

# BC Greens' gains set to redraw the province's political landscape



AT LARGE

PETER LADNER

**If business investors feared the uncertainty of NDP policies, this election has delivered uncertainty on steroids, starting with ongoing uncertainty about its outcome**

If the BC Green Party keeps holding the balance of power, B.C.'s political landscape is not just getting replanted by this election, it's going to be uprooted. That's how I see Green Leader **Andrew Weaver**'s declaration that his three unprecedented votes in the legislature will first dig in

for electoral and election finance reform.

The Green party's election results vividly demonstrate the major flaw in our first-past-the-post system: unlike the **BC Liberals** and **BC NDP**, whose popular vote count and seat count were roughly aligned, the Greens' 16% popular vote delivered only three seats, not the 14 that would be theirs if the legislative seat count were simply a mathematical reflection of popular vote.

Weaver is an uncharacteristically principled political leader, but, thankfully, he also has a strong pragmatic streak. Decisions about Site C, the Massey bridge and **Kinder Morgan** will come later. If all he gets is electoral finance reform – the end of corporate and union donations – and a referendum on some kind of proportional representation with a reasonable threshold for passing, he will have transformed the political landscape in a way that will solidify a Green grip on B.C. politics for the next generation.

(Good news for corporate

donors: no need to go to all those fundraising dinners and cash-for-access meetings and payment through the PR lobbyists anymore!)

That Weaver got this far with the first-past-the-post system is pretty impressive, with the NDP warning that Green voters would split the opposition turning out to be well founded. Assuming most Green votes came at the expense of the NDP, 16 ridings went to the Liberals because Green voters undermined the NDP. Somehow Weaver's pitch to vote based on principles, not as a strategic tactic, connected.

Weaver will now have to struggle with *his* compromises if the legislature is going to be able to get anything done. His principled base will not tolerate a lot of bending from him. After the motherhood issues of electoral reform and election financing reform, he's on a knife edge. How can he *not* fight to stop the Kinder Morgan pipeline? Will he go to the mat for a 30% foreign-buyer tax? Will he really hold hands with **Christy Clark**?

If business investors feared the uncertainty of NDP policies, this election has delivered uncertainty on steroids, starting with ongoing uncertainty about its outcome. Which mega-projects will be stopped? Which new taxes will be started? Which election promises will be forgotten to keep a minority government alive? Another election is likely much sooner than four years from now, and the steady downward trajectory of Liberal popular vote support since 2001 signals an even better chance of an NDP win next time.

It's pretty clear that as the province becomes more urban, the Liberals can no longer treat Metro Vancouver (and its mayors) as political doormats. Frustration over urban issues like stupid housing prices and massive investments in motor-roads over transit drove many votes away from the Liberals. The foreign-buyer tax was a useful step for them, but people who don't already have a foot in the real estate market are still banished from an affordable home this side of a 60-minute

drive to work. They're still angry.

Can we spare a moment to thank all the candidates who threw themselves into this campaign with an energy and intensity that can only be understood if you've been there? Campaigning is a brutal enterprise, equal parts physical and emotional exhaustion, verbal abuse, conflicting pressures to deliver the impossible, frustration over talking constraints, endless demands for attention, upsets outside your control – and then, always, the majority of candidates lose. It's easy to forget that the vast majority of candidates go into politics for all the right reasons: they really want to serve their constituents and the province.

The winners (whoever they turn out to be) now get their chance. Good luck! ■

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# Lumber producers face increasingly dangerous walk in the woods



FOREST VIEW

PETER WOODBRIDGE

The response of Canadian lumber stocks to the U.S. Department of Commerce's April 24 announcement of preliminary countervailing duties on imports of Canadian lumber was a relief rally. Overnight, prices rose sharply.

Two weeks later, some of those gains have reversed – reflecting a combination of volatile lumber prices and growing political worries.

On the duty issue, investors can be forgiven for thinking they escaped a bullet; they did. But a shrugged-shoulders conclusion from the Canadian side that “we've been here before, and it wasn't all that bad” would be highly inappropriate.

The Americans still have a trump card, possibly several – including periodically adjustable import quotas. A final determination by the U.S. on alleged Canadian subsidies has yet to be delivered, and anti-dumping deliberations (duties to be announced in late June) may yet yield surprises.

