

B.C. WOOD PRODUCTS UNDER FIRE AS GOVERNMENT CONSIDERS RELAXING LOG EXPORT RULES

In 2019, the Provincial Government made a public commitment to ensure more B.C. logs and fibre would be processed in B.C. Mosaic Forest Management's push for unrestricted log exports would achieve the exact opposite.

A new agreement by Mosaic Forest Management (Mosaic), the timberlands manager for TimberWest and Island Timberlands, and the United Steelworkers Union (USW) was publicly announced on May 12, 2020. This agreement was accompanied by multiple media reports calling for a change to the logs export policy that currently regulates private forest lands located in British Columbia. The proposal, if agreed to by Government, would allow Mosaic to freely export the average volume of logs it has sold internationally over the prior five years.

This open letter serves as a response to that announcement, and was co-authored by a diverse group of forestry companies operating in British Columbia's coastal region. Our companies, in alphabetical order, are CIPA Lumber, Coastland Wood Industries, Jemico Enterprises, Ledcor Forest Products Partnership, Nanaimo Forest Products, Paper Excellence Group, Paulcan Enterprises, Richmond Plywood Corporation, Riverside Forest Products, the San Group, Shannon Lumber, and the Teal Jones Group. Our respective businesses span the full gamut of forestry products, including logs, lumber, veneer, plywood, pulp and paper, and a variety of other value-added wood products. This letter was also unanimously endorsed by the Board of Directors of the Independent Wood Producers Association, representing 57 member companies operating remanufacturing plants that are dependent on domestically produced lumber.

In aggregate, our companies directly employ more than 7,000 workers, of which approximately 50% are unionized, and support upwards of 24,000 indirect jobs in the communities where we operate, many of which are rural areas where we rank as the top or one of the top employers.

The export of logs from British Columbia are regulated by Notice 102, which stipulates that all logs earmarked for international sale be the subject of a Surplus Test. Under this test, log exporters must advertise the logs they wish to export, and may only proceed with an international sale if a domestic manufacturer does not make an offer to buy that wood. Notice 102 is therefore designed to ensure that a sufficient volume of logs is made available to domestic manufacturers to support local companies and workers before those logs can be exported to international markets.

We believe that Notice 102 in its current form allows for a healthy balance between domestic production and the export of logs. As a business practice, log exports are an important component of a healthy coastal forestry economy. Having said that, log exports have increased exponentially over time. As noted in the Coast Forest Sector Revitalization Information Booklet, "Rebuilding B.C.'s Coast Forest Sector: Keeping the Wealth in B.C.", published in 2019 by the Provincial Government, log exports on the coast increased from 1% to approximately 30% from 1998 to 2017.

We were surprised to see that last week's announcement included a quote from Premier Horgan that may be construed by some as support for the proposed change. We do have

sympathy, however, for the enormous pressure Mosaic's continued shutdown since November 25, 2019, with the related loss in union and non-union jobs in local communities, may have placed on the Premier's office.

It should be noted that Mosaic's log exports over the last five years were at elevated levels, and therefore, their proposal would further skew the volume they would be able to freely export, and reduce the fibre volume available to domestic manufacturers that protects local jobs.

Mosaic has curtailed the majority of its operations since November 25, 2019, citing poor market conditions, exacerbated by the impact of the corona virus and global supply chains. We believe that Mosaic has used this "burning platform" of lost economic contribution, wages and government revenue to aggressively lobby the government to relax restrictions on export policy.

We would ask the Provincial and the Federal Government to consider how the rest of the coastal logging industry is responding to the challenges it faces today. The majority of license holders are harvesting their licenses, many at full capacity. A portion of these logs are being exported internationally while the balance is being processed into finished wood products and wood chips for the pulp and paper industry. Domestic log demand and pricing are strong and international log demand is on a path of recovery regardless of the impact of COVID 19.

It should be noted that, with the exception of Mosaic, the vast majority of the harvestable land on the coast is under public tenure, which attracts government stumpage. How is the rest of the industry able to profitably harvest the logs on their lands, while Mosaic is unable to do so? Mosaic benefits disproportionately from not paying stumpage on their private lands, which constitutes the majority of their operations, their superior economies of scale, and the superior quality of their wood basket.

It is our view that Mosaic's decision to curtail their operations for five months and counting, with the related loss of thousands of direct and indirect jobs, has been motivated more by their lobbying efforts than by business necessity. Given our own knowledge of coastal harvesting economics, we find it hard to believe that Mosaic could not have operated its business profitably for 2020 year-to-date, had it chosen to do so. While the proposal by Mosaic to change the log export laws for their private lands would quite possibly maximize their "bottom line", it would come at the expense of an entire industry that happens to be a lifeblood economic contributor for the people of British Columbia.

Mosaic's proposed path forward is being characterized by them as a "kick start to the Forest sector". A more appropriate characterization of what's transpiring here is that the rest of the industry is working, facing the current adversities head-on, while Mosaic continues to sit on the side lines.

We took particular exception to a reference in the media to the federal laws that regulate log exports from private lands as a "legacy policy". In our view, Notice 102 isn't some antiquated rule holding anyone back; it provides a fair mechanism to export logs while ensuring a secure supply of fibre to domestic manufacturers to preserve and grow economic value, direct and indirect jobs, and thriving local and First Nations communities.

We live in an interconnected world, and work in a uniquely interconnected coastal industry. In these acutely challenging times, it is more important than ever for every business that can positively contribute to do so. We therefore make this appeal to Mosaic Forest Management to not use this moment to press their advantage. The time has come to put their logging contractors and many employees back to work and to start logging again.

If you value the domestic manufacturing industry and the direct and indirect jobs it supports, then please write, email and phone your local MLA to object to the proposed change to log export rules.