

MAKING FOREST POLICY MORE EFFECTIVE

Some key actions needed to achieve the region's
objectives for its forest sector.

2014



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Prepared by the Omineca Beetle Action Coalition

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The Omineca Beetle Action Coalition is comprised of:

The Village of Burns Lake
The District of Fort St. James
The Village of Fraser Lake
The Village of Granisle
The District of Houston
The District of Mackenzie
The Village of McBride

The City of Prince George
The Town of Smithers
The Village of Telkwa
The Village of Valemount
The District of Vanderhoof
The Regional District of Bulkley - Nechako
The Regional District of Fraser – Fort George

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The Honourable Steve Thomson
Minister of Forests, Lands and Natural Resource Operations
PO Box 9049 Stn Prov Govt
Victoria, BC V8W 9E2

Dear Minister Thomson:

I am pleased to enclose the document Making Forest Policy More Effective outlining several key actions needed to achieve the region's objectives for its forest sector.

As you know, the Omineca Beetle Action Coalition produced a strategy for the region's forest sector in 2008. Progress has been made on many aspects of that strategy however we have identified some key subjects that our communities feel need new or additional attention.

The history and future of our communities lies in a special relationship with the land and the people who live there. We realize that the province must reconcile input from a variety of interests that are often competing – that is why expressing our views is so important. In doing this, we have attempted to provide clear, constructive and well-reasoned suggestions. Natural resource policy has many interdependent components and we encourage a dialogue about how it can better meet the needs of local communities now and in the long term.

In preparation for this document, we circulated a discussion paper and invited input from community members, industry and the province. The constructive feedback was much appreciated and has been considered in the final product.

We look forward to working with you and your colleagues on implementation of these and other natural resource policy improvements.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Killam".

Mayor Stephanie Killam, District of Mackenzie
OBAC Chairperson

ABSTRACT

Many communities in British Columbia's central interior (Omineca) region depend heavily on the forest sector for their economic well being. An unprecedented epidemic of Mountain Pine Beetle has seriously eroded the region's timber supply, leading to mill closures, job loss and considerable uncertainty. Local governments have collaborated on how to mitigate the negative impacts by developing strategies to diversify the economy and maintain or improve social infrastructure.

Despite its decline, the timber industry will continue to be an important part of the region's economy. Since nearly 100% of the forest lands are public, the Provincial Government is responsible for their management. Current Government forest policies do not support the long-term interests of communities as well as they could. There is concern that this will lead to further depletion of forest resources and suboptimal public benefits from the remaining timber. To address those concerns a coalition of local governments has proposed a package of changes so forest policy can more effectively meet local community needs. The topics include: strengthening resource sustainability; increasing sector diversity; improving local benefits; strengthening local participation; and encouraging competitiveness and innovation.

RESPECTING FIRST NATIONS

In its work the Coalition reflects the collective interests of member communities. While many of these interests may be shared with aboriginal peoples of the region, the Coalition recognizes and respects that First Nations have their own voice, and possess a unique role and rights defined by the Constitution and legal precedent.

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Note: For those using an electronic copy of this document, all major citations include a hyperlink to the source document or web site.

Executive Summary

The Mountain Pine Beetle epidemic hastened and magnified changes in the forest industry, which has been the economic mainstay of many central interior communities for more than half a century. The Omineca Beetle Action Coalition (OBAC) has identified a number of key forest policy changes that if implemented, will enhance community resilience through more direct involvement, improved forest stewardship, and a more diverse and competitive industry.

The Omineca Region has some of the most forestry dependent communities in the province. While other industries play an important role in the economy, utilization of timber and other forest resources will be a significant provider of jobs and wealth well into the future. When it became obvious that the Mountain Pine Beetle epidemic would have significant and lasting consequences, the Premier asked us for advice on how to deal with the community impacts. We responded in 2009 with a 15-year diversification plan backed by a series of sector-based strategies containing dozens specific recommendations.

