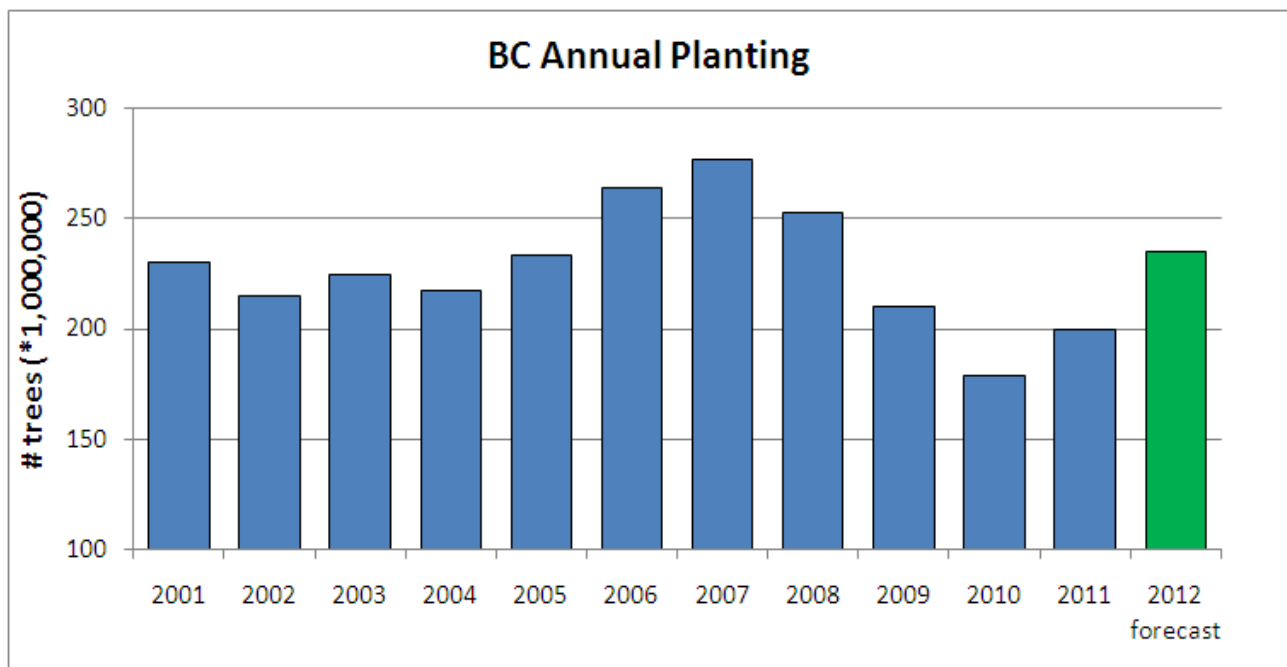




Western Silvicultural Contractors' Association Report on the State of the B.C. Silviculture Sector

This summer forestry contractors held two regional silviculture market summits: one for the B.C. Coast Region in Campbell River and another for the B.C. Interior and Alberta in Kamloops. As in past summits, the focus was on the opportunities and challenges facing the sector. The meetings drew owners from across B.C., most of them primarily planting contractors active in both western provinces.

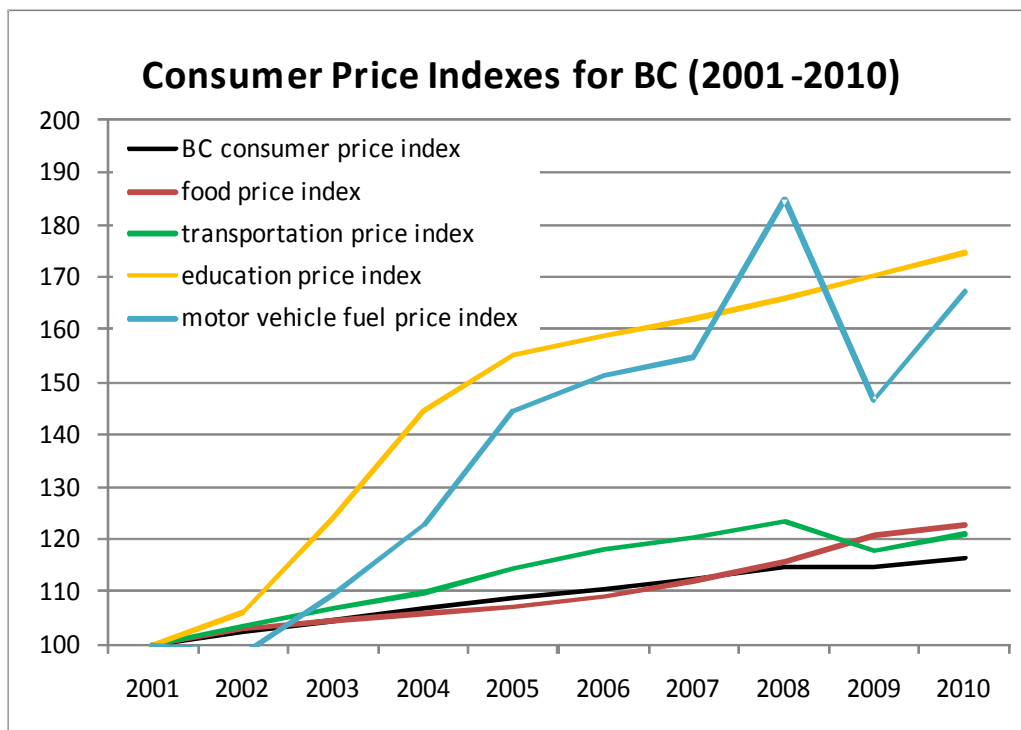
At both meetings, it was evident there is general optimism about future opportunities, not only in planting, but in forest restoration and plantation tending. The ongoing recovery of the whole forest industry has seen a recent rise in planting work in BC after hitting the bottom in 2010 at 180-million seedlings. This year the WSCA estimates 200 million seedlings will be planted in BC and we forecast an additional 35-million for 2012, bringing next year's annual sum of 235 million in line with historical levels of the past decade. This is good news for planting contractors and nurseries.



