

IN THE MATTER OF THE  
*COASTAL FOREST INDUSTRY DISPUTE SETTLEMENT ACT*

REPORT OF THE MEDIATION-ARBITRATION COMMISSIONER  
DONALD R. MUNROE, Q.C.  
CONCLUDING A NEW OR REVISED COLLECTIVE AGREEMENT  
BETWEEN THE PARTIES AS DEFINED IN THE *ACT*  
AND AS REQUIRED BY SECTION 6 OF THE *ACT*

MAY 27th, 2004

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On December 17, 2003, I was appointed by the Honourable Graham Bruce, Minister of Skills Development and Labour, as the Mediation-Arbitration Commissioner under the just-enacted *Coastal Forest Industry Dispute Settlement Act*. As was publicly announced at the time, the Legislative Assembly's passage of the *Act* was with the concurrence of the parties immediately affected by it, as was my appointment as Mediation-Arbitration Commissioner.

The parties named in the *Act* are Forest Industrial Relations Limited (FIR), including its member companies; the Industrial, Wood and Allied Workers of Canada, Locals 1-80, 1-85, 363, 2171 and 1-3567 (collectively the IWA) and the Council of IWA Locals certified as bargaining agent of Weyerhaeuser Company Limited.

The immediate purpose of the *Act* was to terminate any strikes or lockouts between the parties, and to put the parties' then-existing collective bargaining dispute into a process of dispute resolution (Sections 4, 6 and 11). Pending the resolution of a new or revised collective agreement between a trade union and an employer as defined by the *Act*, a collective agreement binding on such parties immediately prior to June 14, 2003, including letters of understanding that were part of the collective agreement at that time, was deemed to have continuing force and effect (Section 3(1)), subject only to any interim orders that might be made by the Mediation-Arbitration Commissioner (Sections 3(2) and 6(4), (5) and (6)). The master agreement signed by FIR on behalf of its member companies on the one hand, and by the IWA on behalf of its affected Locals and the Council of IWA Locals on the other hand, and binding on the parties immediately prior to June 14, 2004, is commonly known as the 2000-2003 Coast Master Agreement.

My duties and processes as Mediation-Arbitration Commissioner are described in Sections 6(1) and (2) of the *Act* as follows:

6(1) The minister must appoint a mediation-arbitration commissioner to do the following before May 31, 2004 in accordance with this Act:

- (a) resolve and decide all matters in dispute between a trade union and an employer;
- (b) conclude a new or revised collective agreement between the trade union and the employer.

(2) With or without the consent of any party, the commissioner may use fact-finding, mediation, conciliation, arbitration or any other procedure that the commissioner considers appropriate for the purposes of subsection (1).

The *Act* foresaw the possibility that efforts at conciliation or the like might not be successful. Against that possibility, Section 11(1) of the *Act* states that:

11(1) A new or revised collective agreement that is concluded by the commissioner under section 6(1)

- (a) is deemed to be a collective agreement between the parties,
- (b) takes effect on the date specified in that collective agreement, and
- (c) is binding on a trade union and an employer and on the employees affected.

The binding nature of the new or revised collective agreement is subject only to Section 11(2) of the *Act*:

11(2) The collective agreement under subsection (1) may be varied by agreement between a trade union and an employer.

On March 15, 2004, I wrote to the parties in the following terms (in part):

I have met with the parties and their chief spokespersons a number of times since my appointment as Mediation-Arbitration Commissioner on December 17, 2003. Some of the meetings have been with the parties jointly, for facilitated discussion of issues in dispute and in one instance for a joint economic briefing and ensuing dialogue. Others of the meetings have been with the parties separately for the purpose of further exploring and looking for settlement possibilities. I also met with representatives of the Truck Loggers Association, in the parties' presence, to hear more

directly a Contractor perspective in relation to my statutory mandate.

As well, the parties at my request have provided me with written submissions pertaining to the economic situation and competitiveness of the coastal forest industry.

While my several meetings with the parties have greatly assisted me in arriving at an understanding of the dispute in context of Section 7 of the *Act*, I am bound to say that the goal of settlement by agreement between the parties appears not within reach. Accordingly, I will now be deliberating on the content of a new or revised collective agreement, and will be commencing the preparation of a report which will discharge my obligation under the *Act* of concluding a new or revised collective agreement not later than May 31, 2004. I will be in touch with the parties during this deliberative period, should the need for clarification or the desirability of further discussion arise. You should also free to contact me for like purposes.

In my consideration of the matter, I have had full regard to Section 7 of the *Act*:

7 In performing duties and exercising powers under Section 6, the commissioner must consider the following:

- (a) the need for terms and conditions of employment that are consistent with the economic viability and competitiveness of the coastal forest industry in both the short and long term;
- (b) the importance of good labour management relations in the coastal forest industry;
- (c) the interests of the employees and trade unions.

The factors listed in section 7 as requiring consideration recognize both the conflicts of interest and the interdependence which concurrently and inherently exist between employers, on the one hand, and their employees and certified bargaining agents, on the other hand. It is clear that the coastal forest industry is presently in tough financial shape; that the industry faces serious competitive challenges; that the industry's problems cannot be characterized as ordinary cyclical problems which will resolve themselves in due course. Broadly speaking, a healthy and competitive industry is in the interests of the employees. Steps must be taken toward that end. As the IWA rightly states, a good many of the industry's challenges are external to the collective agreement. But within the frame of the collective agreement, certain flexibilities and cost adjustments must be accepted as inevitable. Some of these will be hard for the employees to accept, but their acceptance is required for the rejuvenation of an industry which, despite its present malaise, remains a predominant (and potentially even more important) employment-provider and economic engine for coastal British Columbia. At the same time, a healthy and competitive industry requires workplaces where the proper value is placed on good labour-management relations, with a high-morale work force whose interests are genuinely taken into account. The legislation also requires that I consider the institutional interests of the IWA as the workers' representative. I will further comment on the operation of Section 7 of the Act while addressing certain of the revisions I am making to the parties' collective agreement.

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I have indicated the need for rejuvenation of the coastal forest industry. As the Industry's brief recounts, in the seven-year period 1996-2002 the net earnings

for the coastal industry were \$531 million on sales of \$14.1 billion. The return on capital employed (ROCE) during the same seven-year period was estimated by the industry at 4.2% which is well below the commonly accepted 10-12% cost of capital. As stated in the Industry's brief, returns at those levels are crippling to an industry that must compete against modern, new and efficient mills in the rest of the world.

In its written brief, the IWA acknowledges what it describes as the coastal industry's "lackluster" earnings, but says that the earnings must be considered in the context of the "...wide discrepancies between earnings of the various players in the coast industry". No doubt, discrepancies do exist between the financial performance of the FIR member companies. However, the industry as a whole is simply not renewing itself. Again referring to the Industry's brief, only once in the ten-year period 1993-2002 did capital expenditures in the B.C. coastal industry exceed depreciation (and then only slightly). That is to be contrasted with the B.C. interior and the U.S. Pacific Northwest lumber industries where there has been substantial investment in equipment and technology over the past decade. Investment is badly needed in the B.C. coastal forest industry, both for the modernization of existing operations and for the construction of new state-of-the-art manufacturing plants. The IWA argues that if the required capital investment had been made, the industry's competitive position would be much better than presently is the case, and would substantially improve in future. The problem, of course, is that the required capital investment is being deflected by the industry's poor financial results in the last decade or so, and the accumulation of competitive challenges.

