

## Coleman's Rationale Doesn't Stand Up

The decisions of current BC Minister of Forests, Rich Coleman, illuminate an approach to forestry that serves the short-term interests of corporations at the long-term expense of British Columbia. Rich Coleman has yet to rationally and thoroughly explain how his Western Forest Products deletion decision will result in any net public benefit. We invite the Minister to challenge our analysis by elucidating any of his public statements with detailed rationale. We invite MLA Murray Coell and MLA Ida Chong, Minister Coleman's cabinet colleagues, to make their first public statements on the Western Forest Products land transfer, an issue which may be of significant interest to many of their constituents.

<b>Rich Coleman says...</b>	<b>...Which doesn't stand up because:</b>
<p>"...People have to recognize that if [the TFL deletion decision] helps Western Forest Products ... and the stabilization of it economically, then it's a good thing for all of the thousands of people who work on the coast for that company and the loggers and the mills."<sup>1</sup></p> <p>"They [WFP] were going to sell off some of this [deleted land] to, quite frankly, pay down some debt and stabilize their company and try to build a strong future on the island"<sup>2</sup></p> <p>"We all know that there's a big challenge on the coast. And if this helps [WFP] in their long-term business plan then I think it's good for everybody."<sup>3</sup></p> <p>"Coleman said the deal allows the debt-ridden company to restructure its operations, and bring stability to the troubled coastal forest industry."<sup>4</sup></p> <p>[Rich Coleman] said the public should rest assured that he made the decision in the best interests of the future of forestry in B.C. "There are a lot of jobs that are at stake on the coast of B.C. in forestry, and</p>	<p>WFP didn't need help economically. They are 70% owned by a company with over \$90 billion in global assets; this parent company also owns all of WFP's long-term debt – meaning that WFP's debt is essentially paper-debt in the form of its parent owing itself money.<sup>6</sup> During the same year that WFP was pleading to the Ministry of Forests for deliverance from 'instability', they were trumpeting their substantially decreased debt to equity ratio after having been awarded ~\$120 million as their softwood lumber rebate, and had enough liquidity to purchase two of their major competitors. Their own material boasts that "with the [2006] acquisitions of Cascadia and Canfor's TFL 37, WFP is the largest lumber producer on the BC coast holding the most attractive cutting rights."<sup>7,8</sup></p> <p>Rich Coleman's premise that "if it makes WFP stronger, it makes forestry [and the future] stronger [and more 'stable']" is childish in its logic. The most important failure of this premise stems from the fact that WFP's primary responsibility is to their shareholders, not to the 'strength' of forestry. WFP is compelled</p>

<sup>1</sup> [Courier Islander \(Feb 7 2007\). WFP deal bad news for North Island, says MLA.](#)

<sup>2</sup> [Alaska Hwy. News \(Nov 27 2007\). Rich 'decision has been made' Coleman must face review after all.](#)

<sup>3</sup> [Courier Islander \(Feb 7 2007\). WFP deal bad news for North Island, says MLA.](#)

<sup>4</sup> [Courier Islander \(Feb 7 2007\). WFP deal bad news for North Island, says MLA.](#)

<p>if it makes [WFP] stronger, it makes forestry stronger and it makes the future of forestry for all those communities up and down Vancouver Island ... that much more stable."<sup>5</sup></p>	<p>to 'weaken' the long-term economic, ecologic, and social sustainability of forestry in pursuing the short-term interests of their shareholders. For example, 'what's good for WFP' was slashing 110 salaried forestry positions following their acquisition of Cascadia and Englewood.<sup>9</sup> Hence, the original intention of the Tree Farm Licence system, which was to protect public interests (including employment) by compelling private companies to adhere to more and stricter government oversight in return for access to Crown timber.<sup>10</sup></p>
<p>"Now I know the NDP doesn't care about the hundreds of forest workers on Vancouver Island," [Coleman will] begin, backing into his claim he allowed WFP to take thousands of hectares out of the tree-farm licence system to preserve forestry jobs.<sup>11</sup></p>	<p>"Coleman has said he made the agreement to "preserve forestry jobs." Yet he has no written agreement [which would have allowed him to 'police that aspect of it'] that Western Forest Products will protect jobs or invest on the Island and has released no economic studies."<sup>12</sup></p>
<p>"[WFP] gave the indication to me that they would [use the proceeds from their deletion to revive its operations in B.C.]..."<sup>13</sup></p> <p>"[WFP] certainly, as they came through [the TFL deletion negotiations], were very clear [about their intention to put money back into BC] and they already have started to."<sup>14</sup></p>	<p>Coleman makes two claims simultaneously:</p> <p>(1) "[WFP] were going to sell off some of this [deleted land] to...pay down some debt"; this notion is supported by WFP's own material.<sup>16</sup> (See note 6 on how WFP's debt is really just its parent company owing itself money).</p> <p>(2) WFP will put the new money to</p>