Although funding has been inconsistent and strategic forest management thinking at both the federal and provincial levels remains well behind events on the ground, there is general optimism that publicly funded forest restoration work will continue to grow. The necessary public impetus towards provident forest policy will require immediate management of stands, including increasing brushing and spacing, in many parts of the western provinces to mitigate the anticipated beetle plague falldown in future timber supply. Those millions of hectares of degraded forests will also need treatment to preserve habitat and other values. There remains the undeniable need to mitigate the growing wildfire threat and replant stands as a consequence of fire. The overdue emergence of a robust bio-energy sector also represents another set of potential clients for the silviculture sector. Even the tortuous proceedings to establish carbon markets indicate possible activity for the forest management industry. There are both long and short-term opportunities for enterprising and determined silviculture firms.

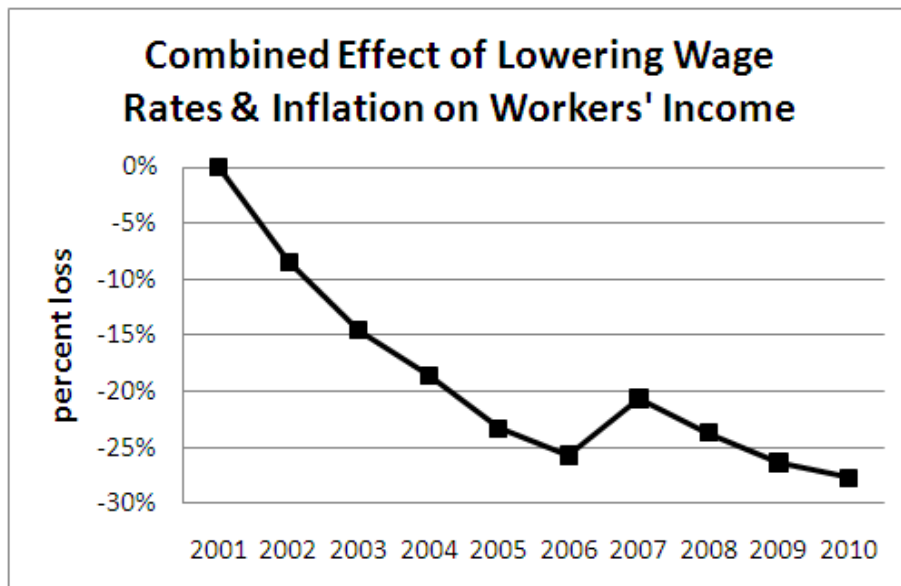
Those attending the meetings also pointed out that in the current depressed market several key challenges facing the sector are emerging:

- Increased costs for fuel, equipment, and general operating have not been reflected in negotiated or open tendered prices for services;
- Increased costs for safety and environmental systems have not been reflected in prices;
- The availability of trained and competent workers has steadily decreased over the past several years, both in terms of recruitment of new workers and retention of experienced workers.



There was general agreement on the need to seek better pricing to reflect increased operating costs. All in attendance reflected on the various risks, increased costs and additional regulatory burdens that have steadily eroded the margins for risk and profit. But the most extensive discussion related to the workforce challenge. As the WSCA first tracked in a 2006 survey, contractors are reporting that experienced workers have begun leaving the industry again at a higher rate than the usual turn over. Even more acute are the sudden drop offs in applicants for work, which some normally busy firms have reported as near zero for this year. These are very serious leading indicators of a pending loss of capacity across the sector. Implicit in this decrease are concerns around worker safety, work quality, increased supervision, and increased training costs.

A key bellwether was identified as the wage rates for planters. For the last ten years WSCA has compared figures available from WorkSafeBC, government sowing numbers and Statistics Canada. The analysis shows one possible reason why workers are leaving the industry. Wage rates have declined on a per tree basis by about ten percent over the last ten years as an overall average. Combined with inflation, and despite a slight uptick in 2007 when the industry responded to a similar crisis, the overall actual decline in worker wage rates is nearly 30 percent since 2000.



Other factors are at work to discourage our workforce. Education costs have matched the drastically inflationary trends of fuel. This means that with declining planting prices and the irregularities of seasonal work our university work pool is drying up as they look for other ways to work away at their debts. The general insistence by many clients to plant trees within a shorter and shorter window, particularly in May, has also depressed the number of productive planting days available to workers. Sufficient and contiguous working days are a critical factor in maintaining a reliable seasonal workforce.

There was also discussion of the challenge for recruiting and retaining good workers in the face of the continuing nation-wide coverage of the criminal behaviour of Khaira Enterprises. It has been a year of bad news. Bad news for Khaira's former workers and bad news for the industry. It is hard to estimate just how many workers this has kept away from the sector and how much it has undermined public confidence in forestry. British Columbia has some of the best silviculture employment regulations, camp standards and worker safety programs in Canada, if not the world. Everyone involved in the sector, from contractors to contract administrators, regulatory agencies and purchasers of silviculture services, has a responsibility to ensure we maintain a healthy sector by undertaking the due diligence and follow up required to ensure that the highest standards are maintained for a safe, productive and rewarding work environment.

For the most part, both sessions finished on an optimistic note that the sector will succeed in meeting its challenges and achieve success within the variety of opportunities that are emerging. However, contractors will need to be focused on addressing the cost structure for both their operations and their employees in order to foster a viable contracting community employing a healthy, productive and fairly rewarded workforce.