

FOREST REVITALIZATION ACTION PLAN

Comments – Bill 22

Bill Bourgeois – July 2019

Creating uncertainty

Government has recently introduced Bill 22 (Bill 22-2019 – Forest Amendment Act-2019) giving the Minister the responsibility to review any transfer of tenure with a condition that he/she “...must consider the effect of the disposition on: a) the marketing of fibre in British Columbia, and b) the public interest.” The lack of definition regarding these factors has caused considerable uncertainty within the industry and communities.

This vagueness may be great politics, (i.e., maximum flexibility for the Minister). However, if BC wants the forest sector to develop into one that provides benefits to communities and the Province, the regulatory infrastructure must be such that it:

- Creates certainty, supports investment, supports sustainability, has efficient and effective administrative processes, and
- Where appropriate encourages companies to produce products that move up the economic value ladder from commodity products.

Bill 22 generates the opposite. The uncertainty is further emphasized by the lack of a Government strategic vision for the wood manufacturing sector. It results in guessing as to the direction of Government in “revitalizing the forest sector.” The current Government’s concept that broad public consultation will determine its nature is “wishful thinking.” BC needs leadership!

Removing uncertainty

If the **overall Provincial goal** is to create a sustainable wood manufacturing sector that contributes to community resiliency, the lack of a sector vision creates a problematic and tenuous situation for the Minister in making substantial decisions regarding marketing of fibre and public interest. This has a high potential for fragmentation and using politics as the guide is not positive for communities working toward resiliency or companies becoming sustainable over the long-term.

Bill 22 should include an effective legislative set of guidance documents including at a minimum:

- A set of principles that must be used by the Minister in making the decisions,
- A wood manufacturing vision, and
- Direction guidance to move toward achieving the vision.

Government has identified five (5) priority goals in revitalizing the forest sector.

- 1) Rebuilding solid wood and secondary industries,
- 2) Improving harvest performance to ensure more fibre is available for domestic mills,
- 3) Fostering stronger business-to-business relationships,
- 4) Maintaining a credible auction system, and
- 5) Restoring public confidence and improving the social contract.

The first four (4) are related to the wood manufacturing sector. The fifth is primarily associated with forest management.

In evaluating these goals and other statements by Government relative to increasing community resiliency and creating a competitive forest industry, gaps in the statements arise when thinking about a manufacturing sector vision. Based on the Government goals and incorporating the aspects to fill the gaps and work toward community resiliency, the following manufacturing sector vision is proposed.

A wood manufacturing sector that is:

- ***Globally competitive, sustainable and innovative.***
- ***Committed to building resilient communities.***
- ***Operating within a regulatory infrastructure that:***
 - ***Creates certainty, supports investment, supports sustainability, and has efficient and effective administrative processes, and***
 - ***Encourages companies to produce products that move up the economic value ladder from commodity products.***
- ***Diversified at the regional level in both size and product manufacturing businesses that fully utilize the available fibre supply in producing commodity, secondary wood, bioenergy, and biorefinery products.***
- ***Focused on niche markets that capitalize on the types of fibre in BC.***
- ***Operating within a tenure system that supports diversified and competitive regional wood manufacturing businesses.***

Bill 22 appears to have been created to address the forest industry consolidation and removal of the apertancy legislation that has occurred over the last 15 years. Goals #1 and #2 are focused on these issues. It also is relative to the vision components noted above, especially the tenure system with a focus on building community resiliency through a sustainable wood manufacturing sector.

The BC forest sector has developed over the last 60+ years to meet the demands of the public and be consistent with the geographic and biologic conditions that exist across the Province. It has been recognized for years that the complexity of BC does not lend itself to a “one size fits all” approach. The regulatory infrastructure must reflect this, if BC is to capitalize on the existing forest sector and the BC forest asset (i.e., the forest resources and values). Government’s preference is to limit the regulatory

variation across the Province to provide an easier administrative model. However, it does not maximize the benefits of either the forest resources or communities. This needs to change and allow options for regional variations to fit their ability to achieve a Government identified overall Provincial goal and deliver community objectives.

