Course 1 - January 23 - 27, 2006

Course 2 - January 30 - February 3, 2006

Cost: \$550/person

To register call: 250-923-9750

**ACQUISITION** In November Western Forest Products announced its acquisition of Cascadia Forest Products. "For Western, this is the key step in our strategy of becoming a low-cost, margin-focused lumber producer with rights to high quality Crown timberlands," says Reynold Hert, President and CEO of Western.



The B.C. Forest Safety Council posts up-to-date safety news on its website. Injury statistics are now posted there in a printable version. Please visit [www.bcforestsafesafe.org](http://www.bcforestsafesafe.org) And remember: Unsafe is Unacceptable

Coast Forest represents 26 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.



TO SUBSCRIBE TO  
THE COASTAL CLARION  
CONTACT:

#### Coast Forest Products Association

1200-1090 W. Pender St.  
Vancouver BC  
Canada V6E 2N7

[www.coastforest.org](http://www.coastforest.org)

e-mail: [info@coastforest.org](mailto:info@coastforest.org)

Tel: 604.891.1237

Fax: 604.682.8641