
June 1, 2014

We have all been hearing how wonderful things are in the BC forest industry lately. That may be true for those companies that have exclusive access to the non-competitive public timber harvest, but did you know that over 50% of the companies that have to compete for their wood fibre have gone out of business in the last dozen years?

There are two wood processing sectors in British Columbia.

- Competitive Sector
 - buys input wood fibre at arm's length on the open market
 - pays market prices for fibre
 - tend to be small family owned community based businesses
 - tend to be family run (by owner)
 - USA is by far the largest market
 - focus is on specialty products and services
- Non-competitive Sector
 - has exclusive rights to the harvest of non-competitive public timber
 - price of fibre is determined administratively using formulas
 - tend to be large consolidated publically owned multinationals
 - run by professional employees (by CEO's)
 - have access to global markets
 - focus is on commodity products

When the Independent Wood Processors Association was formed 43 years ago to represent the interests of the Competitive Sector, we had healthy and competitive open markets for timber, logs, and lumber. But the consolidation of the Non-competitive Sector over the last dozen years has now resulted in the near destruction of these markets due to the control of public timber in the hands of a few mega companies who act as if they own it.

Hence, we find ourselves at the mercy of the Non-competitive Sector for our input wood fibre. Predictably, they act in the interest of their shareholders in the disposition of the BC public's timber resource. The result is that BC's Competitive Sector wood processors are being starved for input wood fibre and forced out of business. In our own case, of the 107 non-tenured, family owned, member companies that we had in 2002, 52 have gone out of business ... so far.

Meanwhile, the Non-competitive Sector continues to 'rationalize' their BC operations and they have purchased over 30 sawmills in the United States.

Prior to 2003, BC had the Small Business Forest Enterprise Program (SBFEP) with the mandate to make about 11,000,000 m³/yr of timber available to Competitive Sector (non-tenured) loggers and manufacturers.

In 2003, BC Timber Sales was formed, the SBFEP timber was commandeered, and the Non-competitive Sector (tenured) was given access to it. Now instead of being a source of wood fiber for the Competitive Sector, that timber is used as a source of data to attempt to price the public's non-competitive harvest.

For the last 11 years there has been no arm of the BC Government with the mandate of ensuring that BC's Competitive Sector wood processors have access to a share of the public's forest resource.

If the loss of the SBFEP and the consolidation of the Non-competitive Sector isn't fatal in itself, our Governments have also denied us access to our US customers.

The Americans also have difficulty with those that don't have to compete for wood fiber. Hence the never ending Softwood Lumber Dispute.

At the urging of the United States, in 2006, our governments applied a 15% tax on our US bound products. But the tax only applies if we employ British Columbians to manufacture them in BC from BC grown wood fiber. There is no tax if we export our logs and lumber to China, employ Chinese to manufacture them, and then sell them to our former customers in the USA.

In the 2005 offer that the Americans made to Canada prior to us waving the white flag, they said:

"The settlement accord should provide that a province's adoption of fully open and competitive timber and log markets would automatically result in lifting of interim measures for that province".

Clearly BC's Non-competitive Sector wishes to remain non-competitive. They have calculated the value of not having to compete for wood and they are willing to pay a 15% tax to retain their exclusive rights to the non-competitive harvest. But it is not possible for the Competitive Sector to pay part of the tax on their behalf as we do not have the off-sets that they do.

To our dismay, the BC Government currently wishes to renew this tax on our products.

If BC is to have any chance of seeing the remaining family owned Competitive Sector wood processors survive, changes must be made, and the conversion of volume based tenures to area based tenures is not one of them.

Regards,
Russ Cameron
President IWPA