



Also Serving – Interior Logging Association (ph 250-503-2199) & North West Loggers Association (ph 250-635-6801)

Issue # 525 Week of August 17, 2009

Mill contract talks stall

Although contract negotiations came to a halt this week, the war of words continues between the Steelworkers Union and negotiators representing 15 Interior mills.

CONIFER, the Council on Northern Interior Forest Employment Relations, stopped the talks after just one day at the table, saying the Steelworkers were blind to the realities in the forest industry.

"Unfortunately, the union leadership essentially said that they had no interest in discussing our need to reduce our labour costs. Until they are willing to face up to the reality of a severely depressed market and an industry that is fighting for survival, we will not resume negotiations," said CONIFER executive director Mike Bryce. CONIFER represents mills owned by Dunkley, Carrier, Lakeland, Pacific BioEnergy, Tolko and Hampton Affiliates.

The union wants wage increases and a shorter contract, while mills are seeking concessions. Canfor, not involved yet in formal negotiations, wants \$50 million in cost reductions, and employees at its Clear Lake and Mackenzie sawmills have reportedly agreed to \$5 per hour pay cuts.

Lender in receivership

Forest and Marine Investments of Nanaimo, which has been a prime financing company for the logging sector on Vancouver Island, now is under the control of a receivership group after the company's restructuring proposal was turned down in provincial court last week. David Hitchcock, Forest and Marine president and CEO, said he was "absolutely disappointed" that the provincial government showed no interest in assisting the struggling financier.

SUMIN
INSURANCE BROK
250-564-4401 or toll free 1-
800-663-5581

PST+GST = HST . . with some hard work

Trying to figure out the impacts of a harmonized provincial sales tax (PST) and federal goods and services tax (GST) on the log-harvest sector is like working on a jigsaw puzzle that's missing several key pieces.

For the milling/wood products side of the forest industry, the shift to a Harmonized Sales Tax (HST) will reduce the "hidden" taxes that are embedded in the price of the goods and services they use.

The HST, which is really a value-added tax similar to what is already being used by many countries, should help forest companies become more competitive – and that would be good for all the overall economy, as well as for the stability of other sectors and communities.

It's a bit more complicated for sectors that provide log-harvesting, silviculture and other services to forest companies.

We're more in the category of consumers, and at this point we don't have enough information to figure out if the new HST will be revenue-neutral, or hopefully something better.

We do know the sales tax exemptions that loggers, truckers and other suppliers of services now have will disappear, and businesses in our sector will be paying the HST on purchases and services that were previously PST-exempt. The expectation is that businesses will be able to recover much of that tax via a rebate process.

The challenge for the logging, silviculture and other forestry supplier sectors is to avoid being swept up in the political rhetoric that's been raging since the HST announcement July 23. We need to do the math and work with government over the coming weeks and months to sort out three things:

What additional tax costs (beyond the current separate PST, GST and exemptions) will businesses in our sector face when the HST comes into effect next July?

What purchases or services will be eligible for tax rebates? Will our sector also benefit monetarily, as the mills will, from the tax shift when rebates are measured against taxes paid?

Will the rebate system be flexible enough and operate quickly enough to keep cash flow problems at a minimum, allowing monthly rebate filing, for example?

The HST looks like it's coming; let's get the best we can from it.

Roy Nagel, Executive Director, Policy & Regulations



The Central Interior Logging Association's Weekly Log-Harvesting Industry Update

Telephone: (250) 562-3368

Facsimile: (250) 563-3697

Also Serving – Interior Logging Association (ph 250-503-2199) & North West Loggers Association (ph 250-635-6801)

News from around the industry

Canfor reports a loss of \$17-million in the second quarter and a drop in sales of almost 25%, to about \$541-million compared with the year before. The company operated at 50% capacity in the second quarter.

The Plateau sawmill in Vanderhoof was back up and running at 75% capacity early this week after a fire shut operations down four days earlier. Workers were evacuated, but nobody was seriously injured.

The province has spent more than \$210 million so far this summer fighting wildfires around the province. Forests Minister Pat Bell says this year's figure isn't far from the \$330 million tab in 2003, and one more major fire could cost another \$100 million. Ottawa has said disaster assistance could be on the way.