As I have said, some of the challenges facing the B.C. coastal forest industry are external to the collective agreement. These include:

1. *The collapse of the Japanese market.* Roughly 60% of the marketable B.C. coastal timber is hemlock products. For many years, Japan was a reliable market for coastal hemlock products. However, the Japanese recession has resulted in much-reduced housing construction since the mid-1990's; and, of greater structural (as distinct from cyclical) concern, the 1995 Kobe earthquake, which devastated that Japanese city, led to new Japanese building codes, prompting builders to turn away from the B.C. coastal green hemlock in favour of kiln-dried alternatives which are readily available from Scandinavia and elsewhere. B.C. coastal hemlock is difficult and very costly to dry. The Japanese market appears recently to be stabilizing, but prices are not where they were, and the competitive pressures are unabated.
2. *The Canada-U.S. Softwood Lumber Agreement.* While the Softwood Lumber Agreement remained in place, the B.C. coastal forest industry was unable to make up for the collapse of the Japanese market, due to quota arrangements. And following expiry of the Agreement, the industry has been faced with punishing countervailing and anti-dumping duties on imports of Canadian softwood lumber to the U.S. There has been movement in recent months toward a resolution of the dispute with the U.S., but no resolution to date.
3. *Regulatory costs.* For a good part of the 1990's, the industry faced substantially rising costs due to government-imposed forest practices regulations. The point here is not the social or environmental merits or demerits of the regulations, but the plain fact that they added significantly to the cost of harvesting timber. These regulations have recently been adjusted, with some resulting cost mitigation.

4. *Stumpage costs.* During the 1990's the stumpage costs experienced by the industry increased, due in part to the "super-stumpage" imposed in 1994. There has recently been reform in the stumpage system. It remains to be seen how these reforms will affect the industry's costs in the medium and longer term.
5. *Increased logging costs.* As noted above, about 60% of the B.C. coastal forest is hemlock – which presently is uncompetitive in world markets. The other old-growth, higher-value timber on the B.C. coast is becoming more difficult and costly to harvest: due to the depletion of the nearest and best timber, with the consequence that the industry must now do more and more logging on unfavourable terrain, longer distances from base.
6. *The transition from old-growth to second-growth timber.* For many years, the B.C. coastal forest industry enjoyed a competitive advantage because of the high value the market placed on the products made from the old-growth timber found plentifully on the B.C. coast. Still today, the greater proportion of the B.C. coastal harvest is old-growth timber. But as the two sides to this dispute both acknowledge, the industry must prepare itself over the next decade for the necessary transition to second-growth harvesting and manufacturing. The B.C. coastal industry used to compete only with the U.S. Pacific Northwest, because those two regions were the primary producers of cedar and other old-growth species (the IWA still regards the U.S. Pacific Northwest as the B.C. coastal industry's primary competitor, now and in the foreseeable future). However, as the industry views things, the second-growth hemlock will be competing in the structural lumber market not only against the U.S. Pacific Northwest, but also against the B.C. interior industry, the rest of Canada, Western and Eastern Europe, and Russia.

That takes us back to the need to attract investment so that the B.C. coastal industry can re-configure and re-tool itself for the future. The IWA does not deny the exceptionally high costs being experienced by the B.C. coastal industry. The IWA says this, however: “The coastal forest sector in its current configuration is significantly different from the lowest-cost, highest-efficiency industrial regions, in that it was not *designed* to compete with them. Instead, it was built to contend for the Japanese market for higher-value products that these low-cost regions do not produce.” That observation is substantially correct. But it also reinforces the present point: which is that as the market shrinks for the higher-value products, and as the timber supply transitions from old-growth to second-growth, the industry must re-tool and re-configure accordingly. Again, substantial investment is required, which will not be forthcoming without some indication that the industry will be competitive in the short and longer run.

7. *The rising Canadian dollar.* The sales of B.C. coastal logs and lumber are largely denominated in U.S. dollars, including sales to Japanese customers. To the extent the B.C. coastal forest industry has enjoyed any successes in the recent past, it has had much to do with the unusually favourable (from an export perspective) Canadian/U.S. dollar exchange rate. In 2003, the U.S. dollar dropped nearly 20% in relation to the Canadian dollar. That has had a profoundly serious effect on the industry’s earnings and competitive position.

I have characterized the above list of challenges facing the B.C. coastal forest industry as being external to the collective agreement. By that, I mean that there is nothing the parties can do in collective bargaining to alter the *existence* of those challenges. However, that does not mean that the above-listed challenges are

irrelevant to collective bargaining; and it certainly cannot be said that the various “external” challenges facing the industry, and seriously dampening the industry’s economic viability and competitive position, are irrelevant to my mandate as Mediation-Arbitration Commissioner under the *Act*. To the contrary, Section 7 of the *Act* requires that I “consider”, among other things, “...the need for terms and conditions of employment that are consistent with the economic viability and competitiveness of the coastal forest industry in both the short and long term”.

There is also a fact, which must now be recorded, that is very much “internal” to the collective agreement. It is that the labour costs associated with the B.C. Coast Master Agreement, in which I importantly include restrictions on management’s ability to fully and effectively utilize capital assets, are the highest of any lumber-producing region in the world. The high labour costs have been sustainable in the past because of the premium that the coastal forest industry has been able to attract for its appearance-grade products from old-growth timber, in combination with second-growth products. However, some of the above-listed challenges are eating into that premium, and there will be further erosion as the transition from old-growth harvest to the second-growth harvest proceeds. That is a reality that simply must be confronted.

That is not to say that the industry’s financial woes must be solved entirely off the backs of the workers, so to speak. Section 7 of the *Act* requires that I consider the interests of the workers and their union, and I have done so. The IWA is correct that the government and the companies have an important role to play, independently of the content of the collective agreement, in restoring the viability and the competitive fortunes of the B.C. coastal forest industry. These include research, development and marketing initiatives; ongoing investment in plants and

equipment; continuing to modernize forest policy; the resolution of land claim issues; and the exertion of the greatest possible pressure toward a resolution of the softwood lumber dispute with the U.S. In short, all stakeholders must contribute to the industry's turnaround, in their own best interests.

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The collective bargaining between FIR and the IWA was effectively preceded by collective bargaining in the B.C. southern and northern interior forest industries. The new collective agreements covering those areas of the province include the following major elements:

1. A six-year term with annual wage increases of 0%, 2%, 2%, 2%, 2% and 3%; and a ROCE table for eligible employees.
2. Adjustments to the Health and Welfare and Long Term Disability Plans which, in net result, produce cost savings which are not insignificant.
3. Special contributions to the Pension Plan (30¢ per hour by employee and employer alike) for a maximum of 24 months for solvency filing purposes; contributions to the Pension Plan by employees of a further 25¢ per hour effective July 1, 2004, and a further 25¢ on July 1 of each subsequent year of the collective agreements; and changes in the governance of the Pension Plan.
4. Changes to the alternate shifting provisions of the collective agreements.
5. Adjustments to seniority retention, and to severance pay for permanent plant closure.

In the dispute before me, neither side was initially willing to be pinned down to a particular term for the new or revised collective agreement. More recently, the Industry has said that it believes a six-year agreement commencing this year is required, citing the need for a lengthy period of stability in the parties' collective bargaining relationship. On the other hand, given FIR's present demands and the prospect of significant collective agreement changes to meet current circumstances, the IWA is concerned that the employees' interests will be unduly subordinated by the lack of access to the collective bargaining table for the long period proposed by the Industry.

These parties do need a reasonable period of stability. Their collective bargaining relationship is presently strained. The objective of good labour-management relations will not be met if the parties are pushed back into collective bargaining too soon.

