

# MADISON'S LUMBER REPORTER

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## News & Updates

### Japan 2014 Housing Starts

Japan's housing starts in December 2014 were 76,416 units, down 14.7 per cent from the same month in the previous year, according to *Japan Lumber Journal* Monday.

Total housing starts in Japan for 2014 were 892,261 units, down 9 per cent over one year ago. It was the first drop in five years but level with 883,000 units in 2012. **CONT'D PAGE 7**

### US Home Prices : 4Q 2014

The median price of an existing single-family home rose from a year earlier in 86 per cent of the 175 metropolitan areas measured, the National Association of Realtors said in a report Wednesday. Twenty-four areas had price gains of 10 per cent or more, up from 16 regions in 3Q. Prices declined in 24 areas.

At the end of 4Q there were 1.85 million previously owned homes listed for sale, down from 2.01 million a year earlier.

The number of markets with price gains in 4Q is up from the previous three-month period, when 73 per cent of the regions measured had increases, the Realtors group said. **CONT'D PAGE 8**

### Construction Employment, US

Construction employers in the US added 39,000 jobs in January and 308,000 over the past year, reaching the highest employment total since February 2009, as the sector's unemployment rate fell to 9.8 per cent, according to an analysis by the Associated General Contractors of America Monday. **CONT'D PAGE 8**

### Japan 2014 North American Log Imports

The latest data on Japan imports of North American logs was available this week from the *Japan Lumber Reports*. **CONT'D PAGE 8**

### Canada Monthly Survey of Manufacturing: Dec 2014

Canada's manufacturing sales rose 1.7 per cent in December, despite a 9.3 per cent drop in sales of petroleum and coal products, said Statistics Canada Friday. Excluding the petroleum and coal product industry, manufacturing sales were up 3.2 per cent. The gain reflected higher sales in the transportation equipment industry.

Overall, sales were higher in 17 of 21 industries, representing nearly 80 per cent of total Canadian manufacturing. **CONT'D PAGE 6**

### Canadian Railway Labour Dispute

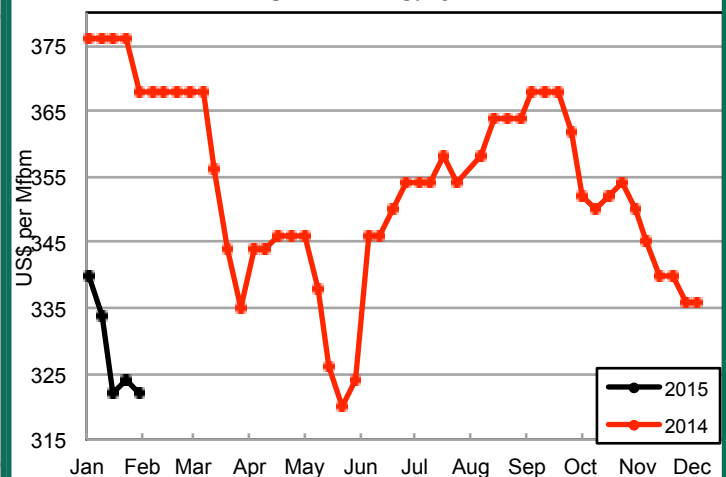
The situation becomes alarming, but not unsalvageable, for Canada's natural resources sector this week as a looming 72-hour strike notice from Teamsters to CP Rail ends Saturday. **CONT'D PAGE 9**

JAPANESE HOUSING STARTS

Month	TOTAL	Non-Wood	Wood	%Wood
Nov-14	76,416	32,570	43,846	57
Nov-14	78,364	33,263	45,101	58
Oct-14	79,171	36,181	42,990	54
Sep-14	75,882	32,903	42,979	57
Aug-14	73,771	33,104	40,667	55
Jul-14	72,880	32,249	40,631	56
Jun-14	75,757	33,378	42,379	56
May-14	67,791	30,808	36,983	55
Apr-14	75,286	35,251	40,035	53
Mar-14	69,411	32,515	36,896	53
Feb-14	69,689	32,932	36,757	53
Jan-14	77,843	37,644	40,199	52