We are now beginning to see the predicted reduction in timber supply and resulting sawmill closures, and with that, the community impacts. Although progress has been made on many aspects of our recommendations, we see several key areas of provincial policy that still have to change if community needs are to be met. The policy environment is very complex and interwoven, and we do not expect change to be easy, or the results immediate, but we must move as quickly as possible.

The actions proposed here are presented in the context of a much broader suite of issues, policies, and on-going activities. They are topics identified as needing new or additional attention. There are seven proposed actions, each supported by more specific policy and implementation recommendations.

1. Adopt a clear vision and principles.
 - 1.1 A new, clear and unambiguous vision for the long-term public interest in forest lands and forestry dependent communities.
 - 1.2 A set of core principles against which all policies, programs and decisions can be measured.
2. Strengthen Resource Sustainability.
 - 2.1 Bring in a *Natural Resources Act* to provide overarching guidance and encourage optimal public benefit from the variety of activities occurring on a common public land base.

- 2.2 Increase the level of confidence in information used to make strategic and landscape level decisions about the optimal use, allocation and protection of forest resources.
 - 2.3 Accelerate restoration of the future AAC's to at least the long-run sustainable yield through prompt reforestation of beetle-killed timber.
3. Increase Sector Diversity.
 - 3.1 Undertake a 20 year program to diversify and update forest tenure in a manner that encourages stewardship, competition and optimum long-term public benefits.
 - 3.2 Immediately begin a 20 year program to diversify product manufacturing with a goal to add greater value and generate greater benefits for British Columbians.
4. Improve Local Benefits.
 - 4.1 Consistent with the work of the BC Rural Project, begin immediately to phase in a balanced resource revenue sharing formula that invests a portion of the province's forest resource income directly into strengthening communities in the forests where the revenue is derived.
 - 4.2 Strengthen policies to generate the best overall value to the public and local communities from utilization of forest resources now and in the long term.
5. Strengthen Local Participation.
 - 5.1 Strengthen the role of communities and local governments in key administrative decisions.
 - 5.2 Support meaningful community and local government involvement by making information more useful and available.
 - 5.3 Support an effective transition to more locally driven forest resource stewardship by helping to improve local capacity.
6. Encourage Competitiveness and Innovation.
 - 6.1 Ensure policies and programs support current and emerging business needs within the context of healthy communities.
 - 6.2 Continue and broaden joint government-industry initiatives to develop and access new and diverse markets.
7. Work together on Implementation.

OBAC acknowledges the ongoing work to address these and many other pressing forest management and natural resource issues. It is expected that this document will help define the

interests of our communities and initiate further constructive dialogue about how they can be achieved.

Introduction

The Omineca Region has some of the most forestry dependent communities in the province. While other industries play an important role in the economy, utilization of timber and other forest resources will be a mainstay of the region well into the future. For this to occur requires a healthy, productive forest, careful stewardship, and effective policies.

Until recently local governments have left decisions about forestry primarily in the hands of the province and industry. However communities have realized that they need to define and assert local and regional interests in order to realize the on-going benefits they have been expecting. This has been brought into sharp focus by the pine beetle epidemic which led first to a dramatic increase in harvesting to salvage dead timber, followed by a rapid decline causing mills to close and putting communities at risk.

For some time there has been a trend toward consolidation of small, locally owned companies into a few large corporations with centralized and highly mechanized mills. And since timber rights are held mainly by the owners of these mills, they too are being consolidated. These few mill owners are focused almost entirely on commodity lumber production, a product that has been declining in real, inflation adjusted value terms for many years, putting downward pressure on the resource benefits realized by British Columbians. Concurrent with that trend, the government centralized staff and reduced its direct involvement in forestry operations. Our members fear that if allowed to continue unchecked, particularly in the face of reduced harvest levels, this puts the viability of several communities in question. Four of the primary concerns expressed are:

- a) The resources are at risk of being further depleted or degraded;
- b) Nearly all the remaining timber will go to a few large centralized mills leaving several communities with fewer jobs and economic benefits;
- c) In some communities a single private company could control nearly all of the public timber supply, either through its own licences or as the only buyer; and
- d) The public will have little say in the stewardship, or distribution of benefits.

