

# INDUSTRY LEADERS' VISION FOR THE FUTURE OF THE FOREST INDUSTRY

By Ian MacNeill

By any measure the BC forest industry is in crisis. Many in forestry-reliant communities are worried that a way of life is coming to an end with low commodity prices, mill closures, impending Allowable Annual Cut reductions now that the beetle-kill wood is running out, and wildfires having taken their toll. But is it as bad as all that? Are there any reasons to be optimistic? What could we do to move forward and rebuild an industry that still directly employs more than 33,000 British Columbians directly and is the lifeblood of more than 100 rural communities? To get some answers we reached out to industry stakeholders for their opinions on where we are, where we need to go, and what we should do to get there.

Photo courtesy BC First Nations Forestry Council



**Charlene Higgins, Chief Executive Officer, BC First Nations Forestry Council**

**Truck LoggerBC Magazine:** Do you see opportunities in forestry going forward for First Nations?

**Charlene Higgins:** Absolutely, we see opportunities on two fronts. First, we see tremendous opportunity in terms of jobs. Although there have been job losses recently, the forest industry is not going away and the current workforce is aging. First Nations live where the resources are, positioning them to take advantage of new job opportunities. We need to find ways to attract and train them to increase their participation in the forest sector.

Second, we see the current transition as an opportunity to look at new ways of managing forest lands and resources. The crisis of the midterm timber supply was predicted a decade ago, yet there was no planning to deal with it. We understand that the land base in the Interior has been compromised by wildfires and the beetle kill, but it was also compromised by focusing primarily on timber at the expense of other values. We know that timber is very important, and the Nations agree with industry and government that we need to do more to increase fibre utilization, but we also believe that you have to do so while managing for other values.

**TLM:** What are some of these other values?

**CH:** Water, wildlife, non-timber resources, cultural values, biodiversity. These values should not be treated as secondary. This is a much more sustainable model.

**TLM:** How do we achieve this type of management?

**CH:** First Nations need to be more involved in the governance and stewardship of forest lands and resources, and forest management has to go back into the control of the communities and people who live in them, so it's all about tenure reform. For over a decade, the Nations have been providing recommendations to the province, and along the way we have developed the BC First Nations Forest Strategy that changes the relationship to one that is government to government. It sets the stage for a new paradigm that does not leave industry out, but for it to work there needs to be tenure reform. Everybody is talking about it.

**TLM:** Does that mean taking back tenure and redistributing it?

**CH:** We are always trying to find ways that are win-win. First Nations want to be land managers, and industry wants fibre certainty. When you put tenure in the hands of First Nations and rural communities you create automatic partnerships where everybody can get what they want. Industry would get fibre certainty, and communities and First Nations would play meaningful roles in forest management and stewardship. Licensees do not

need to feel threatened because ultimately, we want to see partnerships and agreements that provide fibre certainty.

**TLM:** Are you optimistic that this could happen?

**CH:** The provincial government has made a commitment to implement the United Nations Declaration on the Rights of Indigenous Peoples, which includes the rights of Indigenous peoples to control their land and the resources they contain. When you make a commitment you create expectations, and the expectations are high. Now is the time to put the words into action. The new BC First Nations Forest Strategy we have developed with the province provides a way forward, and it's not just about First Nations, it's about rebuilding and sustaining rural British Columbia.

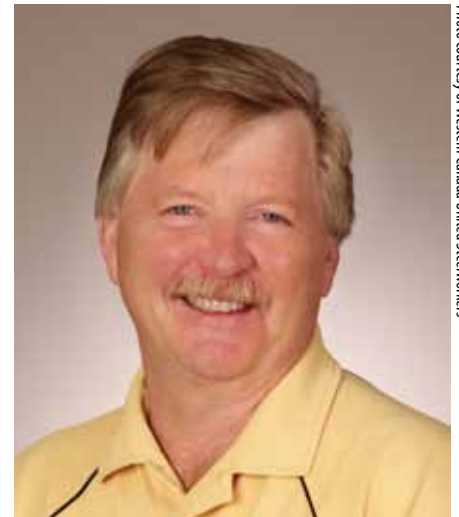


Photo courtesy of Western Canada United Steelworkers

**Steve Hunt, Director, Western Canada, United Steelworkers**

**Truck LoggerBC Magazine:** The provincial government has announced policy reforms that it says will "rebuild the coastal forest sector," and is currently seeking policy input from Interior stakeholders. Are you optimistic about where all this is going?

**Steve Hunt:** There does appear to be an attempt to change the situation, but a lot of things happened over the past 16 to 17 years that have to be undone. The big operators have always gotten everything

they've wanted and now find themselves in trouble because commodity prices tanked and they need help.