Source: Japan Wood-Products Information and Research Center

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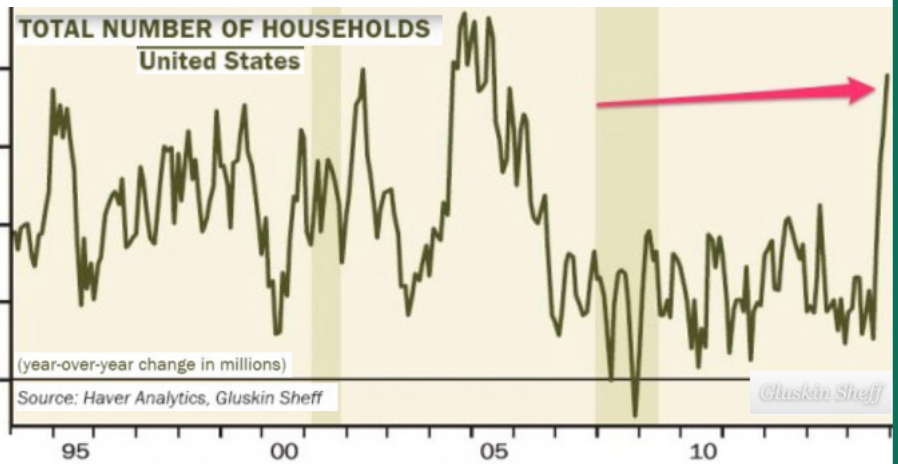
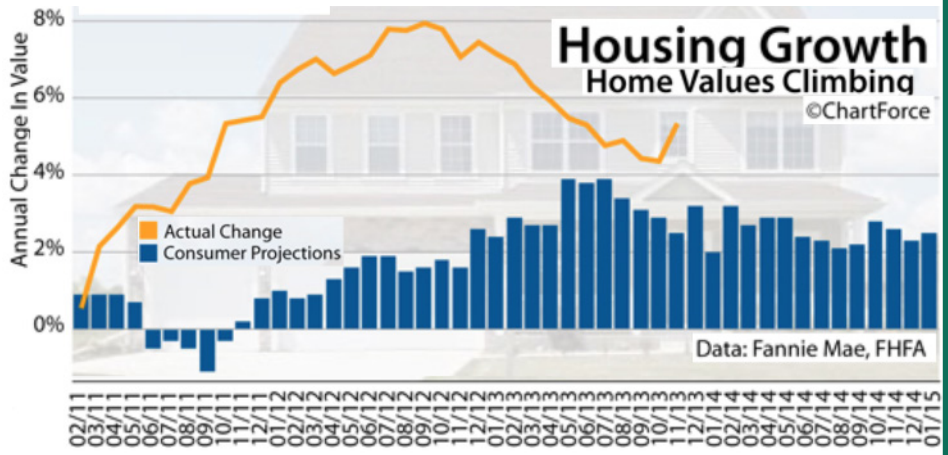


**A dozen reasons to remain confident in the US housing recovery:**

- The bond rally has pushed down mortgage rates to 3.6% from 4.3% a year ago.
- The Credit Managers' Index of lending professionals climbed to 55.1 in January from 54.9.
- Mortgage credit across banks has climbed 4% at an annual rate over the past four weeks.
- Employment in the 25-34 age group increased 2.6% in the last 12 months — the fastest pace in 15 years.
- Among first-time homebuyers, the employment rate is at a six-year high at 76.6%.
- In the past year, net household formation has grown 10 times to 2 million.
- There is a 4.4 months' supply of existing homes on the market for sale.
- Residential construction as a share of GDP is at 3.3% in this economic cycle.
- Single-family building permits surged to near-seven-year highs at the end of 2014, up 8% on a year-over-year basis.