At the same time, the continuing impact of the various external factors so profoundly affecting the parties' collective bargaining relationship is difficult to predict. As examples only, if the Canadian dollar continues to rise in relation to the U.S. dollar and if the Canada-U.S. softwood lumber dispute remains unresolved in the medium term, the coastal forest industry's economic viability and competitiveness may be threatened by being locked into a six-year collective agreement with fixed wage increases, etc., for such duration. Conversely, if factors external to the parties' relationship result in a substantial improvement in the industry's fortunes over the next few years, the employees' interests may not be

given sufficient weight in the latter years of a collective agreement with a six-year term.

If one adopts the norm (as I do) of looking at the commencement date of the new or revised collective agreement as the day following the expiry of the immediately preceding collective agreement, then whatever the nominal term of the new or revised collective agreement, nearly one year thereof has already gone by (the predecessor collective agreement expired on June 14, 2003 [although revived by the *Act* in December, 2003]). Thus, a six-year term would have roughly five more years to run, while a three-year term would have only about two years left to run. The parties need a greater period of collective bargaining stability than just a couple of years. On the other hand, a five-year lock-in may actually threaten the coastal forest industry's competitiveness or work unfairly to the employees. My conclusion is that the new or revised collective agreement shall have a four-year term, effective the expiry of the previous collective agreement. That is, the term shall be June 15, 2003 to June 14, 2007.

I turn now to the wage settlement. FIR has proposed that wages be increased by 0% in the first year of the agreement, and by 25¢ per hour in each of the succeeding years of the new or revised collective agreement. An increase of 25¢ per hour amounts to approximately 1% on base. In my view, at least for the four-year term of this new or revised collective agreement, the pathway toward rejuvenation of the coastal forest industry should not be one which differentiates between the general wage settlements from one region to the other within the province. That pathway should be avoided, if possible, in the interests of the employees and the union, and in the interests generally of stable labour-management relations. As will be seen, the employees are being required by the

new or revised collective agreement to make financial sacrifices in other areas, and being required as well to make life-style sacrifices in order to put the coastal forest industry on a competitive footing. As I have said, for the four-year term being hereby directed, there should not be a separation of the wage-settlement pattern as between the IWA membership from one region of the province to the other. Accordingly, the wage increases I am directing replicate those for the first four years in the new collective agreements covering the other areas of the province.

Related to wages, there is common ground that the new or revised collective agreement should contain provisions respecting payments to eligible employees depending on achievement of certain ROCE levels, as has been done in other forest industry regions of the province. However, the FIR membership is less homogenous than the forest operations in the other regions, and therefore the ROCE provisions that have been negotiated in those other regions may not be perfectly transferable to the coastal forest industry (although they do provide a model). While there is common ground as aforesaid, the parties have not meaningfully engaged each other, or me, in efforts to finalize the matter. No doubt, that is because the matter, while important, is less urgent than some others. As will be seen, I have included in the new or revised collective agreement a provision requiring the parties to agree on this matter by September 30, 2004, failing which a binding third-party determination will be made. If binding determination is required, it shall be modeled on the ROCE provisions of the 2003-2009 Southern Interior Master Agreement, adapted to suit the term of the new or revised Coast Master Agreement and the varying circumstances of the FIR membership.

One point of agreement between the parties is that adjustments should be made to the Health & Welfare and Long Term Disability Plans that correspond to

the adjustments made to those Plans in the southern and northern interior collective agreements.

Other points of common ground have to do with the Pension Plan. The Pension Plan for the employees in the B.C. coastal forest industry is the same Pension Plan as for the IWA membership in the southern and northern interior forest industries. FIR and the IWA agree that the same temporary (maximum 24 months) contribution (30¢ per hour by employee and employer alike) should be made to the Pension Plan for solvency filing purposes (effective July 1, 2004); and the IWA also agrees that there should be contributions to the Plan by employees of an additional 25¢ per hour effective July 1, 2004, and a further 25¢ per hour effective July 1 of each succeeding year of the collective agreement.

The one point of controversy concerning the Pension Plan is the IWA's proposal that instead of there being an equality of Plan Trustees as between the industry and the union (as is now the case), the union should have a majority of Plan Trustees (8 of 14). The union's proposal in that regard has been accepted (on certain terms) by the other employer bargaining agents in the province (IFLRA and CONIFER), as well as by Canfor and Weldwood. However, because of the universality of the Pension Plan, the proposal cannot be implemented without the same agreement by FIR representing coastal employers. I am not unsympathetic in principle to the IWA proposal. Once the 30¢ per hour special bi-lateral contribution lapses, the increased contributions during the life of this new or revised collective agreement will be by the employees (although the employers will continue to make the contributions that have been agreed in the past). The terms on which the IWA's governance proposal has been accepted elsewhere in the province contain safeguards as to funding policy. In principle, the IWA's governance proposal is in

the interests of the employees and the union, and need not be contrary in principle to the coastal forest industry's competitive position. But that said, the text and the supplementary document by which the IWA's governance proposal has been accepted elsewhere in the province can best be described as a working document. That is not to say that it does not contain binding commitments. But neither is it complete. For example, the IFLRA-IWA Memorandum of Agreement states that, "...the Southern Interior Trustees will be directed to amend the Pension Plan to reflect the changes contemplated by the attached document...." It is perhaps legally doubtful that the Trustees can be "directed" to pass resolutions amending the Pension Plan (although I acknowledge a history of the representative Trustees being influenced by the wishes of the Industry and the IWA). And as the last-quoted words suggest, the exact wording of the "changes contemplated by the attached document" is not spelled out. The "attached document" is fairly precise in certain respects, but more generally expressed in other respects, and clearly will require additional discussion and common understandings, including about the relationship between some of its provisions and the preceding MOA text, prior to effective implementation.

As things presently sit, I do not see how I can simply say that the IWA's pension governance proposal shall be accepted, when I am unable to claim a reasonably sure understanding from the documents comprising the proposal (e.g., the IFLRA-IWA Memorandum of Understanding as it relates to the governance issue) exactly how it would be implemented and operate. But neither do I think that the IWA's proposal should simply be rejected on that account. Accordingly, I have concluded that there shall be a Letter of Understanding by which FIR and the IWA undertake to use best efforts to work together with the other affected parties and the Plan Trustees to achieve common understandings for the implementation of pension

plan governance as contemplated by the IFLRA-IWA Memorandum of Agreement, with the prospect of third-party intervention to make such binding determinations as may be appropriate in relation to the parties in this proceeding.

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In my discussions with the parties, FIR identified five major areas in the collective agreement which, according to their membership, require significant adjustment for the industry to be economically viable and competitive in the short and long term. The five areas are as follows: (1) Alternate Shifting; (2) Vacations; (3) Travel Time; (4) Stump-to-Dump Contracting Out; and (5) Preferential Hiring.

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Presently, the collective agreement (Article V, Section 1) describes the regular hours of work in all forest products operations as being 8 hours per day and 40 hours per week (overtime rates applying thereafter), going on to say that production employees shall be paid overtime rates for all work on Saturday or Sunday regardless of the number of hours worked during the week. The collective agreement then says (Article V, Section 2) that alternate shift scheduling may be implemented, but only by agreement at the local level, based on certain principles including those in Supplement No. 8. Some of those principles generate significant cost. The result is that the B.C. coastal forest products operations, looking at the industry as a whole, are not economically utilizing their existing capital assets to the full potential. Very simply, the current collective agreement regarding hours of work and related matters impedes the flexibility required for the most efficient utilization and deployment of facilities, equipment and personnel. In past years,

when the B.C. coastal forest industry was in its prime, the situation did not adversely affect the industry's competitive position. Today, however, with the industry in decay, and with the present competitive pressures, the inflexibilities or the high costs associated with alternate shift scheduling are no longer reasonable. The disincentives to investment created by such inflexibilities or high costs must be obvious. As I said above, the industry must be able to attract capital investment for the upgrading of its existing assets, and for the necessary transition over the next decade or so to greater reliance on second-growth harvesting and products.