<sup>5</sup> [Times Colonist \(Feb 4 2007\). No link between donation and tree-farm windfall says minister.](#)

<sup>6</sup> [For more information on the relationship between Western Forest Products and Brookfield Asset Management \(here simplistically referred to as the 'parent company'\) see Dogwood's submission to BC's auditor general, which more thoroughly dispels the 'debt' argument.](#)

<sup>7</sup> [Slide 11 of WFP's 2007 AGM presentation.](#)

<sup>8</sup> [Slide 11 of WFP's 2006 AGM presentation, i.e. before the deletion.](#)

<sup>9</sup> [Page 1 of WFP's 2006 Management Discussion and Analysis.](#)

<sup>10</sup> [For a different deconstruction of the 'good for WFP, good for forestry' logic, click here.](#)

<sup>11</sup> [Times Colonist \(Nov 2 2007\). Land-transfer deal haunts Liberals: Minister's stonewalling fails to halt opposition calls for probe of deal.](#)

<sup>12</sup> [Times Colonist \(Oct 25 2007\). Forest Minister failed the public.](#)

<sup>13</sup> [Alaska Hwy. News \(Nov 27 2007\). Rich 'decision has been made' Coleman must face review after all.](#)

<sup>14</sup> [Alaska Hwy. News \(Nov 27 2007\). Rich 'decision has been made' Coleman must face review after all.](#)

<p>"Coleman said the deal allows the debt-ridden company to restructure its operations..."<sup>15</sup></p>	<p>directly fund its restructuring plan, therefore 'reviving' its operations and 'putting money into BC'.</p> <p>Which is it? Under normal circumstances it wouldn't be both.<sup>17</sup> And (2) does not require (1). The truth is that Western Forest Products didn't need extra money to restructure their operations. They would have pursued those investments regardless as part of their post-Cascadia /Englewood acquisition business strategy.<sup>18</sup></p> <p>Coleman's gift was a bonus.</p>
<p>"[WFP] gave the indication to me that they would [use the proceeds from their deletion to revive its operations in B.C.]... but I don't think we can police that aspect of it."<sup>19</sup></p>	<p>Coleman did not need to rely on the 'indications' or 'intentions' of a self-serving company – as a representative of the public interest he had a responsibility to 'police that aspect of it' by attaching appropriate employment conditions to his decision, if that was his aim.</p>

<sup>15</sup> [Courier Islander \(Feb 7 2007\). WFP deal bad news for North Island, says MLA.](#)

<sup>16</sup> WFP lists as one of their 2007 objectives ([in their 2007 AGM presentation](#)) as: "significantly reduce debt within 2 years through non-core asset sales and cash flow from operations." All sales allowed by the TFL deletion classify as sales of non-core assets – meaning that the intention of WFP was to use Coleman's gift to pay down their debt to themselves. WFP says it more explicitly in their 2006 MDA ([click here to read](#)).

<sup>17</sup> For both to be true at the same time, WFP would have to be under some secret command to pay down its debt \$X, where  $X \geq$  the financial value of the deletion decision, no matter what the Minister decided. For example, say you find \$10,000 on the street, and use it to pay off your car loan, that doesn't mean you have an extra \$10,000 to give to Dogwood Initiative, unless some force was compelling you to pay your car loan off anyway (or pay Dogwood for that matter – Coleman has no control over what WFP does with its released private lands or the money made off them; this means he cannot give any promises about forestry jobs; he completely relinquished any control he had by releasing the lands without any enforceable conditions related to forestry jobs). Coleman doesn't provide any credible reason why WFP was financially or otherwise compelled to pay down its loan by \$X –therefore, his statements are blatantly spun to make it sound like his decision was in the public interest, when in fact it was not.

<sup>18</sup> The "rationalizing" (read: mill closures and layoffs) of WFP's newly acquired assets created a leaner, more profitable company. WFP's financial materials (e.g. [2006 Management Discussion and Analysis, 2007 AGM presentation](#)) indicate that they had always intended to spend money on upgrading their remaining mills ('reviving' and 'putting money back into BC') – this goal is indicated as separate from paying down their debt - they include no indication whatsoever that the company would be forced to abandon this core tenet of its restructuring plan in the absence of Coleman's gift. For instance, the only mention of Coleman's decision in [WFP's 2007 AGM presentation materials reads](#): "Recently received approval from BC government to remove private lands from the Tree Farm Licenses to gain flexibility in management and the option to sell." This language of 'flexibility' and 'options' does not denote the air of necessity that Coleman's statements imply.