— David Rosenberg, Gluskin Sheff

**Housing Opinions : February 2015**



**Canada Manufacturing Sales and Inventories: Dec 2014**

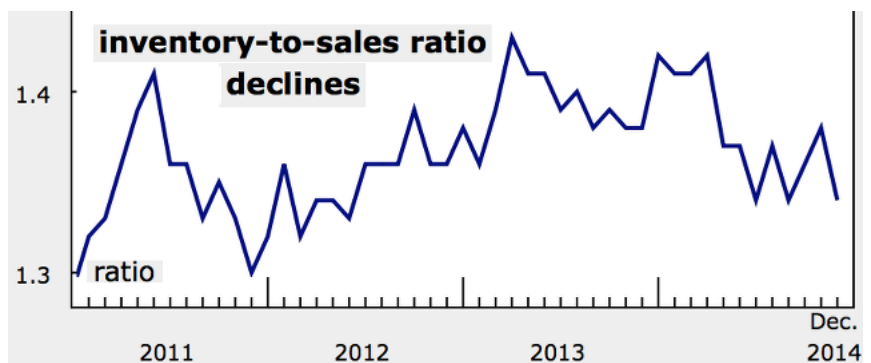
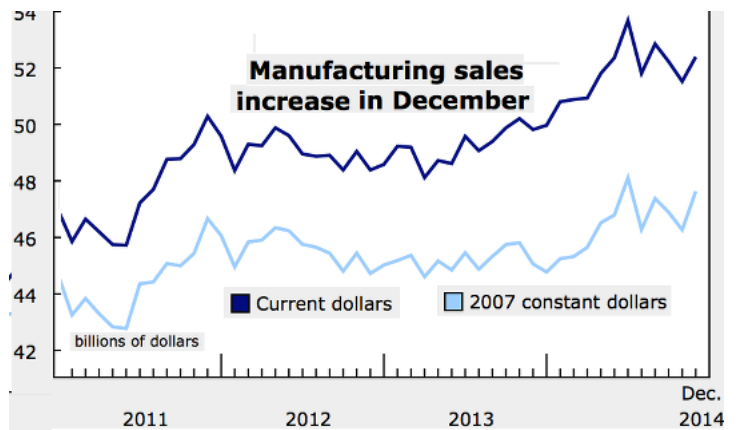
Manufacturing sales in Canada increased in seven provinces in December, led by Ontario, Quebec, and British Columbia.

The 2.3 per cent sales increase in Ontario reflected gains in the transportation equipment and machinery industries. Overall, 16 of 21 industries reported higher sales in December, representing 77.7 per cent of total manufacturing in the province. Sales in Ontario were 5.9 per cent higher in December 2014 than in December 2013.

Inventories fell 1.4 per cent in December as a result of lower stocks in the petroleum and coal product and motor vehicle industries.

The inventory-to-sales ratio declined from 1.38 in November to 1.34 in December. The inventory-to-sales ratio measures the time, in months, that would be required to exhaust inventories if sales were to remain at their current level.

SOURCE: Statistics Canada





# Madison's Weekly Lumber Key Prices Table

www.madisonsreport.com

	This Week	Last Week	Change	Month Ago	Change	Year Ago	Change
Prices are in U.S. dollars per 1,000 fbm (net FOB mill)							
WSPF KD R/L 2x4	322	324	-2	334	-12	368	-46
WSPF KD R/L 2x6	330	334	-4	344	-14	354	-24
WSPF KD R/L 2x8	328	328	0	338	-10	338	-10
WSPF KD R/L 2x10	340	344	-4	350	-10	406	-66
WSPF KD PET 2x4 Stud	330	330	0	345	-15	350	-20
WSPF KD PET 2x6 Stud	335	340	-5	360	-25	310	+25
Douglas Fir Green R/L 2x4	328	320	+8	305	+23	375	-47
Douglas Fir Green R/L 2x10	385	378	+7	390	-5	420	-35
ESPF KD 2x4 8ft Stud	390	400	-10	405	-15	405	-15
OSB Ontario 7/16" (CDN\$)	240	240	0	225	+15	230	+10
CSplywood Toronto 3/8" (CDN\$)	460	460	0	435	+25	402	+58

