

GOT TIMBER SUPPLY?

By Ian MacNeill

Before delivering his presentation at this year's TLA convention in Vancouver, Stew Gibson, VP operations West for the Paper Excellence Group, made a joke about being in a room full of angry loggers.

It didn't get a lot of laughs, indicating that when it comes to the policy provisions in last year's Coast Forest Sector Revitalization Initiative that Gibson had come to discuss, it's easier to be lighthearted when it isn't your ox that's getting gored.

Make no mistake, the policies and provisions in the initiative favour the wood-waste industry. "The pulp guys are delighted," observed Barry Simpson, a TLA board member and president of Oceanview Forest Products.

To recap, citing concerns about excessive fibre waste being left behind in the forest, the provincial government moved to reduce the slash piles and create fibre flow for the pulp and paper industry (as well as the bioproducts and bioenergy sectors) by implementing new "waste

benchmarks" for mature stands that vary depending on the method of harvest. Cable operations will be permitted to leave 25 cubic metres of residual fibre per hectare, while the ceiling for conventional ground harvesting operations is capped at 10. Anything over that and your stumpage bill goes up by as much as 300 per cent.

Wood waste in the forest can be a problem, depending on the location, and there are good environmental reasons for reducing it—including fire and



smoke abatement—but the measures seem more designed to address fibre-access problems by the pulp and paper industry and other end users.

Historically, fibre access for pulp mills at the prices that have been offered for it are, and have been, a problem. And with the allowable annual cut going down, sawmills closing, and the wood-bug harvest fading into the rear-view mirror, the problem is only going to get worse, said convention presenter Robert Schuetz of Industrial Forestry Service.

In recent years, the industry has even been forced in some cases to barge in chips from the United States to make up for shortfalls. Seeing that spectre looming in the not-too-distant future the pulp and paper industry went proactive, forming a lobbying coalition and knocking on doors in Victoria. The “waste in the woods” policies contained within the initiative are the fruit of their labours.

The harvesting community and the sawmillers do not begrudge the pulp and

paper (P&P) industry fibre supply. In fact, the different sectors have a symbiotic relationship. The sawmills need the pulp sector to dispose of its waste material, and of course the P&P industry needs fibre for its voracious hoppers. “We’re constantly saying [to the pulp and paper industry], you come and get it, you can have it for free, but they say they cannot afford it,” said Simpson.

And that’s a big part of the problem; the pulp and paper industry want it delivered to their doors at no extra

cost, but without any extra pay, which explains why there are so many angry loggers in the room.

The simplest solution for a government interested in getting the waste out and keeping the pulp mills active would be to lower the stumpage rate on the waste portion of the harvest. But it can't do that because that would create trade issues with the United States.

Another option would be for the waste users who want it to pay more. Various arguments have been put forward by the industry to justify the low price it pays for fibre—currently run-

ning at about \$50 per cubic metre. One is that the price is inelastic, meaning that raising it does not positively influence supply, so why bother doing so? But the counter argument is that it hasn't increased supply because the raise wasn't enough to make the supply chain economically viable. "If they doubled the price they're paying they'd be buried in fibre," quipped one delegate at the convention. As well, thanks to "perpetual" pricing agreements, it's not subject to domestic market forces, says Gibson.

The provincial government has its own interests to consider. With a razor-slim majority in the legislature, they don't want pulp mills shutting down and throwing people out of work, especially when most of those mills are in NDP ridings.

So, the problem is simple. You've got fibre left on the ground after harvesting that the pulp mills desperately want but will not or cannot afford to pay more for, and a government that wants to keep the mills open but cannot afford to "subsidize" prices by lowering stumpage, which would result in handing the bill to the taxpayers and inviting more trouble with the Americans.

The Coast Forest Sector Revitalization Initiative neatly solves the problem by making the harvesting community pay the freight for removal and delivery. No wonder the "the pulp guys are delighted."