I am making a number of adjustments to the collective agreement as regards alternate shifting. These include: (1) A right in management to implement alternate shifting, which may include weekend shifts, without overtime penalty, provided the principle of a 40-hour week is maintained over an averaging period; (2) a menu of alternate shifting arrangements which is illustrative but non-exhaustive; and (3) elimination of the "no loss – no gain" principle. I have also made certain adjustments to the statutory holiday provisions of the collective agreement, as they relate to alternate shifts. The adjustments I have made in that regard are aimed at providing opportunities for greater running time as circumstances warrant.

The changes I am making in the area of alternate shifting will beneficially affect both the manufacturing and the logging sectors of the industry. It is true that the benefits will be uneven from company to company; and even in those operations where the greatest potential benefit lies, the results will depend on managerial vision and capabilities. But looking at the industry as a whole, I regard the adjustments I am making in this area as an important building block toward placing the B.C. coastal forest industry on a competitive footing. The changes will facilitate

the rationalization of existing plants and equipment, as well as facilitating the most productive utilization of new plants and equipment.

The changes in this area will also be among the more difficult for adaptation by the affected workers. Some workers will be affected economically, and some will have their life-styles disrupted. Indeed, there likely will be some resulting job loss in the short to medium term. But if, as is intended, the changes facilitate the rejuvenation of the industry, the employment opportunities should increase over time. Balancing the matters I am required by Section 7 to consider, I have concluded that the changes I have made in this area are necessary for the economic viability and competitiveness of the coastal forest industry in the short and longer term. But given the significant impact these changes will or may have on the affected employees, I am delaying their effective date until September 15, 2004 to allow the employees a period of adjustment.

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FIR has proposed three changes to the vacation provisions of the collective agreement (Article XIII). The first is the elimination of the “regular job rate method” for calculation of vacation pay for eligible employees (those who have worked a minimum of 1,500 hours in their first year of service and a minimum of 1,000 hours during succeeding years of entitlement). The savings generated by this proposal, if accepted, are relatively modest, and in my view are outweighed by the impact on the affected employees. And if, as is intended, the changes I have made to alternate shifting result in due course in greater work opportunities, then the savings associated with FIR’s proposal would have even lesser significance to the industry’s competitive position.

FIR's second proposal regarding vacations is to move toward a 5-week vacation cap (down from the present 7 weeks). This would have significant financial impact. However, in my view, the elimination of the 6- and 7-week vacation entitlements for employees achieving 24 and 30 years' service (as presently required) would be unfair and inappropriate.

FIR's third proposal on vacations relates to Article XIII, Section 8(b). That provision requires that, "All earned vacations must be taken". In logging, the requirement that all earned vacation must be taken is honoured mainly in the breach (with the union's acquiescence). In manufacturing, however, the requirement is mostly enforced by the union. The requirement has value to some of the union's laid off members, and to the union itself, because of the opportunities for recall and sustained union membership. However, the financial impact of eliminating the requirement is substantial; and on balance, I do not regard its elimination as unreasonable in relation to the interests of the employees and the union. (I note that the language of Article XIII, Section 8(b) is not found in the other major IWA collective agreements elsewhere in the province.) Let me be clearly understood. The removal of Article XIII, Section 8(b) would not *require* an employee to forego (i.e., be "paid out") any earned vacation. It would be at the employee's option. But as I have said, the industry is confident that significant savings will be achieved by the conferring of that option on the employees. I have concluded that Article XIII, Section 8(b) shall be deleted from the collective agreement. For clarity, the intention of such deletion is that except as may be required by law, employees shall have the right to forego (i.e., be "paid out") any part of their earned vacation. I have made a similar change to the Personal Floating Holiday provision of the collective

agreement: by saying that with the agreement of the Company, an employee may waive the right to a Floating Holiday, with pay in lieu.

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FIR's initial position with respect to travel time payments was simply to eliminate them. That might well contravene the *Employment Standards Act*, and in all events would be impractical. As the representatives of the Truck Loggers' Association stated, echoing the union in this regard, it is unrealistic to think that skilled loggers could be attracted or retained without travel time payments being part of the employment package (although the TLA did express the view that a special rate should be fixed for travel time which would result in decreased travel time costs). FIR's altered position on travel time and related matters has a number of elements. One is that the operator of crew transport be paid a particular rate, which shall be a straight time rate despite the hours worked being such as would normally be considered overtime; and further, that the operator of crew transport not be entitled to travel time payments on top of the payment for driving. Another is to allow the company the unilateral right to designate, relocate or eliminate marshalling points (which would effectively allow the company to decide whether or how much travel time would be paid). Yet another is to fix the labourer base rate as the travel time rate in place of the travel time payments based on job rate, and the elimination of any overtime associated with travel time.

I acknowledge being surprised to learn that the operators of crew transport, who are now being paid overtime for the driving, are concurrently in receipt of travel time payments. My surprise was largely due to the presence in the collective agreement of Article XVI(g) which, at least on one reading, suggests that the

operators of crew transport, while being paid overtime, would not also be entitled to travel time payments. But apparently, Article XVI(g) has not been seen as a bar to the payment of travel time to the operators of crew transport, despite overtime already being paid. If travel time payments are withdrawn from the operators of crew transport in such circumstances, the reduction of travel time payments across the industry is quite significant. It will of course be economically hurtful to the affected employees, but in my view is reasonable in the balance required to be drawn under Section 7 of the *Act*. As will be seen, I have directed the addition of a sentence at the end of Article XVI(g), the intent of which is to eliminate travel time payments to any operator of crew transport being paid at overtime for the crew transport duties. I do not agree with the Industry that the operator of crew transport should in all events be deprived of overtime rates.

Likewise upon a consideration of the factors listed in Section 7 of the *Act*, I have concluded that an adjustment shall be made to the travel time payments to affected employees generally. I do not agree with FIR that a single rate should be fixed for all employees, regardless of their usual job rate; nor that overtime for travel time should be eliminated. However, the coastal forest industry's adverse competitive position in this area does require recognition. On balance, my conclusion is that the "straight time rate" for travel time purposes shall be 75 percent of the employee's regular job rate or the group 1 labourer rate, whichever is the greater; and that when overtime for travel time becomes applicable, the overtime rate of time and one-half shall be calculated on the basis of the adjusted straight time rate. I have directed various wording changes to the material provisions of the collective agreement to effect these changes.

The change I am making to Article XVI(g), and the changes I am making to the travel time provisions (see the immediately preceding paragraph), will be effective June 15, 2004.

In my view, the changes aforesaid to the travel time provisions under the collective agreement are the appropriate changes to be made upon a consideration of the matters required to be considered under Section 7 of the *Act*. In making that observation, I have in mind, too, that the elimination of the “no loss-no gain” principle from Supplement No. 8 dealing with alternate shifting can itself effectively reduce travel time payments.

As may be inferred from my silence on the subject to this stage, I do not accept FIR’s proposal that the company have the unilateral right to designate, relocate or eliminate marshalling points. The collective agreement presently contemplates that marshalling points shall be agreed upon. With the occasional exception, that provision has worked reasonably well according to its purpose. FIR’s proposal could easily lead to managerial abuse. Accordingly, were I to seriously consider the proposal, or something like it, I would make the managerial decision subject in each instance to arbitration based on reasonableness. I think, however, that transforming the present system in that manner has the great potential for serial disputes which would lead not only to significant expenditures of resources and the inappropriate distraction of managers and union officials from other more productive pursuits, but also to a deterioration in labour-management relations.