## Madison's Weekly Lumber News

### Housing Starts, Japan

CONT'D FROM PG 2 Japan housing starts of owner-occupied houses were 285,270 units, down 19.6 per cent, falling for the first time in five years, said the *Japan Lumber Journal*. Homes built-for-sale houses were down 10 per cent, condominiums decreased 13.4 per cent, and single-family houses fell 7 per cent. On the other hand, housing starts of rental houses were 362,191 units, up 1.7 per cent, increasing for three consecutive years mainly due to the effect of inheritance tax rise.

Housing starts of wooden houses were 489,463 units, down 11 per cent, and those of non-wooden houses were 402,798 units, down 6.3 per cent. The ratio of wooden houses by the number of units decreased to 54.9 per cent due to the decrease in owner-occupied houses.

### BC Sawmill Safety Regulations

The BC government is introducing legislation that would allow for the prosecution of negligent employers

whose actions seriously injure or kill workers.

Covering four specific objectives, the legislation is expected to provide range of new safety enforcement tools, shorten the process for finalizing financial penalties to improve their effectiveness as an enforcement tool; ensure timely employer investigations of workplace incidents and reports, and enhance workplace safety expertise on the WorkSafeBC board of directors.

Labour Minister Shirley Bond says the legislation she will table Wednesday afternoon will allow for on-the-spot penalties and is based on recommendations in a report looking into two separate sawmill explosions that killed four workers in 2012.

WorkSafeBC administrator Gord Macatee says the bill provides exactly what he intended in the report he forwarded to the government last July.

A new team of WorkSafeBC investigators has been trained to step in for cases that could result in negligence charges, Macatee said. And extra inspectors have been hired to moni-

tor sawmills and other businesses on nights and weekends.

"At this point we have 16 prevention officers on regular night and weekend shift schedule, and 26 additional officers have been recruited who will be working on those shifts as well," Macatee said.

### Washington Sawmill Shutdown

Northwest Hardwoods lumber mill in Centralia, WA, is cutting production because the slowdown at West Coast ports has crippled its ability to export products.

Vice President Brian Narramore on Friday told *The Chronicle* (<http://bit.ly/1Dp4qVe>) production will be cut as much as half, starting Monday, impacting 100 employees one way or another.

Narramore says Northwest Hardwoods also is curtailing production at its mills in Longview and Garibaldi, OR, which represent half of the company's capacity in the West.



# Rail Transportation Labour Dispute

## North America

After a long period of difficult negotiations, the Teamsters Canada Rail Conference union this week said if a deal can't be reached by midnight Saturday, Canadian Pacific Railway will face job action by 3,300 locomotive engineers, conductors, and train and yard workers across Canada.

In addition, Unifor, which represents 1,650 workers who perform safety inspections, brake tests and some repair and maintenance work, will be in a legal strike position with CP early Sunday morning.

Peter Edwards, VP Human Resources and Labour Relations at CP, said Wednesday, "The company is committed to finding a workable solution with the union and continues to bargain in good faith."

He said if there is a strike, CP has a contingency plan to use managers to maintain a "reduced" freight service.

Teamster president Douglas Finnson suggested any disruption of rail service would have a widespread effect.

by Kéta Kosman

"They could try and run some but they would never

be able to provide the level of service that more than 3,000 professional railroaders provide."

Keith Creel, CP President and CEO, said the company has been training its white-collar workers to run its trains in the event of a strike, but a slowdown in service would be inevitable, according to the Financial Post Wednesday.

"We're in the process now of mobilizing officers," Mr. Creel said at an industry conference in Miami, FL, "They'll be in position on Saturday ... across the entire network."

As if that situation didn't seem dicey enough, Canadian National Railway is also in contract talks with the Teamsters for 1,800 locomotive engineers and with Unifor representing 4,800 other workers. Neither union in the CN talks has taken a strike vote, but a 21-day cooling-off period following conciliation ends Saturday at midnight.