But will the new policies even achieve the stated goals of reducing waste and saving the pulp in industry? Maybe not. Barry Simpson points out that the added disincentives to profit in the logging sector will lead to less logging overall, and eventually, less fibre for everyone. It may take a while for this potential 'unintended consequence' to make itself felt. Fortunately for government, that probably won't be until after the next provincial election, and perhaps even the one after that. But by then the damage may be irreparable.

The negative impact of the new rules on First Nations could be even worse, says Larry Fedorkie of Capacity Forest Management. Many First Nations tenure holders are particularly challenged by small AACs, remote terrain, and difficult contractor availability. "First Nations licensees have to be successful on every project," he said. "There is no margin for loss." He adds that his clients are still working under permits put in place before the implementation of the new policies, but said that with the higher costs of complying with them—an estimated \$3-\$5 per cubic metre in the proposed Fibre Recovery Zones—future projects could be curtailed.

Trying to put a positive spin on the waste recovery process was convention presenter Rob Stewart of Stewart Systems, whose company specializes in whole-log chipping and waste recovery. He explained that waste recovery could be facilitated by carving out cutblocks

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to ensure they can accommodate log trucks and trailers measuring 65-70 feet and chipping on-site. However, in addition to adding obvious costs, this kind of solution is only practical within a short range of receiving facilities, ideally 30-50 km on a three-hour cycle, provided of course that the roads will even accommodate log trucks with their longer lengths and lower clearances. That's a pretty narrow window, says Barry Simpson. "It's only viable if you're logging next door to a pulp mill," he says.

Getting out waste fibre left behind after operations has value for various players and communities, but these policies don't seem to be the best way to go about it, he adds.

"They seem to be under some delusion that if they bring in this draconian legislation that some people will magically deliver all this waste wood into the marketplace at a massive loss," he says. "The reality is that we'll just stop logging hemlock, and we already are."

Worryingly, the new provisions haven't, at least so far, meant job protection for BC's pulp and paper workers. In February, Paper Excellence announced that it was shuttering its Crofton mill for 30 days because, according to remarks attributed to Stew Gibson, "developments in both the coastal and Interior forest regions of the province have cut off the mill's long-term contractual supplies of wood that are the basis of its operations."

The closure will affect 450 workers. Of interest is that Gibson went on to say that "several critical areas of the Crofton mill, including its fibre-receiving facility, will remain open during the one-month shutdown," with the hope of building a viable fibre inventory during the shutdown. Will post-harvest waste fibre fill the current void? Time will tell.▲

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According to a spokesperson from the provincial forest ministry, the potential impact on the bottom line for harvesters when it comes to getting the waste out has been greatly exaggerated.

"The Coast fibre recovery zone boundary is aligned with the market price for pulp fibre, so the penalties should only apply when the fibre is economic to ship," the spokesperson said. "Timber was being wasted when there was a willing buyer paying a reasonable price."

The spokesperson did not elaborate on what is meant by "economic to ship" or what constitutes a "reasonable price" from buyers, but did say that "government will continue to

work with the forest industry to ensure the Coast fibre recovery zone boundary is appropriate based on changes to both industry costs and fibre markets."

The government also disagrees with the contention that the new policies will result in less logging overall, and ultimately less fibre for all users. "Since the fibre within the Coast fibre recovery zone should be economic to ship, the zone should not be disincentive to harvest," they said. However, they added, "we are committed to monitoring for unintended consequences with respect to overall fibre supply, but the recent strike on the Coast has limited our ability to get a full understanding of the impact of the changes we adopted

in 2019. We continue to monitor the situation."

As for stumpage relief, don't count on it. Arguing that BC's market-based pricing system is designed to be market-driven" but acknowledging that the "forest sector is facing serious market challenges," the spokesperson went on to underline the fact that tinkering with stumpage will be interpreted as subsidization by the Americans and result in greater duties being levied on lumber-producing forest companies.

In other words, at least for now, with respect to waste-removal policies, what you see is what you get.