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The discussion of the contracting out of a woodlands operation on a stump-to-dump basis arises in the context of Article XXV of the collective agreement. In the course of negotiations, the IWA offered the industry the right to contract out a woodlands operation on a stump-to-dump basis (as distinct from a phase), as an exception to Article XXV, provided the contractors are IWA certified; and provided further that the “1986 snapshot” is not undermined and that the initial and succeeding contractors are deemed to be successor employers. The IWA also said that such contracting out must be on a “long term” basis, to provide reasonable stability to the affected employees.

The industry welcomed the union’s offer to allow stump-to-dump contracting out as an exception to Article XXV, but sought certain things which the IWA finds unacceptable. The industry agrees that the initial and succeeding contractors must be IWA certified, but would seek by its proposed conditions to effectively undermine the “1986 snapshot” and to avoid automatic successorships for the second generation, etc., of contractors. There is also some disagreement between the parties about what ought to be the minimum duration of a stump-to-dump contract: the IWA arguing for ten years; the industry suggesting five years (and then only for the first generation of contractors).

Here again, the benefit of being able to contract out woodlands operations on a stump-to-dump basis will be unevenly felt as between companies. But from an industry perspective, the benefit can be significant. In my view, an acceptance of the major conditions that the industry wants to attach to the union’s willingness to go down the stump-to-dump path are unjustified in the balance of considerations under Section 7 of the *Act*. Whatever might be the long term advantages to the industry of its proposed conditions concerning the “1986 snapshot” and no-

successorship, they are overwhelmed by the negative impact on the affected employees' interests and by the dilution of the union's ability to maintain cohesive woodlands bargaining units. As will be seen, I have prepared a Woodlands Letter of Understanding, which shall be appended to the new or revised collective agreement, and which I regard as the proper outcome to this issue.

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As the parties are acutely aware, the B.C. government's recent 20-percent tenure-takeback program has resulted in apprehension about job loss. That raises a number of considerations. The first has to do with preferential hiring (Article XX, Section 7). FIR's position is that the longstanding provisions on preferential hiring ought to be eliminated. Very simply, the industry wants the right to recruit new employees, unimpeded by provisions requiring that employees who have lost their jobs due to closures or contractions in other operations be given a hiring preference. This ties in as well to what I said earlier in connection with alternate shifting – the likelihood that in the short run, there will be job loss in some operations as a rationalization of capital assets occurs. Even accepting that there would be some productivity enhancement by the elimination of the preferential hiring provisions of the collective agreement, in my view the interests of the employees must be considered predominant on this issue. The general elimination of preferential hiring would be unfair in the present circumstances, and in individual circumstances could be quite devastating. As will be seen in the Woodlands Letter of Understanding, employees will be required to forego preferential hiring rights in certain circumstances. But as I have said, the general elimination of preferential hiring rights at this time would not be appropriate upon a consideration of the factors listed in Section 7 of the *Act*.

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The likelihood of job displacement due to the tenure-takeback, and, at least in the short to medium term, due to the rationalization likely to occur over the next few years, are relevant as well to issues of seniority retention under Article XX, Section 3 and severance pay under Article XXXIII(a). Presently under Article XX, Section 3 the maximum period of seniority retention is 18 months. In the circumstances, it is reasonable to increase the maximum period of seniority retention to 24 months (as has been done in the forest industry collective agreements in other regions of the province). It is reasonable as well to make an upward adjustment to severance pay under Article XXXIII(a): which says that employees terminated by the employer because of permanent closure of a manufacturing plant or a logging camp shall be entitled to severance pay “equal to seven (7) days’ pay” for each year of continuous service and thereafter in increments of completed months of service with the employer.

I earlier described the adjustments I am making to the alternate shifting provisions of the collective agreement as an important building block toward placing the B. C. coastal forest industry on a viable and competitive footing. The Industry stands to benefit greatly from those adjustments. But as I also said, there likely will be some rationalization of assets arising therefrom, and these may include events triggering Article XXXIII(a). There may also be surplus employees in the implementation of the Woodlands Letter of Understanding, whose re-employment prospects in the industry may be bleak, and who may elect under the Letter of Understanding to effectively terminate the employment relationship and accept severance pay (which will be calculated in the same manner as under Article

XXXIII(a)). The Industry on a number of occasions has stated a willingness to find “soft landings” for employees who are dislocated or redundant due to changes in the collective agreement. However, the discussions about severance pay under Article XXXIII(a) are the only area in which this stated willingness has found concrete expression. The affected employees must be treated fairly as the coastal forest industry transitions itself.

In my discussions with the parties, an adjustment to the severance pay formula in Article XXXIII(a) has been expressed in terms of 10 days’ pay for each year of continuous service (and thereafter increments of completed months of continuous service) with the company, rather than the present seven days. This upward adjustment from seven to 10 days has been done in the forest industry elsewhere in the province. I think it should be done here as well.

Under the IFLRA-IWA collective agreement, a day’s pay for severance pay purposes is defined as eight hours’ straight time pay. That definition does not exist in the Coast Master Agreement, which simply uses the phrase “days’ pay”. FIR would have me adopt the IFLRA-IWA definition of a day’s pay. However, I have decided not to insert that definition into the parties’ longstanding text of Article XXXIII(a). The employees affected by Article XXXIII(a) closures due to changes in the collective agreement or other coastal industry restructuring must in my view be treated generously in terms of severance pay.

However, I recognize that as the result of the changes to the alternate shifting provisions of the collective agreement, there likely will be more employees working alternate shifts (e.g., four days of 10 hours each) than presently is the case. Under the present language of Article XXXIII(a), those employees might be entitled to

severance pay calculated on a base, for example, of ten hours, with whatever additional pay they normally receive each day, while the employees who continue to work an eight-hour shift would have a calculation base of eight hours. Thus, someone working an eight-hour shift could receive substantially less severance pay than someone working, for example, a ten-hour shift, even though they are regularly scheduled to work the same weekly number of hours on average. That would not be equitable. Given the formulation “days’ pay” in Article XXXIII(a), there will always be individual variations. But in my view, with the changes to the collective agreement going forward, these should be smoothed off as far as practicable. I have therefore added words to Article XXXIII(a) which, while protecting the present application of a “day’s pay”, describe the maximum severance pay available for employees on alternate shifts as being based on an eight-hour shift equivalent.

Let me quickly add two things. The first is that FIR’s willingness to adjust upward the severance pay formula under Article XXXIII(a) in any degree is connected to what FIR would regard as the appropriate content of a Letter of Understanding dealing with the B.C. Forestry Revitalization Trust. I will address that issue below. But the second observation to be made at present is simply the expression of my own view that the adjustment I am making to Article XXXIII(a) has merit on its own, drawing the appropriate balance under Section 7 in context of the new or revised collective agreement as a whole, regardless of issues surrounding the Trust.

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Both parties made proposals respecting a Letter of Understanding dealing with the B.C. Forestry Industry Revitalization Trust. The Trust was created last

year by the provincial government. Its stated purpose is “...to mitigate adverse financial impacts suffered by any Eligible Person as a result of restructuring of the forestry sector and forestry operations within British Columbia, arising out of reductions under the *Forestry Revitalization Act* of harvesting rights available to licensees under the *Forest Act*”. As appears from the Trust document, Eligible Persons include forestry workers and contractors, but not the licensees themselves.

The Industry wishes, in effect, to be compensated out of the Trust for severance payments it makes under Article XXXIII(a) arising from the closure of logging operations. In my view, the problem of compensation to the Industry for third party liabilities (e.g., collective agreement liabilities) arising from the *Forestry Revitalization Act* is properly one between the Industry and the provincial government; not one to be addressed in collective bargaining where the result may be to compromise the access by workers and Contractors to the financial assistance contemplated by the Trust. On the other hand, the IWA’s proposal presumes that the parties to this proceeding can bind or fetter the Trustee, and also in some respects presumes a scope for the Trust that it may not have.

