BUILDING THE VALUE-ADDED SECTOR THROUGH CLUSTERS

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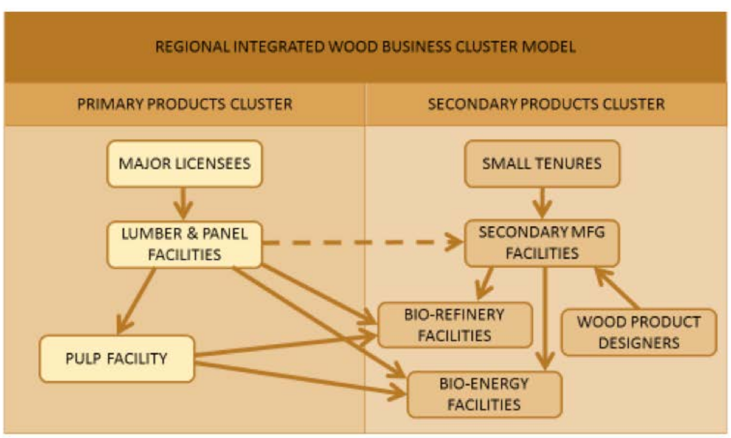
SITUATION

BC is facing a declining timber supply, closure of more primary wood product mills, economic impacts to rural communities and forest sector job losses. Growing the Secondary Wood Manufacturing Sector provides an opportunity to more fully utilize the available fibre and reduce or eliminate these impacts.

OPPORTUNITY

We have an opportunity to increase community diversification, move toward full utilization of wood fibre, create jobs, decrease greenhouse gas emissions and increase provincial and local government revenues. We know how to do this and don't need studies, just action. Is the Government and the Forest Sector up to the challenge of working for an integrated, viable and sustainable BC primary and secondary wood sector?

Cluster models[1] have shown to benefit all the parties. This concept is not new. There is a school in Austria who, more than two decades ago, developed a program to educate industry on how to create a cluster. Clusters exist in Canada (e.g., window production in Manitoba, automotive assembly in Ontario). In effect, we in BC have used the concept in our Primary Commodity Products Sector as outlined below.



[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.

The Secondary Products (value-added) Cluster is not new to BC either. This is the model used by many members of the Interior Lumber Manufacturers Association (ILMA) in southeastern BC as it relates to their solid wood businesses. They operate by ensuring existing logs are converted in the most appropriate mill and working collaboratively while still being competitors. Even with their extensive effort, challenges remain regarding timber supply in building the Sector within the region.

Government Commitments

Government has always made statements regarding building the Secondary Wood Manufacturing Sector. A few relatively recent examples are:

In introducing the 2003 Forestry Revitalization Plan the province stated "*Our goal is to revitalize our forest industry and make it a global leader, renowned for the excellence of its products and practices."* The primary focus of the Plan was the revitalization of the large commodity lumber sector.

The 2009 government strategy *"Generating More Value from Our Forests",* includes a vision that *"By 2020, British Columbia's environmentally sustainable forest sector generates more economic value per hectare of forest-land than any other jurisdiction on Earth. Such economic activity will be driven by a more diversified and higher value manufacturing capacity and expanded markets. This will be achieved through innovation and a broad partnership among forest stakeholders, ranging from governments to First Nations to industries and workers; from small firms to global companies; from rural communities to large urban centers."*

Government identified in 2016, through the *Value-added Sector Action Plan*, support for the value-added sector as part of the *"B.C.'s forest sector competitiveness agenda – Strong Past, Bright Future: A Competitiveness Agenda for British Columbia's Forest Sector."* More recently on April 2017, Government announced the creation of a Wood (Value-added) Secretariat to focus on key factors that affect the value-added sector's competitiveness, including access to markets, access to skills training, access to innovation and access to fibre.

Unfortunately, we have seen this before while continuing to experience an erosion of the BC Secondary Wood Manufacturing Sector. Building the Sector requires removal of barriers that currently exist both from the fibre supply and inviting investments. **This does not involve subsidies!** However, it does require the major forest tenure holders and Government committing to work collaboratively with the Secondary Wood Manufacturing Sector to meet each of their collective requirements and commit to building a vibrant and sustainable Secondary Wood Manufacturing Sector. Historically the three parties have not been willing to work toward a common goal of community diversification, including creating viable and sustainable businesses. Hopefully the Wood Secretariat can achieve this and stop the continual creation of strategies and advisory groups with limited to no real action. It is too important to BC rural communities for another failure.

