

ANOTHER ONE BITES THE (SAW) DUST



What terrible news! Why is the mill closing? Was this avoidable? Is this an example of lack of fibre supply or poor forest management? Who are the victims in all of this?

You will be surprised by the answers? Not what you will expect! Read on.

The Company gave the Union and the employees formal notice on August 25 that the Flavelle Sawmill in Port Moody will cease operation on October 31, 2020. Flavelle operates under the AP Group which is a privately held company with extensive forest products, real estate and transportation & logistics assets in British Columbia.

Listening to Surinder Ghog, the CEO of AP Group, one would reasonably think the mill closed due to "disproportionately high property taxes". Bruce Rose, the company's executive vice-president also complained that the mill had also received a substantial increase in lease rates on the water lots it uses for log storage on Burrard Inlet.

One could not be blamed with this information in concluding that Ghog, Rose and the AP Group are the victims in all of this. The villain of course would be Port Moody City Council and the Fraser River Port Authority as they would have you believe. How dare

they unfairly raise taxes and kill the sawmill, and with it 70 good paying jobs! They must have a vendetta against the AP Group, right? WRONG!

We need to go back a few years to unravel all of the fiction from the truth. The AP Group purchased the sawmill in 1999 from a floundering International Forest Products Limited (Interfor) and opened the mill in 2000. It was a very successful sawmill for over a decade before a decision was made to convert to a custom cut mill. This meant they were in the business of cutting logs and manufacturing lumber products for mostly other customers while still cutting some of their own fibre.

In May of 2018 the AP Group made a gigantic decision to change the destiny of the sawmill. The exchange involved a venture into a very profitable real estate plan.



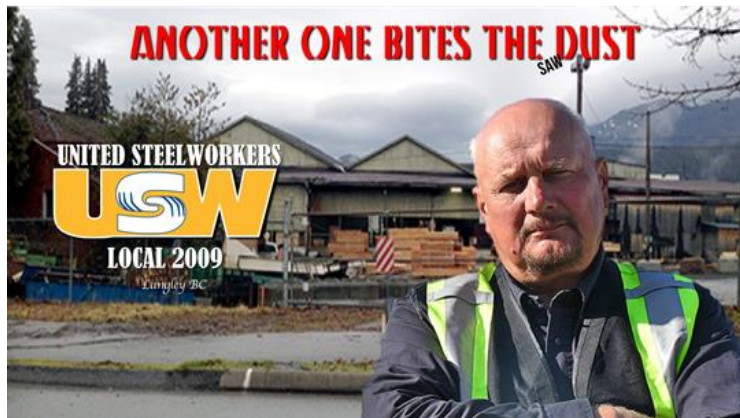
They first successfully lobbied local government to amend the Official Community Plan (OCP) to change their land use designation from “Industrial” to “General Urban”. The second step was to get approval from Port Moody City Council and have them commit support to the single largest development in Port Moody history.

The plan was progressing beautifully until BC Assessment (triggered by the OCP decision) re-determined the taxes on the property in consideration of the highest and best use of the land as regulation requires them to do. The property value jumped dramatically from \$42 million to \$150 million. The sole cause of this jump was the OCP amendment. This naturally caused a substantial increase in taxes.

It’s not that the AP Group disagreed with the value of their land (no appeal of BC assessment was ever initiated), they only complained that their taxes were disproportionately high. Hard to feel sympathetic for a business that complains

how much taxes they pay when their property value quadrupled overnight – and occurred entirely because of their own decisions and greed. Hard to feel sympathetic for a business that is planning re-development of the property that will likely result in hundreds of millions, if not billions of dollars in profits.

An increase in taxes for the AP group fed nicely into their plan to close the operations with the clear intention to focus more on the property development.



The Union, USW Local 2009 firmly believing in the viability of the sawmill and its importance to the economy, the employees who work there, and the community went to work to fix the tax issue. The Union convinced the government that taxing the Company at a residential rate

while the mill was running employing 70 people was unfair and the negative impact was on all on the shoulders of the workers.

The government responded with Bill 42 that granted a reprieve on the higher tax amount for two years until the AP Group developed a new plan that was either running a sawmill for another ten years or starting the land development process. This without question was a massive tax break. In return for their efforts, all the Union asked was for the company to negotiate a fair and reasonable collective agreement that would recognize the hard work and commitment of their employees. Keep in mind that the collective agreement had expired in 2017 and the employees had not received any increases since 2016. Flavelle agreed.

However, after reaping a \$6 million tax reprieve for each year of 2018 and 2019, it quickly became apparent that Flavelle management had no intention to come to the table. It has not been lost on the union and their members that the announcement to close in 2020 comes at a time that the Bill 42 grace period is ending. Not to mention all

the profits from near record high lumber prices and their patently low wages have been exploited.