It must also be remembered that the Trust is not simply in respect of the FIR-IWA relationship, but for the provincial forest industry generally.

The Trust document says what it says. A Trustee who enjoys the confidence of all affected parties has recently been appointed. The parties have commenced working with the Trustee. The conclusion I have reached is that I should not insert any provisions in the parties’ collective agreement dealing with the Trust.

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There are a few miscellaneous matters to be addressed. First, the union has proposed changes to the provisions of Article X, Section 14 of the collective agreement dealing with “Logging Wage Rate Revisions”. The proposals would substantially alter the present language. However, the union’s two main objectives are to use Group 16 as an available rate arising from the “Logging Wage Rate Revisions” process; and to gain access to third-party determination where the process does not produce an agreement. I do not think that Group 16 should be introduced into the existing language. Presently, the highest Group in the Standard Logging Wage Scale in the collective agreement is Group 15. To the limited extent a Group 16 rate has been applied, it has been by special agreement. I think it should remain that way. However, I do think it reasonable that a mechanism be introduced to break a deadlock where the parties cannot agree upon an appropriate logging rate where there is a new or significantly revised job and/or equipment. I have made language adjustments to that end to the provisions of the collective agreement dealing with “Logging Wage Rate Revisions”. As will be seen, the language adjustments are applicable to new or significantly revised jobs and/or equipment occurring after June 14, 2003.

Second, I am including in the new or revised collective agreement a Letter of Understanding concerning Apprenticeship that was proposed by the IWA. Its content is entirely consistent with section 7 of the *Act* as well as being reasonable on its face.

Third, as I informed the parties I would be doing, I am including in the new or revised collective agreement a Letter of Understanding concerning Local Agreements and Practices.

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Attached hereto is a document labeled Schedule "A" which contains the revisions I am directing to the collective agreement, and resulting in the new 2003-2007 Coast Master Agreement. As I informed the parties, and hereby confirm, Schedule "A" is intended to apply to the collective agreement between Flavelle Sawmill Company Limited and the IWA Local 1-3567 (see BCLRB Decision No. B49/2004), in addition to the Coast Master Agreement parties themselves.

The parties shall prepare a long form of collective agreement based on the content of Schedule "A". I will retain jurisdiction to perform that task, upon application by either FIR or the IWA, if the parties fail to complete the task by September 30, 2004.

DATED THE 27<sup>th</sup> DAY OF MAY, 2004.

*"Donald R. Munroe"*

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Donald R. Munroe, Q.C.

## SCHEDULE “A”

1. Pursuant to the *Coastal Forest Industry Dispute Settlement Act* (the *Act*), the following are the terms and conditions of the revised collective agreements between an “employer”, “FIR” and the “trade union” as defined in the *Act*.
2. Except as provided in this Schedule “A”, the terms and conditions of the revised collective agreement between a trade union and an employer shall be the same as the terms and conditions of a collective agreement between them, including any letter of understanding between the trade union and the employer, that was in effect immediately before June 14, 2003. All references to Article numbers in this Schedule “A” are references to the Article numbers in the 2000-2003 Coast Master Agreement.
3. Article XXXIX – Duration of Agreement – is revised by: (a) deleting the phrase “15<sup>th</sup> day of June, 2000” and substituting therefor the phrase “15<sup>th</sup> day of June, 2003”; (b) deleting the phrase “14<sup>th</sup> day of June, 2003” and substituting therefor the phrase “14<sup>th</sup> day of June, 2007; and (c) deleting the phrase “15<sup>th</sup> day of June 2003” and substituting therefor the phrase “15<sup>th</sup> day of June, 2007”.
4. Effective September 15, 2004, Article V, Section 2 – Alternate Shift Scheduling – is deleted in its entirety and the following substituted therefor:

### Section 2: Alternate Shift Scheduling

- (a) Notwithstanding Article V, Section 1, Management shall have the right to implement other schedules, which may include Saturdays and Sundays, without overtime penalty, provided the principle of the forty (40) hour week is maintained over an averaging period.
- (b) When alternative schedules have been implemented in accordance with (a) above, the following overtime provisions will apply:
  - A. Rate and one-half shall be paid for the following:
    - (i) The first three (3) hours worked in a day in excess of the normal daily hours of the established schedule.

- (ii) Hours worked in excess of forty (40) hours per week or forty (40) hours average when there is an averaging period.
    - (iii) All hours worked on an employee's scheduled rest day, unless a change in rest day has been agreed to between the employee and the Company.
  - B. Double straight-time rates shall be paid for the following:
    - (i) All hours worked in excess of A(i) above.
    - (ii) All hours worked on Sunday when Sunday is also an employee's scheduled rest day, if the employee has worked forty (40) straight-time hours in the preceding six (6) days, unless a change in the rest day has been agreed to between the employee and the Company.
  - (c) Supplement No. 8 – Alternate Shift Scheduling, contains the agreed upon general principles and parameters for the establishment, implementation or discontinuance of alternate shift schedules.
5. Effective September 15, 2004, Supplement No. 8, as referred to in Article V, Section 2, is deleted in its entirety and the following substituted therefor:

**SUPPLEMENT NO. 8**  
**ALTERNATE SHIFT SCHEDULING**  
 As referred to in Article V of the 2003-2007 Coast Master  
 Agreement

**1. FLEXIBILITY OF HOURS OF WORK**

The parties recognize the need for flexibility of hours other than those outlined in Article V – Hours of Work, Section 1, for the express purpose of better utilization of manpower and equipment such as:

Balancing of production  
 Maintenance  
 Market requirements  
 Even flow production  
 Continuous scheduling  
 (e.g., Logging, Engineers, Firemen,  
 Maintenance, Watchmen)

## 2. **SHIFT SCHEDULING**

The following shift schedules are non-exhaustive examples of shift schedules that will provide the flexibility required to meet the needs expressed above.

- (a) Logging
  - (i) compressed schedules consisting of 10 hours per day, 4 days per week;
  - (ii) continuous schedules such as 4 days on 4 days off, 6 days on 3 days off, or 7 days on 7 days off;
  - (iii) non-continuous schedules such as 10 days on 4 days off, or 15 days on 6 days off, or 20 days on 8 days off, to consist normally of 8 hours per shift.
- (b) Manufacturing
  - (i) 2 crews working 4 days, 10 hours per shift;
  - (ii) 3 crews working Monday to Saturday, 10 hours a shift not to exceed 40 hours per week;
  - (iii) 4 crews working in continuous 7-day operations scheduled to work shifts other than (i) or (ii) above.
- (c) Maintenance

- (i) shifts of up to 10 hours per day, 40 hours per week, Monday to Sunday inclusive;
- (ii) three shifts per week, not exceeding 12 hours per day.

(d) Other Shifts

It is understood that other shifts can be established by Management provided the principle of the forty (40) hour week is maintained over an averaging period, and take into account 3(iii) below and:

- (i) Except by agreement with the Local Union and subject to (ii), maximum scheduled daily hours of work will be 12 hours;
- (ii) In logging the maximum scheduled daily hours of work for physically demanding or dangerous occupations will be 10 hours.

### 3. **IMPLEMENTATION**

The Company will notify and consult with the Local Union in advance of implementing or discontinuing an alternate shift schedule pursuant to Article V, Section 2. After consultation with the Local Union, shift schedules for an alternate shift schedule will be posted by the company with the following details:

- (i) Details of shift.
- (ii) Details of Statutory Holidays and Floating Holidays.
- (iii) Maximum lengths of shifts for physically demanding or dangerous occupations. Accident risk must be taken into account in determining shift lengths.