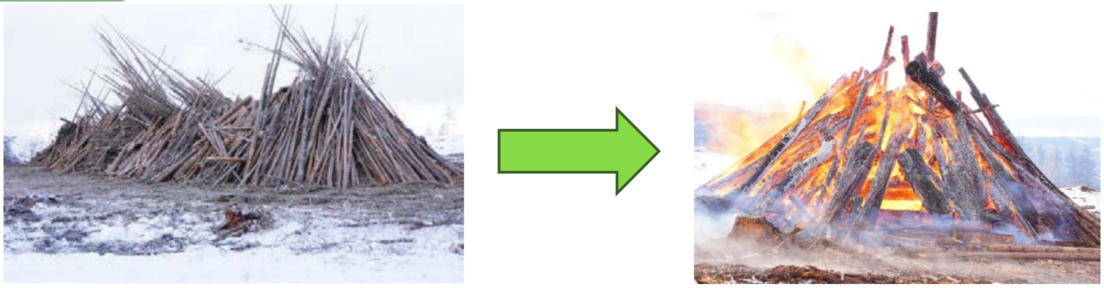
The challenges, required actions and benefits of using the cluster model to increase secondary wood manufacturing have been provided to Government and the forest industry in many reports and research papers (e.g., Southern Interior Beetle Action Coalition Report [2013] and Forest Renewal Report [1998]). The concept is more important within BC today than ever before.

New Members – New Opportunities

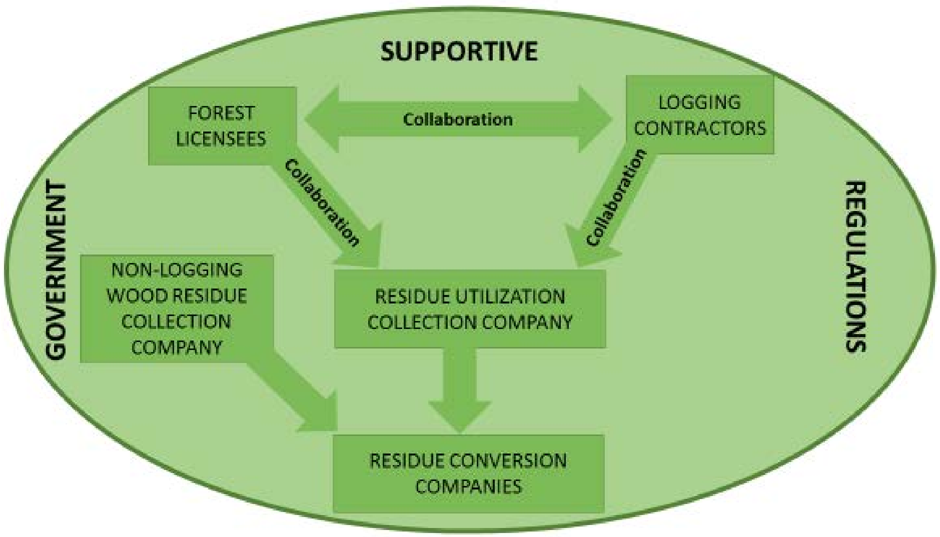
The Secondary Wood Manufacturing Sector has new members. These are the companies or potential companies who convert residue wood fibre (material not used for primary wood products) into bio-energy and bio-chemical products. Currently the primary use of these products, outside pulp and paper, are conversion through burning for heat and electricity. However, there are commercially ready technologies that digest this fibre into such products as bio-fuel, pure lignin and chemicals that are used for higher value products than heat and electricity. Some of these are presented below.

To capitalize on these opportunities, clusters need to be created with Government assistance in removing barriers that currently exist both from the perspectives of fibre supply and encouraging investments. In most instances in Canada and around the world where clusters have been successful, Government has taken a leadership role in promoting the model.

One opportunity exists associated with utilizing logging residue by the new members of the Secondary Wood Manufacturing Sector. Currently the roadside logging residue is piled and burned as shown below.



There are opportunities to utilize this material through application of the cluster model as outlined below.



This would involve both the Bio-refinery/Bio-energy and the Secondary Wood Manufacturing Sectors. The small margin, residue utilization businesses need a strong and dependable supply/value chain arrangement within a manufacturing cluster model. Again, it will require Government and industry to work collaboratively in removing the existing fibre supply and financial barriers. Work is being proposed to Government on this aspect. A decision on funding development of an Action Plan is forthcoming.

THE CHALLENGE

There are significant opportunities available in the existing Secondary Wood Manufacturing Sector and new Bio-refinery/Bio-energy Sector, if the barriers can be removed to encourage investment and remove the priority barriers. However, it requires leadership from Government and a commitment to collaboration between the primary and secondary wood sectors. Capitalizing on the opportunities will increase community diversification, move toward full utilization of wood fibre, create jobs, decrease greenhouse gas emissions and increase provincial and local government revenues. **THIS IS A CHALLENGE WORTH PUTTING EFFORT INTO!**