**TLM:** Industry groups assert that renewal requires developing hosting conditions that allow for secure access to fibre at a reasonable cost. Would that solve the problem?

**SH:** I think changing the rules to suit everybody's needs would be better for all British Columbians. Forestry provides a lot of good jobs and tax revenues for schools and hospitals. I think solving the problem is going to take more than just listening to what the major companies have to say.

**TLM:** What kinds of changes would you like to see?

**SH:** Bill 22 is a start, but it doesn't go far enough. If a forest company doesn't use the timber that it has under its tenure, they should lose it. We used to have a policy in BC known as the Social Contract that tied logs to jobs and communities. It existed for decades and through governments of different stripes until it was terminated by the BC Liberal government. We need a return to that.

**TLM:** What would the mechanics of tenure redistribution look like?

It's more complex than just saying here's a deadline. But if you shut a mill down and there's no mill for the timber to go to we should try to find someone else to use it. One of the things we're calling for is the restoration of an office of the jobs commissioner, which was terminated by Gordon Campbell. There are wonderful stories of how it was able to help areas relying on forestry recover from the lows in the resource cycle.

**TLM:** Do you have an example?

**SH:** There was a mill in Golden, Evans Forest Products [now Louisiana Pacific], that shuttered nearly 30 years ago. Through the office of the jobs commissioner a plan was developed and executed. The mill reopened, and it's still operating today. Every time I drive through Golden and see it operating I am reminded that there is a better way than just shuttering mills. But we all have to work together to keep these places running. We should also be providing some incentives to develop value-added. Other countries do it. We have a little in BC, but not much. We need some creativity, and it isn't coming from the big operators, it's coming from entrepreneurs who want to take a chance, but can't. How can you do a laminate plant if you can't get fibre?

**TLM:** Why are so many mills closing in BC when so many independent operators or potential value-added players and entrepreneurs complain of not having access to fibre.

**SH:** What's happening with the mill closures amounts to an industry strike. They're angry because they aren't getting their way. It's a protest in the low cycle of the market. That's part of the problem. They've had it their own way for so long they don't like it when they're told to do something differently, or it's even suggested they do something differently.

**Truck LoggerBC Magazine:** The forest industry is in something of a crisis. Do you see any reasons to be optimistic?

**Susan Yurkovich:** Yes, there are many challenges, but we can make some choices now to help manage through this transition and set the industry up for success going forward. We see opportunities for market and product innovation, to promote the benefits of low carbon wood building and to further diversification of overseas markets including the Philippines, Vietnam, Malaysia, and India.



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**Susan Yurkovich, President and CEO, Council of Forest Industries**

**TLM:** What needs to happen at the policy level going forward?

**SY:** We all want to have a strong forest sector and reinvestment. Critical to that is to have secure access to fibre at a reasonable cost.

**TLM:** What needs to happen to make that a reality?

**SY:** There needs to be a policy environment that supports industry and allows it to compete in the global marketplace. We must have a situation where it makes economic sense to harvest fibre, and in most cases, both manufacture it and ship it to market and make a reasonable profit. If we can't do that, it's not a sustainable place to be. When you're investing in plants and equipment, there is a significant lag between investment and payback; you have to know you have consistent access to fibre in order to justify the investment.

**TLM:** The government is currently seeking input from stakeholders on how to affect a renewal of the Interior forest industry. What advice do you have?

**SY:** The industries are different, but the fundamentals are the same. For people to invest, there needs to be an environment where there is secure access to fibre at a reasonable cost. But there is also a significant structural shift going on. At the peak of the beetle infestation, a decision was made to get out as much wood as possible, so the Annual Allowable Cut was as high as 70 million cubic metres. However, the ministry is projecting that

by 2030 it will be down just below 40. Milling capacity must be rebalanced in order to match the available harvest, otherwise you'll have too much iron chasing too little timber.

**TLM:** It sounds like we're going to have a smaller industry.

**SY:** Yes, at least in the midterm. But we will also have more opportunities in the Interior as we move away from the beetle-kill wood and into green wood in terms of product innovation and value-added. We understand that forestry, both on the Coast and in the Interior, is fundamental to our province and remains a significant contributor in terms of jobs and GDP. We also know that Microsoft and Google are not moving to Houston or Port McNeill or many of the other 140 fantastic communities that rely on the forest sector. There is no one entity that can provide all the answers to the challenges facing our industry, but if we make a collaborative effort to come up with innovative solutions, we can move forward.▲

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