### Ongoing Talks

The Teamsters' Finnson is in Montreal, QC, this week negotiating with CP, with the help of federal mediation, but says the union has not made headway on issues such as working conditions. He is particularly concerned about the company not complying with collective agreements that require train crews to stop operating and rest after 10 continuous hours of work.

Finnson said, "We want to make it very clear that there is a deadline and we would like to reach an agreement before that time to avoid any job action by our members."

The core issue for the union remains the company's scheduling model and the number of hours of rest that train crews receive, which does not comply with collective agreements.

The employer has said its offer includes unspecified wage increases and a new model that "will improve the scheduling of regular time off and quality of life while enhancing our service and efficiency."

There is a chronic shortage of engineers, conductors, and train-

men at CP, Finnson said. Another union concern is the company's push to install equipment on trains to monitor crews.

Even with its contingency plans the company will lose approximately one cent of earnings per share every day that the strike is in effect, but the alternative is worse, Creel explained.

Perhaps ominously he added, "Do we want it? No, but at the end of the day, given what the union has asked for, which are very unreasonable demands and expectations, it's much, much better financially for this company to say no than it ever would be for us to consider saying yes," he said.

CP recently reported strong fourth-quarter 2014 results, when it earned \$2.63 a share, on the back of ongoing efficiency improvements.

Wayne Benedict, a former railroader and labour lawyer, said to the CBC that CP has been training office workers and managers to operate the trains, so the company would likely try to continue operations to some degree.

"If history is any judge we would expect to see back-to-work-legislation from Ottawa," said Benedict.

In 2012, the Teamsters Canada Rail Conference members were on strike for nine days before back-to-work legislation passed. But in that nine days, a huge backlog developed of freight such as grain and other commodities.

At the time, then labour minister Lisa Raitt said such a strike would cost the economy \$540 million a week.

Jason Seidl, managing director at Cowen and Co, said to the Financial Post a strike at CP could create major disruptions across the entire supply chain, especially because shippers have been diverting goods to Canadian ports due to labour disruptions at US West Coast ports.

"The customers of the railroads are now going, 'Uh oh, I just moved some of my freight to Vancouver as a contingency because of the [US] West Coast port slowdown and now I might have a slowdown up in Canada because of a strike,'" Mr. Seidl said in an interview Wednesday.

Elsewhere, Catherine Cobden, Executive VP of the Forest Products Association of Can-

"It takes three-and-a-half trucks to replace one rail car, and most lumber mills will not be able to find enough trucking capacity to replace trains."

- Catherine Cobden, Executive VP, FPAC

"Commodity traders are unable to prepare for any strike by moving more crops to ports ahead of a possible strike, given the tight supply of hopper cars."

- Wade Sobkowich, Western Grain Elevator Association

ada, said Wednesday to the Globe and Mail the 21 companies she represents are "very concerned" about the possibility of a strike Saturday night by CP's locomotive engineers and conductors.

Cobden said it takes three-and-a-half trucks to replace one rail car, and most lumber mills will not be able to find enough trucking capacity to replace trains. Many mills produce pulp and paper that cannot be stored outdoors, so they cannot stockpile while waiting for rail service to resume, she said.

"Our mills are very remote and so is the global marketplace, and so we rely on the rail system," Cobden said from Ottawa. "The options for us are very limited."

Wade Sobkowich of the Western Grain Elevator Association said also to the Globe and Mail that commodity traders are unable to prepare for any strike by moving more crops to ports ahead of a possible strike, given the tight supply of hopper cars.

Grain companies that cannot fulfill customer orders face contract extension penalties, charges from ship owners forced to wait at port, and lost opportunity costs. "There's very little we can do to prepare," he said from Winnipeg. "We require the railways to keep operating so we can move product."

As for negotiations with the CN, neither union has announced a strike deadline. CN Rail Spokesman Mark Hallman said to Reuters Wednesday the company is confident it can reach contract deals without labour disruptions.