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Study sees light on B.C. forestry horizon

Cuts and company retooling needed, but industry scoring successes in tough times

Two decades after wood products production peaked, B.C.'s embattled coastal forest industry is trying to reinvent itself, guided by a new study on the future of its harvesting and manufacturing capabilities.

"It's the first report of its kind to verify what the future looks like, where we need to be headed, and where we shouldn't go," said Rick Jeffery, president and CEO of the Coast Forest Products Association, which represents a significant portion of the forest economy operating on the B.C. coast. "To me, it very clearly said that there's a strong future for the coast," he said "The back half of that message is we have to work on our costs, but the market for our wood is there. Now it's an issue of getting it there competitively."

The report by the International Wood Markets Group points to the successes some sectors of the coastal industry have had in developing products and markets, using "mill configurations" as well as introducing new manufacturing technologies to gain a competitive advantage. The study suggests the coastal forest industry's best prospects lie in building on what it already has, including:

- high-volume cedar sawmills, targeting specialty and some semi-commodity products;
- custom-cut or specialty sawmills, targeting specialty products and niche markets with all the major and niche species;
- veneer mills that offer a growth sector for Douglas fir and possible opportunities for hemlock-balsam if it can be used in greater volumes in the future; and
- high-volume sawmills processing small diameter and second-growth hemlock and Douglas fir logs.

Four such mills on the coast have shut down over the past four years, although Jeffery said that isn't necessarily a bad thing. "People like to run around and say we're closing sawmills here and there. Yeah, we've closed some sawmills, [but] over the last four-year period, my membership has put \$180 million back into the sawmill business," he said. "So they've closed inefficient mills and invested money in the mills that they've kept open, and what that's resulted in is a 19% increase in the average capacity of these mills."

He added that apart from improved capacity, there's been an 18% increase in productivity and a 7% increase in lumber recovery. "These are all the things you need to do to be competitive, so we need to continue to make the investments in the mills, and we need to focus that investment on the markets that were identified in the study."

That strategy, said Jeffery, is somewhat of a self-fulfilling prophecy: "If you can continue to make the business case to make those investments, then you can continue to drive costs and increase your efficiency and that increases your ability to make a business case to do further investment."

But Dick Jones, co-owner of the largest privately held forest products company operating on the Canadian West Coast, isn't optimistic about any new mill investment.

His company, Surrey-headquartered the Teal-Jones Group, is the only one to build a new mill on the coast in 25 years, he said in an interview.

In 2003, Teal-Jones, which owns logging operations, a specialty saw and planer mill and manufacturing plants, built a \$40 million Greenfield sawmill on its Surrey site on the banks of the Fraser River to process small diameter second-growth timber.

Does he see any investments again in mills? "Other than our company, no, I don't. You really think anybody wants to be on the coast?"

Describing coastal operating conditions as "truly bad," Jones said the remedy appears easy enough, but is unlikely to be realized. "I'd be biting my tongue off here if I told you what I really thought," he said. "The government is tripping over themselves spending hundreds of thousands of dollars to save \$0.10," he said. "There're lots of things they can do to take huge amounts off the cost of logging off the coast, but they refuse to do so because they're scared of losing political capital."

Jeffery couldn't say if more mills are headed for closure. "If government continues to make land-use planning decisions and policy decisions that curtail log supply, then there will be a necessary closure of capacity," he said. •

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