Lumber is not currently part of the North American Free Trade

Agreement (NAFTA). But, without the protection it has received historically from binational NAFTA panel reviews, who knows what fate awaits it?

It's important to remember too that final determinations do not signal an end to the softwood lumber issue; they're just another step along the road of managed trade. The U.S. and Canada have been without an agreement on lumber for a year and a half. Interests are divided: Canada badly wants a long-term deal; the Americans see their hand strengthening – and are in no hurry to settle.

Not just that, but the Canadian industry's east-west “divide” has a history of discord. It threatens a northern accord that might be the basis of an early agreement on managed trade in lumber – before it is pushed aside by a possible NAFTA termination decision by the U.S. At minimum, tough renegotiations.

Some industry insiders are unperturbed. They argue that Western Canada holds a strong hand. It has the ability to increase lumber prices to fully offset U.S. duties, they say. In addition, it has the “China card.”

Since mid-January 2017, SPF (spruce, pine, fir) lumber prices have risen rapidly – anticipating stiff duties. Lumber futures continued to advance after Canadian producers, led by **West Fraser**, recently announced

sizable “leg-up” price hikes across the board. Offer prices for bellwether items increased by more than 30% and were accepted by the market.

The U.S. market has been a battlefield since then, with sellers and buyers sometimes stepping away from the market – wondering if so-called lumber supercycle fundamentals are at last shifting in favour of lumber manufacturers and wholesalers. But remember that it's still a weather-delayed spring buying season, when homebuilders in the U.S. have to pay the going price.

For Canada, the “China card” (including other Asian markets) is powerful. But it's not powerful enough to conclude that Canadian sawmillers, faced with high and unresponsive Crown-timber log costs and tight supply, have achieved sustainable pricing power in lumber sales to the U.S.

Lumber and log buyers in Asia need, and want, alternatives to burgeoning imports from Russia. If the U.S. won't pay today's tariff-added-in inflated prices, proponents argue, Chinese and Japanese buyers will eagerly pay tariff-out prices for Canadian lumber.

Well, none of this suggests a déjà vu scenario of calm serenity, or anything that is sustainable.

Most U.S. lumber buyers have supported the Canadian position in previous negotiations of

softwood lumber agreements. Of course, that's not political; it's financial. Tariff-free or lower-priced supplies from Canada significantly help their cost-competitiveness in building new homes and in the renovation market.

Problem is, if pain is inflicted through sustained high lumber prices, Canada's U.S. customers will quickly forget who caused it. The blame game will start and, under the current U.S. administration, the tweeting finger inevitably will point at Canada.

The risk is that if today's relatively high lumber prices continue, blame will be attached. Canada's recently attained influential supply position in the U.S. lumber manufacturing sector, notably in the U.S. South, might become a political issue. That's not a space Canada wants to occupy.

Moreover, within **International Paper**, **Weyerhaeuser** and other U.S. land-owning lumber producers, as well as a large number of influential private timberland owners, there's a strong and determined counter-culture that does not favour unrestricted imports from Canada.

In a recent press release, the **U.S. Lumber Coalition** ([www.uslumbercoalition.org](http://www.uslumbercoalition.org)) said that trade action by the U.S. was “supported by producers accounting for nearly 70% of all softwood lumber produced in the United States (excluding

companies that are related to Canadian producers).” Hmm!

Timberland owners are incensed that the benefits of today's high lumber prices are not being passed through to them in terms of higher log prices. Experts predict a continuation of low log prices in the U.S.

A win-win for the coalition would be to succeed in the blame game against Canadian suppliers and impose import quotas on Canadian lumber shippers.

Now that's managed trade – U.S.-style.

Canada has some very smart industry and trade negotiators burning the midnight oil in Ottawa and Washington, D.C. Their backs are to the wall. For sure, they won't be able to offer a timely proposal to the U.S. side if a Canadian “divide” tolerates regional over national interests.

In the meantime, investors in lumber stocks should be belted in for a roller-coaster ride.

One thing is for sure: Canada's softwood lumber manufacturers are a long way yet from being out of the woods. They should be particularly vigilant. Wily creatures abound, absolutely determined to ensure they won't emerge from the woods unscathed. ■

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