### 4. **GENERAL PRINCIPLES**

- (a) The Company agrees that alternate shift schedules will not be introduced where the intention is to

increase the use of casual employees in place of regular employees.

- (b) Different parts of an operation may be scheduled on different shifts.
- (c) The principle of the forty (40) hour week is to be maintained over an averaging period.
- (d) Except by agreement between the Company and the Local Union, all existing alternate shift agreements shall be superceded by Article V, Section 2 and this Supplement No. 8.
- (e) Earned vacations will be scheduled on the same basis as days and hours worked under the alternate shift schedule.
- (f) Other Articles of the Collective Agreement, which provide benefits after eight (8) hours, are extended by the amount the regular hours of work have been increased beyond the eight (8) hours per day.
- (g) Employees who are scheduled to work an alternate shift schedule of less than 40 hours per week over an averaging period will nevertheless be paid 40 hours' pay. Article V, Section 2 and this Supplement No. 8 shall not be construed as permitting the establishment of a shift of less than eight hours.
- (h) An employee's rest days may vary from week to week under an alternate shift schedule. Employees shall not be paid premium pay for changes in their rest days in these circumstances.
- (i) An employee whose rest days are changed by the Company under an established alternate shift schedule, shall receive rate and one-half for work performed on his rest days unless a change in rest day results from the application of seniority or has been agreed to between the employee and the Company.

- (j) There shall be no premium pay paid to any employee whose rest days are changed because of the implementation or discontinuance of an alternate shift schedule.
- (k) Where the Company does not provide to the employee seventy two (72) hours' notice of a change to an employee's work schedule, the employee will be paid at rate and one-half for his first shift on the new schedule.
- (l) For ten (10) hour shifts, rest periods will be one (1) ten (10) minute break and one (1) fifteen (15) minute break plus a one-half (1/2) hour unpaid meal break.
- (m) For twelve (12) hour shifts, rest periods will be two (2) fifteen (15) minute breaks plus a one-half (1/2) hour unpaid meal break. On a continuous twelve (12) hour shift schedule, the meal break will be paid.
- (n) Notwithstanding Article XII, Section 10, the Company, with the exception of Labour Day, Remembrance Day, Christmas Day, Boxing Day and New Year's Day, shall have the right after consulting with the Local Union to require an employee to observe a Statutory Holiday on a day that is not the day on which the Statutory Holiday is normally observed. In all events, an employee will be entitled to a compensating day off, which shall be scheduled by mutual agreement within a 90-day period. Employees whose Statutory Holidays are rescheduled under this paragraph will be paid consistent with Article XII, Sections 1 and 2 if they work the substituted Statutory Holiday.
- (o) Statutory and Floating Holidays will be paid as per the employee's regular schedule.
- (p) Bereavement Leave and Jury Duty shall be paid consistent with Article XXI. These days will be paid at the regular daily wage consistent with the work schedule.

- (q) Shift Differential shall be paid only for those hours worked outside the recognized dayshift for those employees working the alternate schedule in effect for that crew working in that part of the operation.
- (r) For those employees working an alternate shift schedule with shifts over eight (8) hours the thirty (30) working days referenced in Article XX - Seniority, Section 6: Probationary Period - will be changed to two hundred and forty (240) working hours.

6. Article X, Section 1(a) is deleted in its entirety and the following substituted therefor:

Section 1: Rates

- (a) The parties hereby agree that wages of all hourly rated employees covered by the Agreement shall be increased by zero percent (0%) per hour effective June 15, 2003; two percent (2%) effective June 15, 2004; two percent (2%) effective June 15, 2005; and two percent (2%) effective June 25, 2006.
7. Other provisions of Article X – Wages – shall be consequentially adjusted.
8. ROCE (Return on Capital Employed) or Gainsharing:

The parties will meet and endeavour to agree by September 30, 2004, on ROCE or Gainsharing payments during the term of the collective agreement. If agreement is not reached, the matter may be referred by either party to Don Munroe (or an agreed substitute) for binding determination by mediation-arbitration. If a binding determination is required, it shall be modeled on the ROCE provisions of the 2003-2009 Southern Interior Master Agreement, adapted to suit the term of this Agreement and the varying circumstances of the Forest Industrial Relations Limited member companies.

9. Article XII, Section 11 (Personal Floating Holiday) is revised in sub-section (b) by adding the following as (viii): “With the agreement of the Company, an employee may waive the right to a Floating Holiday, with pay in lieu.”

10. Article XIII – Vacation with Pay – is revised in Section 8 (Vacation Time) by deleting Section 8(b).
11. Effective June 15, 2004, Article XVI – Travel Time – is revised in sub-section (g) by adding the following sentence at the end: “In the application of this provision, the operator of crew transportation being paid overtime rates of pay shall be excluded from any travel time payments.”
12. Effective June 15, 2004, Article XVI – Travel Time – is further revised as follows: (i) by inserting a new sub-section (c) stating that “For purposes of (a) and (b) above, ‘straight-time rates’ means 75 percent of the employee’s regular job rate, or the Group 1 Labourer rate, whichever is the greater”; (ii) by re-lettering existing sub-sections (c), (d), (e), (f) and (g) as sub-sections (d), (e), (f), (g) and (h), respectively; (iii) by inserting in the newly re-lettered sub-section (d) the words “calculated on the basis of (c) above” after the words “rate and one-half”; and (iv) by inserting in the newly re-lettered sub-section (e) the words “calculated on the basis of (c) above” after the words “rate and one-half”. Likewise effective June 15, 2004, and consequential upon the foregoing, Article X, Section 2 (b) is revised by adding the phrase “except travel time” after the word “provisions” and prior to the period.
13. Article XVII (Health and Welfare) and XVIII (Long Term Disability) shall be revised to provide for equivalent amendments to the Health and Welfare and Long Term Disability plans for the Coast as are described in the Memorandum of Agreement dated October 1, 2003, between IWA-Canada and Locals 1-405, 1-417 and 1-423 -and- Interior Forest Labour Relations Association.
14. Article XX, Section 3(b) - Seniority Retention During Layoff - is deleted and the following substituted therefor:
  - (b) Employees laid off after June 14, 2003 with one (1) or more years’ service shall retain their seniority for one (1) year, plus one (1) additional month for each year’s service, up to an additional twelve (12) months.
15. Article XXXI (Pension Plan) shall be revised to include the following:
  - A. It is understood that the employer and employee contribution of 27\_¢ per hour will be handled in accordance with 3(b) of the July 6, 2000 Memorandum of Agreement between FIR and IWA Canada.

- B. FIR Member Companies will make an additional contribution of up to 30¢ per employee per hour worked for a maximum period of twenty-four (24) months, commencing July 1, 2004. Such funding will be payable only for the period required to pass solvency for filing purposes, and only up to a maximum period of twenty-four (24) months. Should a lesser amount of money be sufficient to meet solvency filing purposes, then the hourly contribution shall be reduced accordingly.
  - C. Plan Members will make an additional contribution of up to 30¢ per employee per hour worked for a maximum period of twenty-four (24) months, commencing July 1, 2004. Such funding will be payable only for the period required to pass solvency for filing purposes, and only up to a maximum period of twenty-four (24) months. Should a lesser amount of money be sufficient to meet solvency filing purposes, then the hourly contribution shall be reduced accordingly.
  - D. In addition to the contribution described in C above, employee pension plan contributions will be increased by a further 25¢ per hour worked, effective July 1, 2004 and by a further 25¢ per hour worked on July 1<sup>st</sup> of each subsequent year of the Agreement.
16. Further with respect to the Pension Plan, the following will be attached to the collective agreement as a Letter of Understanding:

**LETTER OF UNDERSTANDING  
PENSION PLAN GOVERNANCE**

- A. FIR and the IWA agree to use best efforts to work together and with the other affected parties, and with the Pension Plan Trustees, to reach agreements for the implementation of pension plan governance as contemplated by the IFLRA-IWA Memorandum of Agreement dated October 1, 2003.
- B. If the required agreements for such implementation are not reached, and to the extent only that such failure is due to disagreements between FIR and the IWA, such disagreements shall be referred to Don Munroe (or an agreed substitute) for final and binding determination.