As part of a broad, integrated response to the consequences of the beetle epidemic, the [Future Forest Products and Fibre Use Strategy](#) (2008) laid out six objectives:

1. Increase community benefits from forest resources.
2. Diversify and strengthen the sector.

3. Form stronger working partnerships and communication among First Nations, local communities, government and the forest sector.
4. Increase the ability to train and retain the required work force.
5. Create a climate of ownership and pride in the region's forest resources.
6. Ensure the forest is managed to meet future needs and opportunities.

Now, five years after completing the strategy it is time to increase our effort on some aspects of forest policy. We began by meeting with provincial government representatives and providing detailed input on the review of BC Timber Sales; the Inventory Program; and conversion of volume-based tenure to area-based. It quickly became apparent that there were a number of interrelated issues that needed to be looked at as a package. The topics chosen here by no means cover the full spectrum of forest policies – they are those we identified as being of particular interest to communities at a local or regional level, and needing new or additional attention.

We also recognize that the province is faced with reconciling input from a variety of interests, often competing. That is why clearly expressing the views of our communities is so important. To compile these views we first consolidated work we had already done with our communities and stakeholders over the past several years. That led to a [discussion paper](#) on which groups and individuals were invited to comment. With that input, the recommendations in this report were finalized. If implemented they will go a long way to addressing the concerns listed above, and achieving some of the objectives in the 2008 strategy.

The report is organized to provide a number of proposed actions, each supported by specific recommendations with a brief rationale and implementation suggestions. Where appropriate, hyperlinks are included to allow the reader to examine additional background material. The coalition looks forward to working with the government and others on refinement and implementation.

Proposed Action #1

ADOPT A CLEAR VISION AND PRINCIPLES

***Intent:** All forest policy and program decisions are directed toward achievement of the best long-term public interest.*

Policy Recommendation 1.1

Adopt a new, clear and unambiguous vision for the long-term public interest in forest lands and forestry dependent communities.

Rationale

Managing forest resources is complex and dynamic. It requires thousands of decisions, by many different people, over various (sometimes long) time frames. Legislation, government strategies and administrative frameworks provide important tools for consistency and efficiency, but even they need to be aligned. Without an overarching vision, short-term pressures can confuse or overwhelm good long-term management.

OBAC's [Diversification and Implementation Plan](#) (2009) expressed a vision for the region, within which is embedded a vision for each sector. The [Working Round Table on Forestry](#) (2009) developed the following vision, which was used by the government in [subsequent publications](#): *"British Columbia has a vibrant, sustainable, globally competitive forest industry that provides enormous benefits for current and future generations and for strong communities"*. An unpublished forest ministry document as recent as 2013 contains a different vision statement: *"British Columbia Forests are managed sustainably to supply a continuous flow of desired benefits over time through strategic management of forest composition, structure and function"*. The non-government [Healthy Forests Healthy Communities](#) initiative (2013) proposed the following vision: *"British Columbia's forest lands asset is protected, managed and restored to: ensure the health, protection and long-term viability of forest values; support healthy, diverse and resilient communities; and support viable and sustainable forest sector community businesses"*.

The 2013 report: [Growing the BC Interior Value Added Wood Sector](#) which has been endorsed by OBAC also speaks to the various visions at play and in some cases questions the appropriateness of their orientation. That questioning is reinforced by a July 2014 Canada West Foundation [research report](#) about public attitudes toward resource industries, based on polling of western Canadians. The Foundation's director commented in an Edmonton Journal article that: *"The bottom line here might simply be that we expect our governments to be as effective at representing resources owners (the public) as companies are at representing shareholders."*

OBAC supports many of the sentiments in vision statements made by government or proposed by others, but believes that any officially expressed vision must put the interests of the current and future owners first, and not as a derivative of industry success. Mention of other interests should be clearly in the context of a means, rather than an end.