Now to further address the tax fiction. Here are the facts. The Company's tax bills in the last three years were \$1,855,297 (2018), \$2,366,035 (2019), and \$2,124,882 (2020). Yes the taxes may seem high but remember we are talking about a property valued at \$150 million. You will also notice that in 2020 the company's taxes went down by \$241,153. Furthermore in the fall of 2019 the company received a rebate of \$246,145 from a contingency assessment (Assessment Appeal Reserve) put on all Class 4 property owners due to an assessment appeal that was eventually withdrawn. So please explain how the reason for closing the mill can be because of "disproportionate taxes"?



So, the victims in this story are the workers of the Flavelle Sawmill. For the past four years they have continued to pour their blood sweat and tears into keeping the mill running and profitable. The AP Group chose not to invest a single cent into maintaining and upgrading the equipment of the mill. Old parts were repaired over and over and then jerry-rigged to keep the machine or equipment running. Flavelle

management made the conscious choice not to make any lasting repairs or upgrades. Millwrights and other maintenance workers performed like magicians keeping the mill operating and producing high quality products. No one can complain or suggest that workers didn't do an admirable job running a decrepit mill in serious need of overhaul and modernization. No one, including Mr. Ghog and Mr. Rose, can deny that the employees did so fully knowing that they hadn't received a single cent increase in four years and were quickly more than 12% behind the industry average wages. Imagine living in the lower mainland without any wage increases for four years. We suspect that Mr. Ghog and Mr. Rose did not have to wait that long to receive their salary increases and bonuses.

The AP Group took advantage of their employees and the good will of the union that represents the workers and now they are just sitting back in an enviable position waiting for a lucrative land deal to materialize.. In retrospect employees of the mill now feel cheated, deceived and as though they were simply and naively used to get the company a massive tax break through a fabricated and dishonest loophole. The company lied to its employees, lied to the Union, lied to the government and lied to the media.

Rumours are that there is a potential buyer for the property, remember the \$150 million value is probably lower than market value. That could be a deal worth at least \$100 million. Or maybe the AP Group is still intent on following through with the redevelopment plan of the property bringing in billions of dollars in revenue and outrageous profits. If this story is starting to sound familiar you need to look back only to last November when Interfor shut down their very profitable Hammond Cedar Division in Maple Ridge simply to take advantage of the property value.

For these reasons and for these workers and their families, the Union is seeking justice.

1. USW Local 2009 is calling on Port Moody City Council to rescind the land designation amendment contained in the OCP. The result is that the land value will plummet and make it more realistic and affordable for a sawmill, or some other light industrial operation to achieve successful business and thereby creating much needed employment and a stable industrial tax base for the city.
2. USW Local 2009 is calling on the provincial government to punish a company who voluntarily chooses to close a sawmill to simply capitalize their real estate value. The Flavelle Sawmill produces 40 million board feet of product per year. Therefore, the equivalent tenure (93,00 cubic meters) should be subtracted from the 300,000 cubic meters of public forest that they possess in renewable and non-renewable forest licences. Use it or lose it.

3. USW Local 2009 is calling on our provincial government for the repatriation of the BC Job Protection Act.

The Office of the Job Protection Commissioner was created by the Social Credit government of BC in the 1980's. The mandate and legislative direction for the Office instructed it to work with willing stakeholders to bridge communities, workers and individual companies through difficult periods in a sector. This work focused mostly, although not exclusively, on companies in the resource sector trying to survive through periods of instability.

The Office of the Job Protection Commissioner fell under the jurisdiction of the *Job Protection Act*. The purpose of this *Act* was;

- (a) to minimize job loss and the consequent destabilization of regional or local economies, particularly those mainly dependent on one industry, and
- (b) to preserve, restore and enhance the competitiveness of business enterprises in British Columbia and in the global marketplace
- (c) to encourage business enterprises to obtain management consulting and counselling services,
- (d) to provide mediation services to business enterprises and interested parties in order to encourage cooperation conducive to the effective operation of the business enterprises, and to enable business enterprises and interested parties to establish, subject to this Act, economic plans.

The Office worked with all impacted stakeholders, lenders, first nations, suppliers, governments and workers. Economic plans approved by the office tended to encourage risk and reward sharing so all stakeholders who sacrificed to make an operation viable also shared in the future benefits when the plan was achieved. Over 100,000 direct and indirect jobs were saved by the Office.

Successful examples of the Commissioner's work include: Cominco Trail Smelter, Evans Forest Products - Golden BC, Avcorp, Delta BC, and Mount Polley Mine.

Gordon Campbell's BC Liberal government ended funding for the office when they were first elected in 2001 and later rescinded the enabling legislation, citing no need for market interference by the government.

Today there is no clear contact when workers, corporations, or communities seek assistance in a company or industry restructuring.

USW Local 2009 urges this government to restore the Office of the Job Protection Commissioner to assist companies, communities and workers who may face difficult market downturns and consequences.