

# WHAT'S THE FOREST INDUSTRY WORTH TO BC?

TLA Editorial

In 2017, PricewaterhouseCoopers, on behalf of the member companies of the Council of Forest Industries (COFI), presented the results of an economic study meant to articulate the value of BC's forest industry. Using data collected from 2016, the report highlights the obvious benefits that the forest industry in BC provides; a contribution that TLA members are well aware of, but a large portion of BC's population may not fully understand or appreciate.

As the base for 59,900 direct jobs in logging, trucking, sawmilling, veneer and plywood production and pulp and paper (or about 6 per cent of all provincial jobs) and support for close to 140,000 total jobs (including direct, indirect and induced jobs) in the province (about 15 per cent of all provincial jobs) the BC forest industry remains a cornerstone of BC's economy; especially in the 140 rural communities that directly depend on the industry.

In 2016, the provincial harvest from Crown and private land was 63.2 million cubic metres. This indicates the generation of about one job for every 1,000 cubic metres harvested and over two jobs for every 1,000 cubic metres harvested when considering all indirect and induced jobs. For these workers, the total labour income was a staggering \$8.6 billion. Logging alone accounted for

approximately 28 per cent of BC's forest industry's contribution to its total economy, and 44 per cent of the aggregated Canadian forestry and logging sector.

Beyond the obvious benefit to workers and their families, the BC forest industry generated \$32.96 billion in output (the value of all products sold) and \$12.94 billion in GDP to the province. This means for every 1,000 cubic metres harvested, \$205 in GDP was generated.

The payments of municipal, provincial and federal taxes resulting from the industry's operating activities, as well as other payments to the provincial government, totaled \$4.12 billion, representing about \$65 per cubic metre of harvest. With a total contribution to the provincial government alone of \$2.56 billion—including \$1.12 billion in provincial taxes; \$747 million in stumpage; \$86 million in annual rent, logging tax, and fee in lieu of manufacture; and \$607 million in payments to BC Hydro—it is clear that the province relies heavily on the industry to provide the money needed to support the high level of social amenities including teachers, fire protection, police and health services, that British Columbians have come to enjoy. Furthermore, the industry paid a total of \$1.36 billion in federal taxes and \$198 million in municipal taxes.

Contrary to the popular belief that the forest industry is essentially a “rural”

industry, a subsequent study released by COFI in late 2020 shone more light on the value of the industry to all British Columbians. Commissioned in early 2020, the 2019 Regional Supply Chain Study assessed the supply chain spend and reach of 19 COFI member companies. In 2019, these member companies purchased an aggregated \$7 billion worth of goods and services from nearly 9,900 BC-based companies and Indigenous suppliers located in every region of the province.

“Many people tend to associate the forest industry with rural areas and smaller communities, but this study shows that people working in businesses in urban centres like Vancouver, Surrey, Burnaby, Nanaimo and Kamloops also depend on a strong and vibrant forest industry supply chain,” said Susan Yurkovich, president and CEO, COFI. “This study clearly demonstrates how our forest industry's deep roots are supporting workers and families right across our province.”

COFI members purchased \$2 billion worth of goods and services from 2,100 businesses located across 19 municipalities in Metro Vancouver alone. On Vancouver Island, \$1.2 billion worth of goods and services were purchased from 1,600 suppliers, with more than a quarter of them located in Nanaimo. In the north, Prince George was home to 970 forest



industry suppliers that provided \$718 million in goods and services. And more than 550 businesses from Kelowna and Kamloops in the BC Interior provided a combined \$220 million of the forestry supply chain spend.

Importantly, the study also confirmed that forestry is a primary industry in many Indigenous communities. Business agreements and stewardship partnerships between the forest industry and First Nations provided about \$250 million in economic benefits to these communities, with close to 120 First Nations or affiliated businesses participating in the industry in 2019.

“This study is a reminder of the importance of our industry to the fabric of our province,” says Yurkovich. “As we look to recover from the devastating impact of this global pandemic, our sector can help lift more British Columbians up by keeping our operations running and continuing to buy goods and services from local businesses. To do this, we need to work together to address the challenges we face and to seize new opportunities, ensuring our deep roots continue to be the foundation for strong communities, sustainable growth and shared prosperity long into the future.”

As was noted above, the harvest in 2016 was 63.2 million cubic metres. However, the allowable harvest including

the traditional volume derived from private lands was over 79 million cubic metres. This 15.8 cubic metre difference was clearly a lost opportunity for the industry and the people of BC. In 2016 alone, achievement of the full allowable harvest could have resulted in 25 per cent more jobs, 25 per cent more GDP revenue and 25 per cent more government revenue.

In fact, in every year over the past decade, the harvest could have been greater than what was realized. In every year, we should have had additional jobs, more family incomes, greater provincial and municipal revenues and more social services than we actually saw. Looking ahead, a key goal for the government and new Minister of Forests Katrine Conroy should be to create forest policies that will optimize opportunity to harvest the full allowable annual cut in order to ensure we are realizing the forest’s full economic potential.

Beyond the value of the industry to British Columbians detailed in these two studies, the intrinsic values we derive from our forests are immense. From recreation, wildlife habitat, water supply and carbon dioxide sequestration, forests play a large, important role in BC and their management is equally important.

Again, government needs to strike the balance needed to preserve and enhance

these values while at the same time optimizing use of the forests to support our economy. Strategic preservation of old-growth forests has already been addressed in part, but what is also needed is a clear identification of the working forest that will sustainably support the industry, and policies that allow companies across the province to react to changing global markets who constantly demand what our forests have to offer.

One of the industry’s collective, greatest challenge remains informing the public about the extent of the forest sector’s economic contribution to our province and communities. In the many debates regarding forest policy, specific groups tailor their messages to define contributions in terms of profits, stumpage, costs, or whatever best serves their purpose. The overwhelming reality is that the financial contribution of the forestry sector remains critical to the province’s well-being when all aspects are considered. For example, the net profit of any particular operation only reflects a small portion of overall economic benefits when the total expenses and revenues to an individual, company, and the province are considered.

Forests are a renewable and sustainable resource that have built and continue to sustain this province. Let’s work together to ensure we realize their full potential.▲