Implementation

1. Government should adopt and communicate a new and enduring vision that is clearly and directly focused on the public interest.
2. The vision should be incorporated into legislation (see Section 2.1 – Natural Resources Act).

Policy Recommendation 1.2

Adopt a set of core principles against which all policies, programs and decisions can be measured.

Rationale

While goals and objectives describe what we plan to do, guiding principles define the values we want reflected in how it is done. As described above in the rationale for a new vision statement, making good decisions in a dynamic and complex environment requires clear parameters and expectations. Employing guiding principles is a non-prescriptive approach to managing, which provides latitude to deal with varying circumstances along with clear expectations about the boundaries. It is a logical technique for managing in as regionally diverse a province as BC. For example, the Working Round Table on Forestry recommended: *“British Columbia Forest Policies should reflect the unique forest attributes and socio-economic circumstances in different parts of the province”*. We agree, and believe that the balance between consistency and flexibility is found by following a common set of common principles.

In 2008 OBAC prepared [*The Way Forward*](#), a Proposal to Modernize BC’s Forest Policy. That document was intended to be a starting place for a broad discussion about new policies in the context of communities’ long-term interests. It contained a proposed “leadership statement” and several “defining principles”. The leadership statement, which could be called a “strategic principle”, is: *“The forests of British Columbia belong to its people, and to future generations – we must always put their interests ahead of others.”*

Implementation

1. The Provincial Government should adopt and implement a set of guiding principles to support implementation of the vision recommended in Section 1.1.
2. Consideration should be given to establishing the guiding principles in law.

Proposed Action #2

STRENGTHEN RESOURCE SUSTAINABILITY

Intent: Build on the success of strategic land-use planning and sound site-level forest practices by ensuring the integrity of forest landscapes is protected, key resources are effectively managed and depletions are restored.

Policy Recommendation 2.1

Bring in a *Natural Resources Act* to provide overarching guidance and encourage optimal public benefit from the variety of activities occurring on a common public land base.

Rationale

There are many practical reasons why legislation is sector specific. The operational rules and administrative arrangements rightly differ between industries. For example the mining and commercial recreation sectors have very different industry structures, activities and needs. However given the fact that all resource use occurs on a common landbase, and must be integrated with other commercial and non-commercial interests, it makes sense that they operate under a common framework.

Up until about 25 years ago industrial resource development was sufficiently new or dispersed so that any coordination required could be done informally or through ad-hoc processes. Being the industry with perhaps the broadest geographic impact, forestry was the primary focus of coordinated land use planning that took hold in the 1990s. While the suitability of all industrial development for a given area may be guided by land use plans, many of the legal requirements related to outcomes or government objectives apply only to forestry (e.g., through the [Forest and Range Practices Act](#)).

In [2011 the Forest Practices Board](#) pointed out that 17 of 26 land use plans committed to monitoring and update processes that never happened (at the time most of the other plans were new enough to not require updates). It said: *“This raises concerns about how relevant these old plans are, given how much has changed in the province in the last decade, especially in MPB-affected areas.”* In 2013 [the board reported](#) that there were more than 250 000 active permits (including licences, leases, authorizations, etc.) in the province. It noted that *“individually, these permits may have minimal effect on the landbase. Collectively, however, their effect can be significant.”* The board went on to say *“BC does not have a framework for managing cumulative effects and so the cumulative effect of natural resource development remains largely unknown and unmanaged. One of the most important tasks facing natural resource managers in the near future will be to find a way to manage these effects. This will be*

essential if we are to make sure that the resource landbase continues to provide sustainable benefits for British Columbians.”

