



Turning salvage into shake and shingles

While it's currently facing challenges due to a downturn in the U.S. housing market, B.C.'s Port McNeill Shake and Shingle has found a solid business model working with salvaged western red cedar.

By Paul MacDonald

While Port McNeill Shake and Shingle is currently dealing with significant business challenges due to the downturn in the U.S. housing market, the B.C. company has developed a solid business model that sees it generating green--in the form of revenue--from red, and even grey, timber in the bush.

The red is in the form of the western red cedar the company uses to produce shakes and shingles at its mill on northern Vancouver Island, and the grey timber (at least grey on the outside) is the salvage western red cedar that they use, in fact, for upwards of half their production of shakes and shingles.

It's proven to be a solid business approach, and one that has gained momentum as consumers, and wood product retailers, have shown increasing interest in the sustainability and source of the wood products they are buying, and using.

The business was started 15 years ago by local entrepreneur Don Orr, with a single shingle machine, though it has expanded since then, and now has three shingle machines.

Several years ago, the ownership of the business changed--it's now owned by Linda Minihan, who had been managing the business for the previous half-dozen years. Interestingly, Minihan's purchase of Port McNeill Shake and Shingle was financed by Ecotrust Canada, which some might view as a quasi-environmental organization.

Ecotrust Canada, based in Vancouver, is a nonprofit group whose mandate is to build what it terms the conservation economy in coastal B.C. It defines a conservation economy as businesses that provide meaningful work and good livelihoods, support communities--and conserve and restore the environment.

Minihan says the decision to buy the business in 2007 was not an easy one.

"After having been with the company for 13 years, and seen the industry cycles, I was not sure I wanted to buy the business at first. But at the same time, there was a part of me that wanted to know if I could --it was the challenge.

"Even the day that I was going to the lawyer's office to sign the mountain of paperwork for the purchase, I was a bit like the bride who was not sure she was going to show up at the wedding," she jokes.

The Ecotrust financing was key to purchasing the business, she says. Not surprisingly, like many companies involved in the forest industry, she found a lack of interest--and financing--from the banks.



Ecotrust investments manager Bill Girard “drilled into the business”, to determine it was viable, and that it fit Ecotrust’s criteria, says Minihan.

“Bill really delved into all aspects of the company and how it worked, created spreadsheets from previous years, and worked at it until they were certain it was something they wanted to be involved with, and lend money to,” says Minihan.

“He was satisfied that with our cedar salvage operations, and the jobs that we created in the community, that it fit with the criteria of Ecotrust.”

When Minihan first joined the company, she was hired as the bookkeeper--a good position to be from considering it’s important, more than ever, to know the financials of any company involved in the very cyclical forest industry.

“You really have to be on top of things financially--that’s the most critical aspect of running a business, especially in the forest industry,” she says.

Anyone who is just focused on the operations side of the business could be making a big mistake, she added. “That could be fatal because you just don’t know on a day to day basis whether you are ahead the game--or not. These days, you have to know on a daily basis where you are, and how the market and prices are affecting your revenues.”

On the equipment side, Port McNeill Shake and Shingle originally had one Baby Sumner, and one Streifel circular shingle saw, as well as a band saw. To make the operation more efficient, and productive, especially in terms of the cost of power, Minihan purchased another shingle saw, a used Baby Sumner, and let go of the band saw.

“The band saw was not getting much use, so we took it out and put the other circular saw in. Now we can run three machines a shift.” She notes, however, that it’s currently a challenge to keep the machines busy, with the downturn in the U.S. housing market.

While there are some real deals in the used mill equipment market, Minihan notes the real investment can be in installing the equipment. “But we’re lucky--we have some really knowledgeable people here who help us with the planning and installations”.

While much of the cedar from Port McNeill Shake and Shingle ultimately ends up on mid- to high-end homes built in the U.S., most of it gets there via reman operations in B.C.’s Lower Mainland. The reman operations there will re-work the raw shake and shingle product, re-sizing it, staining it or texturing it.

On the woods end, Minihan notes that the company has been doing salvage work since its inception.

The company has crews working in designated areas under its salvage license or with agreements with local companies, such as Western Forest Products, Island Timberlands or Lemare Lake Logging. With its licence areas, a professional forester will map out an area, which is then submitted to the local Ministry of Forests office. The company also has to consult with local First Nations groups in the area. Once an application is approved, they have two years to complete salvage operations.



When working in the areas overseen by forest companies, they are issued maps showing the prescribed salvage areas. The companies have Standard Operating Procedures that the company's salvage workers must follow. Port McNeill Shake and Shingle is also Safety Accord Forestry Enterprise (SAFE) certified, an industry wide safety program.

"All of the forest companies that we are dealing with now demand that--they won't deal with anyone who is not SAFE certified," says Minihan.

Out in the woods, once the salvage cedar is located--in sites that have been logged up to 50 years ago--it is bucked into blocks, split, and formed into four foot cubes (slings). It is usually flown out by a Hughes 500 helicopter.

"We're not usually far away from a road, but you can't just walk the cedar blocks out to the road. Once in a while, you can just throw the blocks out to the road because you're that close. But typically, we're using a helicopter--we're looking to get the job done as safely and as quickly as possible."

Being extremely efficient on the ground is important, with the high hourly cost of helicopters. That said, it's a fairly straightforward operation, Minihan notes, with the helicopters coming in to pick up slings of cedar blocks, and taking them to roadside. "But the whole operation is set up to facilitate the efficient flying in and out by the helicopters." Sometimes, there is some distance involved, with longer cycle times, other times the turnarounds are as short as 30 seconds.

Typically, the person who is salvaging the cedar slings the blocks. And there is always good communications among the salvage crew, and the helicopter. "It's well organized--there are conversations within the salvage crew on the order of the wood being flown out. There's radio contact with the helicopter, and it's guided to where the wood is, a line comes down, and the person on the ground hooks the line to the sling."

While the company purchases cedar to keep its mill operations productive, about half of the wood they are currently using is salvage. And that is the real compelling part of their story, says Minihan.

"We're making use of wood that has been left behind in the forest--it's just laying there." Noting the natural preservatives of cedar, some of the wood has been there for a long time. "Some of it for 100 years."

From the bush to the mill, she notes they are creating jobs with that salvage wood. The company is light years ahead of other mill operations in BC, in terms of jobs created per cubic metre of wood. While it may be somewhat like comparing apples and oranges, the high production SPF sawmills in the B.C. Interior turn out staggering numbers of board feet of lumber--but the number of jobs created per thousand cubic metres of wood are much lower than operations like Port McNeill Shake and Shingle. Essentially, cedar salvage operations, and the manufacturing side, take a relatively small amount of wood and create a decent number of jobs.

In down times, Minihan admits it's a struggle to maintain those jobs. She's working on developing new markets for their finished shake and shingle product. And Minihan noted that wherever possible, the company--along with the Cedar Shake & Shingle Bureau, and the B.C. Shake and Shingle Association--works to emphasize that their product is very desirable in that it is a renewable resource, has the lowest carbon footprint and the highest insulation value.



Having been with the company for more than a decade, Minihan has been through a few business cycles, and knows that they will just have to do what they can to make it over a large bump in the road that includes a very serious downturn in the U.S. housing and financial markets, and a relatively high Canadian dollar.

“We’re just looking to tighten up everything and ride it through as best we can,” she says.

