



Sawmills starting to get ready for better markets

A pattern is slowly emerging. Forest companies in the British Columbia Interior are re-starting shuttered sawmills in preparation for a brighter tomorrow. To do so, the companies are seeking and receiving concessions and co-operation from a range of partners.

Timing is everything. If these companies are right or close to it, they will be in position to fully capitalize as wood product markets, confidence and other economic indicators begin to climb as anticipated during 2010.

First out of the gate in the region was Conifex Inc., with its sawmill in Fort St. James (see Logging and Sawmilling Journal July/August 2009). It was followed by Canfor Corp.'s Mackenzie sawmill (a second was closed permanently) and at least a temporary start-up for one of AbitibiBowater's operations in the same town. Other companies are currently examining their options.

Forest companies want to cut their fixed costs. Staff, hourly workers and contractors are being targeted. It means negotiations with union locals like the Steelworkers and Pulp, Paper & Woodworkers of Canada.

Fine details on the emerging agreements have not been reported.

But for most unionized hourly workers, the pay cuts negotiated seem to be in the \$2.50 to \$3.00 an hour range with comparable cuts applied to staff and contractors. Non-unionized workforces, like Canfor's Clear Lake operation near Prince George, have fewer wriggle room options to wage cut demands.

It's more a case of take the cut and keep the job--or the mill could close. The trick for the unions is to differentiate between mill start-up rates and those paid when profitability returns.

A wage rate tied to lumber markets appears the preferred basis for a formula.

Clearly, the mill owners--licences--are in the driver's seat here. They are dealing with constituents with limited options and rapidly eroding savings. For them, anything is better than nothing.

The quick-off-the-mark companies have better chances of re-hiring mill workers, logging contractors and suppliers with company experience. Some workers have already been forced to relocate or switch to other industries for work.

Workers with past company experience will also be generally faster and safer to get back into production mode.

All the returning mills have started up on a single shift basis. Part of that is attributable to the market situation. But it's also advantageous to ease back toward full production.

Most mills have been down from a few months to a couple of years. More supervisory assistance is typically available on a one shift operational basis. That's especially valuable with new workers.



The staggered start-up helps with fine tuning processing equipment and automated product movement systems within the sawmill. That said, unit costs will decrease when conditions allow mills to operate two and three shifts a day.

Forest companies have taken advantage of the enforced shut downs for market research and development. One of the reasons for re-starting the Mackenzie sawmill, according to Canfor, was to produce a higher valued product than construction grade lumber for the open market.

Re-examination of its wood basket confirmed the Mackenzie mill has access to good percentages of higher quality timber. This allows the mill to produce larger volumes of higher grade wood products for big box retailers like Home Depot and Lowe's.

Overseas markets like Japan are being similarly targeted. Prior to re-starting, the Mackenzie mill flow was reconfigured where necessary to better produce square-edged premium products to service those markets.

The Mackenzie mill's fibre mix has the geographical advantage of containing a lower percentage of beetle killed lodge-pole pine than areas further to the south and west.

Canfor sought and received breaks from other sources before it opted to resurrect the Mackenzie sawmill. Details haven't been made public but Canfor has benefitted from cuts in municipal taxes paid the District of Mackenzie. They are said to be about 25 per cent in each of the next three years. For the cash-strapped municipality, it's again a case of getting something trickling back into the coffers.

The B.C. Ministry of Forests and Range has also stepped in on Canfor's behalf with adjustments to timber pricing: that's code for stumpage costs. It's apparently in the range of \$3 per cubic metre.

That puts them in line with rates to the immediate south but doesn't necessarily reflect higher quality stems. The Mackenzie mill re-opening is good political fodder for the B.C. Liberals as well as Canfor. Poor Mackenzie has been hammered by the interlinked collapse of the U.S. housing market; the recession; the falling value of the U.S. dollar and its own lack of economic diversification. More than 1600 workers lost their jobs in a community that had a population of about 4500 people.

Other groups have rallied to the cause of resurrecting sawmills and getting people back to work. In Conifex's case in Fort St. James, for example, the Northern Development Initiative Trust helped to reimburse the company's worker training costs.

A willingness to help get a sawmill back up and running, albeit on a limited basis, is a common denominator that's captured the community spirit. Getting money circulating around a small town's businesses again is vital. As Conifex's Lorraine Ducharme endorses: "The community has been great. Everyone has really supported us."

Now it's the markets' turn.