



Western Forestry and  
Conservation Association

Mapping The Course  
Timberland, Forest Products Processing,  
And Fiber Issues For 2019

Coastal British Columbia  
*“A Region with Uncertainty”*



# Coastal British Columbia – A Region with Uncertainty



## Key Topics for Discussion

1. New minority government in 2017
2. Ongoing corporate consolidation



# Coastal British Columbia – A Region with Uncertainty

## Setting the Stage – Other Issues of Note

- Aging workforce
  - Little ongoing recruitment
  - 35 job postings on TLA web site alone
- Ongoing hog fuel surplus
  - Threatening sawmill operations
  - BC Hydro review of biomass-based energy may worsen situation
- BC Interior residual chip availability reduction
  - Sawmill closures forecast to continue post-MPB
  - Residual chip supply to coast forecast to fall
- Contractor Sustainability Review
  - Typical BC contractor profitability less than investments in stock market
  - BC's contractor workforce is diminishing



# Coastal British Columbia – A Region with Uncertainty

## New minority government in 2017



John Horgan

BC NDP Party  
Left-wing (labour)

and

Andrew Weaver

BC Green Party



# Coastal British Columbia – A Region with Uncertainty

## **New Minority Government Forestry Objectives**

- Concern over post-harvest waste
- Desire to increase domestic processing
  - aka - reduce log exports
- Commitment to UNDRIP
  - Support First Nations reconciliation and treaty
- Ongoing ENGO pressure to reduce old-growth harvest



