



COAST FOREST INDUSTRY BARGAINING

USW LOCAL 1-1937

BARGAINING UPDATE #2 - MARCH 15, 2019

Record Year for Western Forest Products Inc.

Recently a February 13 newspaper article was published in the Times Colonist. The article had the headline "Record year for Western Forest Products, Island's biggest forest company". The article was just reporting the facts and those facts are borne out by WFP's own quarterly and year-end reports online which paint a rosy financial picture of the business which has good liquidity and little to no debt. Online material on WFP's website includes an investor presentation that makes market projections showing good and growing markets in the US in both housing starts and repair, and remodel expenditure. Investor conference calls with WFP's CEO also note lumber demand in China to continue to grow and stable markets for Japan in the years to come.

The online information of this publicly traded company points to impressive returns which show that with high value coastal timber (BC annual 2018 average selling price for a 1000 bd ft of Cedar 2x4 at \$1,401.00 for example) combined with manufacturing the products in a low Canadian dollar and selling them in US dollars really dampens any concern over softwood lumber duties. Of note: 70% of WFP's lumber revenue is generated from non-commodity products and has recently once again restarted its lucrative (but wrongheaded) log export program on Crown Lands.

The newspaper article noted above prompted WFP CEO Don Demens to send a letter out to Operations (not sure how many) on February 28th, which talks of high log costs, weak markets and operation curtailments, all designed in my opinion, to put a damper on news of good markets and record profits in 2018, which are made on the eve of USW/WFP Coastal Bargaining which are set to begin April 15, 2019. Right on cue, as the Local Union was preparing a report for our Solidarity Newsletter, WFP announced a one-month shutdown (March 18th) of their Alberni Pacific Division with the excuse of weak Asian markets. It would not be surprising if the WFP announces more temporary shutdowns in the weeks ahead. It is also notable that the Interior forest industry companies used the same tactics during Interior collective bargaining.

It is clear that WFP is doing very well financially and that projections are for good and growing markets for the products our members produce. I don't believe our members will accept the spin put out on February 28th or the unfortunate curtailment of APD as they are all wise to the tactic, which arrives like clockwork, prior to every round of bargaining. I suspect it is a tactic that will backfire on the company.

WFP ANNUAL FINANCIAL HIGHLIGHTS (IN MILLIONS)

	2018	2017	2016
SALES	\$1,196.7	\$1,143.4	\$1,187.3
NET INCOME	\$69.2	\$74.4	\$94.2
EBITDA	\$143.5	\$152.6	\$148.2
CASH AND CASH EQUIVALENTS	\$8.4	\$35.3	\$19.0
DEBT	\$6.0	-	\$34.4
NET DEBT	0	0	\$15.2
NET DEBT TO CAP	0	0	3%
TOTAL LIQUIDITY	\$250.4	\$269.3	\$218.1



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