Dump the cookie cutter approach

BC loggers in the Terrace area feel the provincial government could and should look at ways to help out an evolving regional industry and address the specific operating realities of the region—rather than subject it to a cookie cutter approach.

By Jim Stirling

long northern winter leaves a forest floor of snow-flattened decaying debris. It looks devoid of life and promise. But probe beneath the thatch and the first shoots of spring growth are awakening. The logging and sawmilling community around Terrace in northwestern British Columbia seems similarly and gradually to be renewing itself.

The old structure has rotted, a new one is emerging. What it might bring and how it might develop remains unclear. But it’s being accompanied by an optimistic outlook among the surviving log harvesters in Terrace.

Given the recent history of much of the forest industry in the region, the positive spin is surprising. On the dimension lumber milling side, West Fraser’s Skeena Sawmills is the lone survivor. The latest broadside suffered by the sector was last year’s failure of the Terrace Lumber Co, a locally owned operation. It was an attempt to resurrect the Skeena Cellulose Inc mill, built for $42.5 million in 1988. It was owned by Repap Enterprises Corp Inc, of Montreal and opened with much hoopla and promise. It didn’t take long, however, before the mill’s fortunes reversed. Skeena Cellulose ended up debt-ridden, disgraced and closed. Then it was New Skeena Forest Products’ turn. The result was discouragingly similar.

Misfortune, mismanagement and a changing BC forest policy structure conspired to leave communities, suppliers and loggers out in the cold. The cumulative effect of the trio of meltdowns had devastating effects on some of Terrace’s largest log contracting companies. For some, the killer blow was the BC government’s changing timber policy, specifically Bill 28, the Forestry Revitalization Act of 2000. The legislation required large licensees to give up 20 per cent of their long-term forest tenure. The fibre was earmarked for re-distribution, primarily to create local log markets and as political handouts to Indian bands.

The problem for Terrace and its loggers was the major licensees chose to release the expensive-to-log sites in the region for their clawback volumes. One company, Bear Creek Contracting, lost about 81 per cent of its annual logging volume that way: from about 200,000 cubic metres to 40,000 cubic metres at the stroke of a pen. The 40-year-old company that once employed about 150 people, ended up barging its grapple yarders, bulldozers, trucks and other equipment to Vancouver for auction last year. Don Hull & Sons Ltd and K’Shian Logging and Construction Ltd were two other prominent companies that have been forced to cut back and/or give up entirely on large chunks of their traditional business. The companies appealed to the provincial government that they were unfairly excluded from compensation under the Forestry Revitalization Trust, established to help contractors impacted by the 20 per cent tenure take-back. But the loggers ran into a cruel Catch 22.
They’d been skewered by New Skeena when it arbitrarily cancelled its Evergreen contracts with its loggers. And because the companies no longer had Evergreen licences, they failed to qualify for compensation by the trust. With that abbreviated version of recent events, it’s easy to understand why there’d be more bitterness than optimism. And the bitterness does remain in some quarters. “From my perspective, it allows us to take a fresh look at doing business and to do something different,” points out Dave Martin, a registered professional forester with A & A Trading Ltd, a log brokering firm, and president of the North West Loggers Association (NWLA). “Having the same old structure led to doing the same old things.”

The structure Martin refers to has changed significantly. There are now more licensees, and the newcomers to the scene are separated from the sawmill: they don’t run large scale manufacturing plants.

“The forest industry in BC usually measures profitability from the sawmill end. But I think to get a true picture, you need to make money at the stump,” observes Martin.

The changes mean more opportunity for market logging and drawing from the diverse species and log quality profiles of the region. “We want and need to maximize the value on the stump and have that flow through to the processing side,” he adds.

Bill Sauer, the NWLA’s manager, notes separating licensees from the manufacturers is something the association has been working on for 20 years.