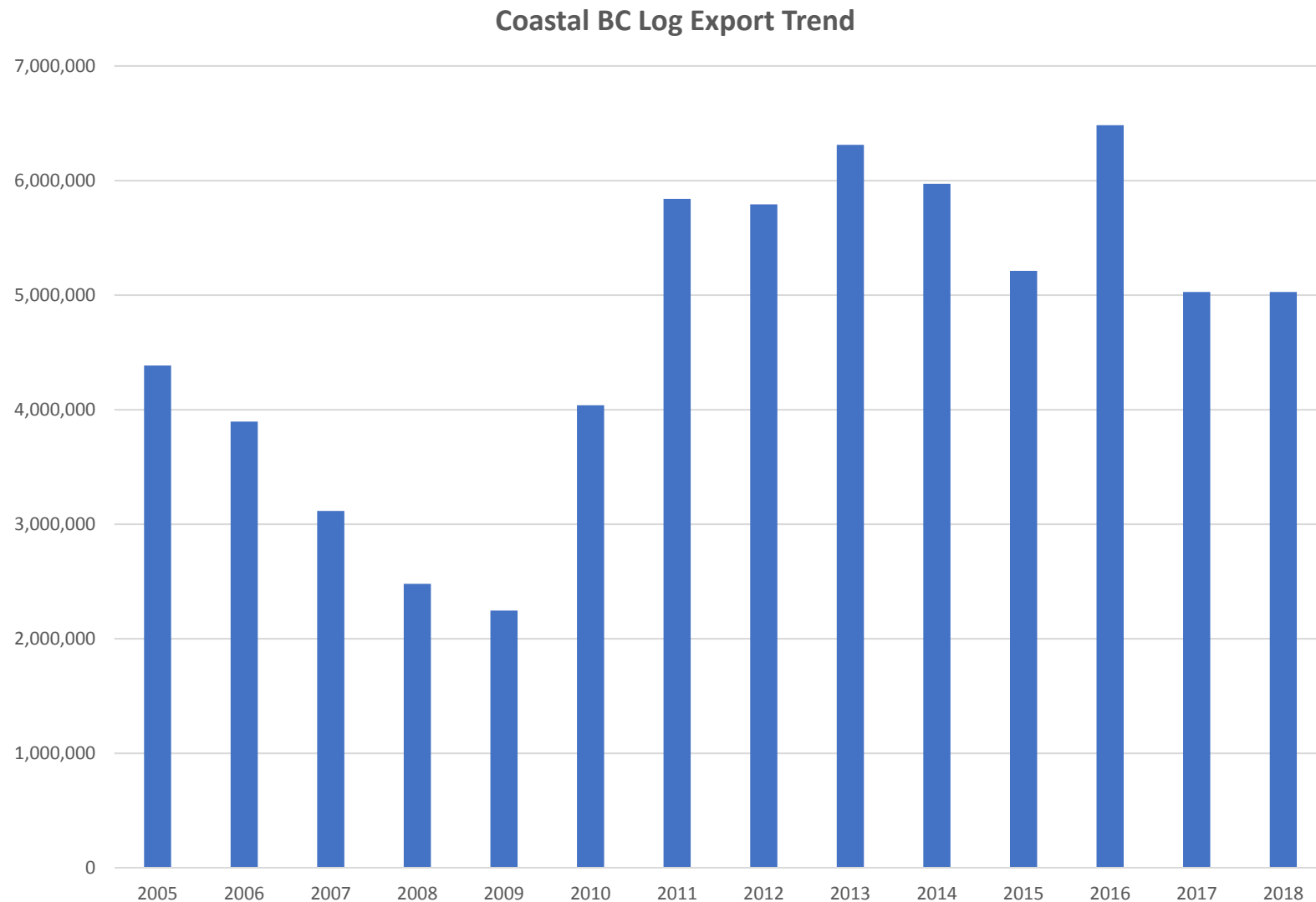


## Coastal British Columbia – Post Harvest Waste

- Coastal post-harvest waste wood was reported as 2.4 million cubic metres in 2017
- Cost to deliver to market exceeds market value of the wood
- At same time, coastal pulp and paper producers are struggling to access fibre



# Coastal British Columbia – Domestic Processing





## Coastal British Columbia – UNDRIP

- The United Nations Declaration on the Rights of Indigenous Peoples
- An international instrument adopted by the United Nations in 2007, to enshrine the rights that “constitute the minimum standards for the survival, dignity and well-being of the indigenous peoples of the world”
- BC Government Mandate: Work collaboratively and respectfully with First Nations to establish a clear, cross-government vision of reconciliation to guide the adoption of the UNDRIP, the Truth and Reconciliation Commission Calls to Action, and the Tsilhqot’in Supreme Court decision





# Coastal British Columbia – Old-Growth Pressure

- *BC's Old Growth Forests at dangerous threshold – Sierra Club – September 2018*
- *Thousands of ancient giants, like the enormous redcedar in this film, are being logged in Vancouver Island's spectacular Nahmint Valley and many more are at risk. Speak up TODAY – Ancient Forest Alliance Web site*
- *We are calling on the BC government to ban the logging of the remaining ancient forests of BC. – Wilderness Committee web site*



# Coastal British Columbia – A Region with Uncertainty

## Ongoing corporate consolidation

- ❑ Consolidation of pulp fibre consumers (Paper Excellence purchase of Catalyst Paper)
- ❑ Management merger of TimberWest and Island Timberlands (TW-IT)



## Coastal British Columbia – PE / Catalyst Merger

- Paper Excellence (subsidiary of Indonesian conglomerate Sinar Mas Group) announced an agreement to purchase Catalyst Paper and its three pulp and paper plants in October
- Catalyst has faced a succession of financial issues and with declining coastal fibre supply, a rationalization of coastal assets is inevitable



Leaves just two pulp fibre consumers on the coast ..  
PE (80%) and Nanaimo  
Forest Products – Harmac  
(20%)





# Coastal British Columbia – TW-IT Management

- Agreement for shared use of facilities, alignment of best practices and enhanced forest stewardship announced in August 2018
- Will continue to be stand-alone companies with no change in control while sharing corporate services.
- No significant changes are anticipated to sustainable harvest levels, contractor and field workforce employment as a result of this affiliation.
- Now just one contractor opportunity and one bidder in BCTS where there once there was two



# Coastal British Columbia – Summary Perspectives

- The new minority government plans to restructure the coastal forest industry
  - Log exports may go down and forced recovery of waste wood may be costly
- First Nations reconciliation has caused permitting delays and may change forest ownership
- Contractors have weak balance sheets – labour recruitment is difficult
- Hog fuel is problematic
- Pulp and paper fibre supply is problematic
- Consolidation continues

## ■ **Bottom Line: Investors do not like uncertainty**



# Coastal British Columbia – A Region with Uncertainty

## Questions

Jim Girvan RPF MBA

**MDT Management Decision and Technology Ltd.**

250-714-4481

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and the Forest Industry**