17. Article XXXIII(a) - Severance Pay for Permanent Plant or Logging Camp Closure - shall be revised to provide as follows:

Employees terminated by the employer because of permanent closure of a manufacturing plant or a logging camp shall be entitled to severance pay equal to ten (10) days' pay for each year of continuous service and thereafter in increments of completed months of service with the Company. A day's pay shall continue to include daily overtime or other premiums or add-ons as in the past, as applicable. However, where alternate shifts are in effect (e.g., 10-hour or 12-hour shifts) under Article V, Section 2 and Supplement No. 8, the severance pay available shall not exceed the maximum severance pay based on an eight-hour shift equivalent.

18. A Letter of Understanding entitled "Woodlands Letter of Understanding" shall be appended to the collective agreement, in the terms attached hereto as Appendix 1.
19. A Letter of Understanding entitled "Apprenticeship" shall be appended to the collective agreement, in the following terms:

**LETTER OF UNDERSTANDING  
APPRENTICESHIP**

The parties agree:

- to endeavour to access Federal Government programs and, or, Provincial Government programs to decrease Industry costs and increase apprentice benefits.
  - to explore avenues to increase apprenticeships.
  - that an apprentice already indentured as of June 14, 2003 will be reimbursed the announced fees assessed by B.C. colleges and education institutions for apprenticeship trades training.
20. A Letter of Understanding entitled "Local Agreements and Practices" shall be appended to the collective agreement, in the following terms:

**LETTER OF UNDERSTANDING  
LOCAL AGREEMENTS AND LOCAL ISSUES**

1. Any local agreement that is inconsistent with a revision to any of the terms of the Coast Master Agreement directed by the Mediation-Arbitration Commissioner appointed under the *Coastal Forest Industry Dispute Settlement Act* is void to the extent of the inconsistency.
  2. Any existing local issue, as that term was defined and restricted in the protocol agreement dated May 5, 2004 between FIR and the IWA Canada, shall be referred to a third party for expedited mediation-arbitration.
  3. In making decisions, the third party must consider the following:
    - (a) the need for terms and conditions of employment that are consistent with the economic viability and competitiveness of the Company in both the short and long term;
    - (b) the importance of good labour management relations;
    - (c) the interests of the employees and union.
  4. Decisions made under this letter of understanding are final and binding, but without precedent.
  5. If the parties are unable to agree on the third party, the Mediation-Arbitration Commissioner under the *Act* will make the necessary appointments. The parties or the Mediation-Arbitration Commissioner may appoint more than one third party as circumstances may warrant.
21. The provisions of Article X, Section 14 under the heading “Logging Wage Rate Revisions” shall be amended by adding the following sentence to subsection (a)(vii): “Where final agreement is not reached, the matter may be referred by either party directly to arbitration pursuant to Article XXXVII, Section 2”; and further amended in subsections (d) and (e) by adding the words “or awarded by an arbitrator” after the words “agreed upon”; and further amended in subsection (e) by adding the words “or the arbitrator”

after the words “Joint Logging Sub-Committee”. These revisions shall apply to new or significantly revised jobs and/or equipment occurring after June 14, 2003.

**APPENDIX 1  
WOODLANDS LETTER OF UNDERSTANDING**

BETWEEN:

FOREST INDUSTRIAL RELATIONS LIMITED

Accredited bargaining agent for the member companies set out in Schedule “ A ” to the Coast Master Agreement

(“FIR”)

AND:

I.W.A. CANADA, and Locals 1-80, 1-85, 363, 2171 and 1-3567 thereof and the Council of I.W.A. Locals Certified for Weyerhaeuser Company Limited

(“UNION”)

FIR and the Union agree as follows:

1. Except as provided in this Letter of Understanding, the existing rights and obligations of the Company and the Union under Article XXV of the Coast Master Agreement are not affected.
2. As of the date of this Letter of Understanding, but subject to paragraph 4 below, a Company may contract out a woodlands operation to an I.W.A. Certified Contractor on a stump-to-dump basis. The Company will consult with the Union prior to selecting a Contractor. By agreement between the Company and the Local Union, the operation may be sub-divided into two stump-to-dump contracts.
3. The Union and the Company agree, and the Contractor must also agree, that the Contractor will be deemed to be the successor employer under the *Labour Relations Code*, including recognition of the seniority rights of all employees on the seniority list of the Company; and generally, that Sections 35(1) – (5) of the *Labour Relations Code* apply.

4. Notice under Section 54 of the *Labour Relations Code* will be provided to the Union prior to any Woodlands operations being contracted out under this Letter of Understanding. Discussions under Section 54 must include the Contractor(s).
5. In the event there is a surplus of employees created as the result of moving the woodlands operation or subdivision thereof to a Contractor, the Company will offer severance pay (calculated in a manner consistent with Article XXXIII) to the surplus employees. By agreement between the Company and the Union, the severance pay opportunities may be directed towards facilitating the severance of older workers who may volunteer for such severance.
6. In the event a surplus employee accepts the severance pay offered, the surplus employee will lose all seniority rights including preferential hiring rights under the Coast Master Agreement.
7. The commercial contract between the Company and the Contractor(s) will be for a period of not less than five years. In the event a contract is discontinued for any reason prior to its end date (e.g., insolvency of the Contractor or performance issues), a replacement contractor must be an I.W.A. Certified Contractor. The Union and the Company agree, and the replacement Contractor must agree, that the replacement Contractor will be deemed to be the successor employer under the *Labour Relations Code*, including recognition of the seniority rights of all employees on the seniority list, for the remainder of the period of the contract; and generally, that Sections 35(1) – (5) of the *Labour Relations Code* apply.
8. If a Contractor is replaced after the initial 5-year period or any extension thereof, the commercial contract between the Company and the replacement Contractor must be for a period of not less than five years. The replacement Contractor must be an I.W.A. Certified Contractor. The Union and the Company agree, and the replacement Contractor must agree, that the replacement Contractor will be deemed to be a successor employer to the initial Contractor under the *Labour Relations Code*, including recognition of seniority rights of employees on the then-

existing seniority list; and generally, that Sections 35(1) –(5) of the *Labour Relations Code* apply.

9. Paragraphs 7 and 8 shall apply to all succeeding replacement Contractors.
10. In the event the operational responsibility for a woodlands operation or subdivision thereof is taken back by the Company, the Company will acknowledge and assume full successorship obligations under the *Labour Relations Code*, including recognition of seniority rights of employees on the then-existing seniority list.
11. If the Company sells or otherwise transfers its woodlands operations or Licences it will ensure that the purchaser or transferee agrees to assume the obligations of the Company set out in this Letter of Understanding.
12. If any dispute arises with respect to the interpretation or application of this Letter of Understanding, the parties will meet to discuss the dispute and if they are unable to resolve the dispute, the matter will be referred to Don Munroe for final resolution by mediation or arbitration. If Mr. Munroe is unavailable, Stan Lanyon will serve in his place. If Mr. Lanyon is unavailable, David McPhillips will serve in his place.
13. This Letter of Understanding does not apply to stump-to-dump contracts entered into prior to the date hereof.

DATED THIS 27th DAY OF MAY, 2004.