“It’s a bit of a double-edged sword, but as a logging contractor, we now have a more diverse and larger pool of clients to pick from,” adds Ken Houlden, association vice-president and principal in Houlden Logging Ltd, a company with family business roots in Terrace dating back to 1946. Houlden has no delusions it will be easy to harvest and sort wood for different uses in the rugged terrain of the region. “But necessity rears its ugly head and we have to find ways to do it,” he says. The new licensees in the Terrace area are the Lax Kw’Alaams Band, doing business as Coast Tsimshian; the Kitsumkalum Band and the Kitselas Band. Coast Tsimshian bought the old Tree Farm Licence # 1 held by Skeena Cellulose and includes some 700,000 cubic metres in the Terrace region. The Kitsumkalum and Kitselas bands both hold non-renewable five-year, 400,000 cubic-metre licences. They’re in year three of their licences, so they need to lobby government for a continuum. They had to start planning from scratch before any thought of ramping up production to annual harvest levels. And for Coast Tsimshian, the Skeena licence had been undercut and neglected for years.

Spikes in the pulp market are well and good but the loggers feel they can’t be reliant on that market. It hasn’t panned out in the past. They need an ability to continue operating in the downturns. Alternate markets need to be sought. The new container port due to open this fall in nearby Prince Rupert might open some doors, they hope. But investment for a new sawmill in Terrace requires a constant flow of fibre and the right level of flow, they say. In the meantime, while there’s no shortage of good tree growing sites in the Terrace region, it’s going to be 10 to 15 years for the next generation to come on stream.

But the loggers feel the provincial government could and should look at some ways to help out an evolving regional industry and address the specific operating realities of the region. The loggers maintain the Terrace area should be looked at separately and not subject to the cookie cutter approach. They point to changes on forest policy to address the mountain pine beetle epidemic in the BC Interior as a recent precedent. “Our trees are going brown from the inside out,” notes Martin wryly.

“We need help with our infrastructure. There are so many other users on our roads but there’s no recognition of that. It’s all on the back of forestry,” complains Houlden. “We’re subsidizing other economies.” The mining and back country tourism industries are examples. The
government could help out by considering tax changes, suggests Houlden. One of the results of not buying in to road maintenance is that some roads and bridges are in such poor shape they're irretrievable. Wood becomes isolated. And the tab is huge if the area needs re-accessing for silviculture or harvesting. So, there are challenges a-plenty, problems a-score. And then, there’s the Terrace optimism. “I have confidence we will make it work in one form or another,” predicts Houlden.

SIDEBAR 1

A new container port could spur wood products manufacturing least three major studies during the last 25 years have concluded the Terrace region of northwest British Columbia merits special government consideration if it is to sustain a vibrant forest industry. Menus of options have been forwarded to address the issue where high logging costs and low quality fibre predominate.

The studies have examined issues like stumpage rates and the province underwriting road access, maintenance and silviculture costs. The provincial governments have failed to react favourably to the studies, reluctant to set precedents.

“The forest industry was the lifeblood of the Terrace area for decades and its decline has, in many ways, crippled our city,” declares Robin Austin, NDP MLA for Skeena.

“When the Liberal government enacted sweeping changes to the forest tenure system in 2003, there was an implicit assumption that they would backstop these alterations with enhanced community and workers transition strategies in conjunction with the federal government. However, they did not.”

Austin notes the falldown in timber supply from the beetle epidemics and global log shortages enhances the importance of coastal forests. For this reason, the future of forestry in the northwest depends less on stumpage rates and forestry legislation than on the infrastructure and human resources that need to be developed today, he continues.

Austin sees a variety of wood products manufacturing with the development of the container port in Prince Rupert, and the highway/rail corridor serving it. He calls on the federal and provincial governments to partner with municipalities to attract “cutting edge business development” to the region.

This can be done, he suggests, through training, provincial sales tax breaks on new development and other tax incentives.

SIDEBAR 2

logging to start this summer in new community forest logging should begin this summer in Terrace’s new community forest. They have their management plan in place and now have to amend the Forest Stewardship Plan of licensee Coast Tsimshian to incorporate the community forest’s operating areas, notes Kim Haworth, general manager of Terrace Community Forest Limited.

The community forest has an AAC of 30,000 cubic metres in three operating areas all within about 25 kilometres of Terrace, says Haworth. One operating area, in the Kitimat Valley, contains 30- to 40-year-old second growth stands. There’s about three years of old growth stands in the Shames Mountain area to the city’s west and it’s all old growth wood in the Deep Creek watershed area.

Haworth says when the community forest is set to go, bid proposals for selected parcels will be advertised. It’s hoped local logging contractors will earn the right to log and market the whole
log profile contained in each parcel.

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