Guidance to Bill 22 implementation

Using the proposed vision as a basis for discussion, the following are suggested guidance so Bill 22 can contribute to achieving it. It should be noted that these are not intended to provide must have statements but direction in key areas. Arriving at a final set will require consultation with the various knowledgeable and innovative people within the affected wood manufacturing sector and recognizing the need for flexibility across the Province.

Critical to achieving a vision, such as being proposed, are three (3) priority factors:

- Creation of regional clusters¹ (manufacturing businesses within 2-hour drive of one another) as a means of moving toward community resiliency,²
- A tenure system that supports a diversified and competitive regional wood manufacturing sector, and
- The balancing of existing mill needs after wood manufacturing sector rationalization.

Creating clusters

Achieving the overall goal requires a focus on building community resiliency through a strong and sustainable wood manufacturing sector. This involves creating a diversified sector that includes primary (commodity) and secondary wood manufacturing mills and bioenergy and biorefinery products facilities with the objectives of making them sustainable and getting the “right log to the right mill.” This lends itself to adopting the model of regional clusters³ as a means of moving toward community resiliency⁴. This is not a new concept and has been used in other parts of Canada and in Europe. BC already has versions of this (e.g., Interior Lumber Manufacturing [ILMA] companies and business relationships

¹ **Industry cluster** - An industry cluster is a group of firms and institutions located in close proximity whose businesses are interlinked through value and supply chains, labor, and use of similar inputs, technology, and complementary products. Reference: The status of and opportunities for business clustering within the forest products sector in the US, US Endowment for Forestry and Communities, 2009, 27p.

² <http://bcforestconversation.com/wp-content/uploads/Building-through-clusters-1.pdf>

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around Duncan). The cluster model has been used in the automotive manufacturing industry of years. More wood manufacturing clusters need to be encouraged.

Tenure System

Tenure reform has been a stated priority for at least 30 years. Governments and industry have agreed to the principle but given it lip service. This is because of the complexity, the cost of change and the confrontational and divisive nature of the issue. It has been traditionally viewed that “tweaking” the system to address issues, as they arise, is a more comfortable position, especially from the perspective of Government. Bill 22 in its current form is another action in this regard but with little guidance to the Minister.

BC has a long history of adjusting the tenure system to try and support the secondary wood manufacturing sector. Most, if not all, have failed. The common factor has been “tweaking” the tenure system by providing harvesting licenses or log sale harvest areas to the remanufacturers. Rather than using this approach again, the following is proposed for discussion:

- Require tenure holders to either use or sell 50% of the timber or associated lumber volume from their AAC to secondary wood manufacturing facilities.
- Require licensees to demonstrate manufacturing sustainability as a contributor to community resiliency.
- Require expansion of a mill’s capacity to be consistent with the principle of mill and regional cluster sustainability.
- Transfer or acquisition of tenure be assessed by:
 - The timber volume needed to efficiently and sustainably use the current manufacturing capacity, and/or
 - Timber or lumber volume, in addition to the current capacity needs, would be directed to higher value products.
- Allocation of new tenures to forest management companies who sell logs to mills but with a restriction that no more that 50% of the AAC be to a single manufacturing company.
- Require the tenure disposition not be detrimental to the competition of marketing the fiber within the region.

These changes may not be looked upon favorably by some of the current forest companies. However, at least, they will provide clarity of Government’s intention. It is recognized some of the suggested changes may require modifications by experts in the wood manufacturing sector. These would need to be assessed against the vision and overall Provincial goal.

Balancing mill needs-sector rationalization

Balancing the needs of mills after the current rationalization of the wood manufacturing sector will be the greatest challenge. The remaining mills will have to be supported in being sustainable, contribute to



community resiliency and operate in an environment of healthy competition in marketing of the fibre. This will be further complicated in that there needs to be opportunities for the mills to grow their businesses and be more competitive in global markets. This requires Government providing clarity of direction, a suitable regulatory infrastructure and incentives or support for companies to work toward the overall Provincial goal within the global constraints.

If Government is serious about revitalization of the forest sector, leadership is needed and legislative instruments such as Bill 22 must be part of a vision for the wood manufacturing sector. The uncertainty has to be removed!