



FOREST VIEW

PETER WOODBRIDGE

B.C. needs to make value-added wood manufacturing a priority in downturn

(Part 1 of a two-part series)

BC's pre-occupation with commodity 2x4 softwood lumber production has been widely criticized over the years for its lack of vision. The industry's focus on commodity lumber reinforces its hewers-of-wood reputation. Despite increased market opportunities, progress in moving to a greater share of value-added manufacturing in B.C.'s wood product mix has fallen far below its potential.

The shift is not helped by the current severe market downturn and bankruptcies of numerous small and medium-sized value-added businesses. Recent corporate fatalities in the value-added wood products manufacturing sector include **Neville Log Homes**, **Jager Building Systems** and **Jackpine Forest Products**. Pine furniture manufacturer **Canwood** wrapped up operations in July 2008. These are otherwise sound companies, and well managed, but largely victims of the global recession.

The immediate prospects

for a reversal of this trend in lost value-added capacity are poor. There's no magic wand to create a swift return to prosperity for the sector. The **Ministry of Forests and Range** is tentatively toe-dipping with experiments in tenure reform. That's a possible longer-term solution. As landlord of the province's Crown timber and "chief regulator," the government should be taking other policy actions – urgently. If Victoria doesn't act quickly, the prospects for longer-term growth and prosperity in this sector could be lost for decades.

Success in value-added manufacturing has two fundamental requirements: markets and viable enterprises.

Too many value-added wood products manufacturers in B.C. are "cottage industry" in scale. Many are entrepreneurial and innovative, but they exist on the margin of viability. Most can't achieve the economies of scale needed for a sustained export program.

With the exception of the current global downturn, the irony is that B.C. is not limited

by market opportunities. Access to the huge U.S. market is not an issue. Most value-added products are export tax-free.

However, in a world of increasingly large-scale distribution channel partnerships – big box chains and production

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homebuilders – market opportunities generally are not matched by value-added enterprises that are large enough. Over the next decade, industry experts predict, global value-added wood product manufacturers will emerge somewhere in the world.

B.C. could be a contender, but it still lags far behind Quebec, Ontario – and even Alberta – in the proportion of its output further processed

locally into value-added wood products.

Kudos to the **Gordon Campbell** government for its support of the "Wood is Good" campaign, and building code changes allowing up to six-storey wood buildings. The 2010 Olympics have given a major demand boost to top value-added producers such as **Structurlam Products** – a supplier to the Richmond Oval. That has enabled the firm to develop a national presence. But the real challenge is how to achieve broadly based and sustainable capacity building in value-added manufacturing.

Historically, one problem in Victoria's approach is that some of the wrong public policy buttons keep being pressed. The NDP began this process in the 1990s by awarding small-scale, short-term timber harvesting licences to small business. That policy has been on ice since 2003 but, recently, so-called "Category 2" timber has been made available again through the government's **B.C. Timber Sales**.

By itself, there's nothing wrong with this initiative. It generates more logging and increases timber supply. It provides an asset for small firms to take to the bank, and that's helpful. But it's like trying to

bake a cake with plain flour and no other ingredients!

Past experiments in allocating standing timber licences to small businesses, communities, wood-lot operators and First Nations have been politically popular. But, over more than two decades, they haven't achieved anything of significance in helping build and sustain the global competitiveness of B.C.'s value-added wood products industry.

Many of B.C.'s most successful value-added producers, such as **Britco Structures**, **Structurlam** and **Mitsui Home**, have become leaders in their field without the help of small business timber licences.

The licences are a trading card. Licensees trade their standing timber rights to obtain the raw materials that an efficient market-based system would readily achieve.

Log-home builders trade timber rights to obtain high-

quality logs essential to their business. Remanufacturers bargain with primary sawmills for the grades of lumber they need. Engineered lumber producers trade their timber rights for a regular supply of trim blocks from dimension mills. That's not a market system. Who are we fooling?

Pat Bell is one of the most popular and hardworking forest ministers in B.C.'s recent history. But he needs better policy advice than he's getting. If sustainable growth in value-added wood products manufacturing truly is a goal for the B.C. government, Bell, along with Premier Campbell and caucus, must be far more visionary and bold. ■

(In Part 2: achieving sustainable investments in value-added manufacturing.)

Peter Woodbridge (www.woodbridgeassociates.com) is president of Woodbridge Associates Inc.

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