<sup>19</sup> [Alaska Hwy. News \(Nov 27 2007\). Rich 'decision has been made' Coleman must face review after all.](#)

<p>"As to how a company with \$200 million in debt can find money to donate [\$44,000 during the last election] to a political party [Coleman's Liberals], Coleman said: "There's lot of companies out there that are considered successful companies that do carry debt..."<sup>20</sup></p>	<p>Like Western Forest Products? Without intending to, Coleman undermines his implicit claims that WFP was a debt-riddled company deserving of help. Indeed, WFP's financial materials reveal it as an example of a 'successful company that carries debt' [to itself, see note 16].</p>
<p>[Coleman] says the [deleted] land, being mainly along the west coast, was not likely to be subject to harvesting in any event: "This is land that most people tell me they would oppose logging on."<sup>21</sup></p>	<p>Coleman is here referring to the deleted lands that have been conditionally sold to a developer, e.g. stretches of waterfront between Sooke and Port Renfrew. But the same 'people' cited by Coleman deserved to be consulted prior to him making the decision to hand these lands over for development.</p>
<p>"If [the Auditor General] comes back and says there should be more of a public input process, or local government input, I'm happy to have those recommendations."<sup>22</sup></p>	<p>Coleman shouldn't have to wait to be scolded by an Auditor before considering his mistake and taking actions to correct it.</p>
<p>"The decision was made based on the advice of staff."<sup>23</sup></p> <p>"This [deletion decision] came through a process in the ministry to my desk. My officials, when I asked them about it, whether they would recommend it, they said yes."<sup>24</sup></p>	<p>Coleman could have said no. He could have protected the public interest. That was the other option presented to him by staff.<sup>25</sup></p> <p>The briefing document (see note 34) informing Coleman's decision makes it clear that the primary beneficiary of the deletion was WFP, and that it was likely that the public and First Nations would be upset. There is no mention of a 2004 staff recommendation that the government seek compensation in instances of TFL deletions.<sup>26</sup></p> <p>Ministers of British Columbia should have the intellect and acuity to make their own determinations in the public interest.</p>
<p>Coleman said basing a decision on a political donation would be unprofessional. "And I've never, ever in</p>	<p>In fairness, Coleman was referring here to direct donations. But the entire TFL deletion negotiation and decision process</p>

<sup>20</sup> [Times Colonist \(Feb 4 2007\). No link between donation and tree-farm windfall says minister.](#)

<sup>21</sup> [Alaska Hwy. News \(Nov 27 2007\). Rich 'decision has been made' Coleman must face review after all.](#)

<sup>22</sup> [Alaska Hwy. News \(Nov 27 2007\). Rich 'decision has been made' Coleman must face review after all.](#)

<sup>23</sup> [Times Colonist \(Oct 31 2007\). Liberals continue to rebuff NDP's calls for review of tree farm licence land removal.](#)

<sup>24</sup> [Times Colonist \(Feb 4 2007\). No link between donation and tree-farm windfall says minister.](#)

<sup>25</sup> [See page 7 of the 2006 staff briefing note to the Coleman](#)

<sup>26</sup> [Scan to the highlighted sections of the Environmental Law Clinic's letter to BC's Auditor General.](#)

<p>11 years made a decision based on who gave what to whom."<sup>27</sup></p>	<p>is based upon an assessment of 'who gives what to whom'. Coleman's incompetence as a public servant is demonstrated by his readiness to grant windfall profits to WFP, while accepting only 'indications' and 'intentions' for the public.</p>
<p>"The decision has been made, it's not being changed."<sup>28</sup></p> <p>"I have no intention of asking for a review of this decision."<sup>29</sup></p>	<p>Minister Coleman is first and foremost our public servant. That his decision sparked such an intense sentiment of public betrayal is evidence in and of itself of a poor decision, both in substance and process. His statements reveal a stubbornness, arrogance, and disrespect for the public interest that is unbecoming for a Minister of British Columbia.</p>

**"It will all come down to whether the mountain of opposition to the transfer will outweigh the government's stonewalling before the public interest wanes."<sup>30</sup>**

**You are invited to show the government that your interest has not waned.**

**[Sign the petition asking for the resignation of Rich Coleman, and his replacement with a dedicated servant of the public.](#)**

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<sup>27</sup> [Times Colonist \(Feb 4 2007\). No link between donation and tree-farm windfall says minister.](#)

<sup>28</sup> [Alaska Hwy. News \(Nov 27 2007\). Rich 'decision has been made' Coleman must face review after all](#)

<sup>29</sup> [Times Colonist \(Oct 31 2007\). Liberals continue to rebuff NDP's calls for review of tree farm licence land removal.](#)

<sup>30</sup> [Times Colonist \(Nov 16 2007\). CRD right to freeze development.](#)