

# WHAT IS THE COAST FOREST SECTOR REVITALIZATION INITIATIVE?

By Jim Girvan



In the summer of 2018, the BC government invited forest industry leaders to a meeting in Vancouver to lay out their vision for a revitalized coastal forest industry and to seek their input.

The meeting where the Coast Revitalization Initiative (CRI) was first discussed, together with the planned stakeholder consultation period, implementation process and timeline, was attended by close to 50 invited industry stakeholders, First Nations, union heads and association leaders including the TLA together with Minister Donaldson and several other senior government representatives.

As a prelude to the initiative, the government provided their perspectives on the issues facing the BC coast and their objectives for undertaking this initiative.

From their perspective, the problems on the coast are evidenced by declines in industry related jobs, lumber production and fibre supply; a continued reliance on log exports to support the financial well-being of the industry (a reliance on cedar); the need for increased First Nations participation in all aspects

of the industry; and too much avoidable waste left in the forests after harvest.

The symptoms of those problems are varied including a dulled incentive to invest in second-growth processing assets, a failure to harvest the full forest profile on a consistent basis, a fragmentation of fibre flow, land-use (working forest land base) losses that have led to a reduction of the AAC and the consolidated control of the forest resources through tenure.

It was made clear that government wanted to work with stakeholders to come up with sensible plans to address these problems in ways that met the government objectives, including getting a fair return on its rent, more domestic processing of harvested logs and in turn, increased jobs, longer-term community stability, a profitable diverse industry and greater participation in the industry by First Nations.

After almost six months of industry consultations and review, Premier Horgan announced at the TLA's 76th Convention & Trade Show that his government is going to make policy changes to increase the processing of BC logs

on the Coast and to reduce wood waste by redirecting it to BC's pulp and paper mills. In summary, the CRI has five main goals:

- Rebuilding solid wood and secondary industries to ensure more BC logs and fibre are processed in BC.
- Improving harvest performance to ensure more fibre is available for domestic mills, including the pulp and paper sector.
- Maintaining a credible auction system by taking steps to ensure bids on timber sale licences are independently made.
- Fostering stronger business-to-business relationships between BC Timber Sales, major licensees and First Nations.
- Restoring public confidence through amendments to the *Forest and Range Practices Act*.

"Government is taking steps to reverse a systemic decline that has taken place in the coast forest sector over most of the last two decades. We're committed to rebuilding a strong and healthy coastal forest sector for British Columbians,"

said Premier Horgan in the related press release. “Through the forest policy reforms, we will see more logs and fibre processed in BC, supporting BC workers, their families and communities.”

“We can no longer apply yesterday’s thinking to today’s challenges,” said Doug Donaldson, Minister of Forests, Lands, Natural Resource Operations and Rural Development. “We need to shift our approach away from the status quo and create markets for waste fibre that, until now, has been left in harvest areas. We will continue to work with all forest-sector participants so together we

can enjoy the benefits from a stronger coastal forest sector.”

Effective July 1, 2019, the fee charged for log exports will be revised based on harvest economics. New criteria for log exports from certain geographic areas, based on the same local harvesting economics and subject to engagement and consultation with First Nations will be developed.

Changes to waste policy will be designed to redirect some of the approximately two million cubic metres of wood waste from the coastal harvest to pulp and paper producers and the bio-products/bioenergy sector, supporting

CleanBC’s renewed bioenergy strategy. A coastal fibre recovery zone will be established where penalties will apply for leaving waste in excess of new lower waste benchmarks in harvested areas. Over the next year, changes will also be made to increase penalties for late reporting of waste.

To increase First Nations participation in the forest sector, and to directly receive their input at the beginning of the forest management process, BC Timber Sales will engage with interested First Nations and other licensees in collaborative, area-based planning. This will create efficiencies and better landscape-level planning and forest management.

BC Timber Sales will also work with interested First Nations and licensees in business arrangements that would see all parties sharing timber volume, expertise, and/or capital and all parties sharing decision-making and mutual benefits. BC Timber Sales will maintain its role of auctioning about 20 per cent of the province’s allowable annual cut to support the market-based timber pricing system.

To increase public trust and confidence in forest-sector decision-making, this spring, the ministry will introduce amendments to the *Forest and Range Practices Act* to improve the public input process and increase transparency. The government will also review the effectiveness of the private managed forest land framework.

However, while the goals of the program appear straightforward, the solutions may not be.

For example, StatsCan data confirms that over 45,000 jobs have been lost in the BC forestry industry since 2000 as was detailed by the Premier in his speech at the TLA convention. However, in the same period, changes in the industry have also occurred including significant reductions in the coastal AAC and improvements in both logging and wood products manufacture productivity. Each of these factors led to job losses. And while job losses were being cited as being the motivating factor for implementation of these new policy initiatives, it would be unrealistic of government to expect re-creation of jobs lost as a result of AAC reductions, efforts to improve global manufacturing efficiency and falling market demand (estimated to be a total of 80 per cent of all jobs lost).



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The same holds true for expectations of increases in milling capacity. Current analysis shows that with no coastal industry capacity changes or any reduction in log exports, log demand from all industry sectors almost equals the available coastal supply of logs (AAC) within the next few years. This suggests that any new manufacturing capacity raw material must come from a direct reduction in high valued log exports. This points to the fact that despite log exports, the industry is already close to its capacity to process the available AAC.

At the same time, the cost to harvest trees on the BC coast has steadily risen as logging moves to steeper and more remote areas. As a result, "changes to log export policy may have the unintended consequences of rendering some parts of the coastal forest land base unprofitable to harvest," cautions David Elstone, TLA executive director. "Should this occur, the annual harvest will fall, and bring less fibre to domestic mills, contrary to the revitalization objectives.

After all, the current industry has evolved to rely on log exports as the cost of logging has risen, particularly when lumber markets have softened. This means that much of the harvesting and log trade activity is based on exporting some portion of what we harvest. It is understandable that the nervousness of the industry is significant as these new policies are announced."

On the other hand, it is true that over the past five years, post-harvest total waste (avoidable and unavoidable) exceeded

more than two million cubic metres annually while the pulp and paper sectors faced residual chip and pulp log shortfalls. Perhaps this initiative will help resolve this dichotomy.

The elephant in the room is consolidation of coastal log control, a long-time TLA concern did not appear on the government's list of objectives, an issue that in the opinion of the TLA, may go a long way to addressing important First Nations concerns about participation in the industry and ongoing land claims.

"The announcements made by the Premier will fundamentally address growing concerns about forest management on the coast," said Elstone. "As timber-harvesting contractors, we recognize change is required and that the industry needs certainty. We are hopeful the announced initiatives will support industry sustainability, and the TLA remains available to continue working with the Premier to meet the government's objectives while the contractors' concerns are heard."▲

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