The Legislature’s [Special Committee on Timber Supply](#) (August 2012) spoke to the need for monitoring and review of land and resource management plans *“in view of changes to the forest landscape”*. In its [response](#) to the Committee (October 2012) the government said: *“In the longer term, the ministry will develop a framework for community-based engagement on resource management that incorporates monitoring of land use plans and allows for public engagement on a broader suite of natural resource initiatives...”* It went on to say: *“Our engagement will be initially focused on areas most heavily impacted by the mountain pine beetle. The longer term approach will be introduced over time, starting in 2014.”*

We believe the Government is attempting to respond – but the signals are mixed. The very creation of the Ministry of Natural Resource Operations suggests a commitment to coordinate some aspects of resource management. On the other hand, leaving regulation of the oil and gas sector to a separate agency seems inconsistent. Twice we have seen legislative initiatives to coordinate management of [resource roads](#), yet nothing has yet come of it. The recent progress toward a framework for managing cumulative effects and coordinating permitting are encouraging. The problem does not seem to be a lack of know-how, but is more likely due to constraints on staff, limited funding, divided responsibility (e.g., for oil and gas), and competing priorities.

Good planning and effective management should not be discretionary. An overarching *Natural Resources Act* would set out basic requirements for planning, coordination, monitoring, and reporting, as well as for adherence to common environmental protection and safety standards. It could help streamline administration, reduce redundancy, clarify accountabilities and improve the ability to achieve optimum public benefits over reasonable time scales.

Implementation

1. Within two years, adopt overarching (umbrella) legislation that sets out a formal framework for integrated management of all natural resources on public land, including:
 - a. Maintaining, monitoring and updating strategic land use plans.
 - b. Integrated decision processes.
 - c. Integrated resource development plans.
 - d. Harmonization of environmental protection standards across all sectors.
 - e. Cross-sector independent oversight and reporting.
2. Streamline sector specific legislation to remove any redundancy or conflict with the new *Natural Resources Act*.

Policy Recommendation 2.2

Increase the level of confidence in information used to make strategic and landscape level decisions about the optimal use, allocation and protection of forest resources.

Rationale

Knowing the amount, location, condition and trend of various key forest resources is essential to their prudent management. In the case of timber, the inventory guides strategic decisions, such as the allowable annual cut (AAC) and informs broad-based land use planning.

In the past, better timber inventory information has frequently led to increased allowable annual cuts. This has sometimes come about because the chief forester has a higher level of confidence in the information, and can therefore be less conservative in his decision. Another example has been the innovative forest practices agreements (IFPAs) which often focused on inventory improvements that have led to increased AAC. However, even if an increase is not the case it is better to know than not to know. In circumstances of constrained resources, optimization requires good information – and our resources are more constrained now than at any time in our history.

On most public land the provincial government has primary responsibility for the inventory. For decades the inventory program was a core, high priority function for the Ministry of Forests. However, over the past decade the relative level of effort and investment has fallen off. This is despite a commitment by the government in its [Mountain Pine Beetle Action Plan](#) (2005-2010 and 2006-2011) to: *“update and improve the timber inventory and information about non-timber resources to facilitate more accurate assessments and forest management decisions in the epidemic area.”*

BC’s Forest Professionals, whom the public rely on for independent informed advice, raised concerns about the adequacy of the forest inventory in a formal report done in 2006 and [updated in December 2011](#). In a [2012 report on management of timber](#), BC’s auditor general said *“We found cases where the ministry lacks the information needed to accurately categorize the attributes of a forested area. In particular, the ministry has limited information on areas affected by pests, diseases, wildfires and other natural disturbances.”* In 2011 the [Forest Practices Board](#) also raised concerns about the adequacy of inventory updates. In August 2012 the Legislature’s [Special Committee on Timber Supply](#) recommended improvements to the inventory program.

In response to these concerns the Ministry of Lands Forests and Natural Resource Operations issued a [Forest Inventory Strategic Plan](#) in February 2013. OBAC has reviewed the plan with the senior ministry staff and commented to the Minister in January 2014. In adopting the plan the

government has taken an important step toward stabilizing its inventory program at \$8 million per year, avoiding potentially disruptive and inefficient fluctuations in funding and staff. The Ministry is also pursuing technology solutions that can improve efficiency. However OBAC is concerned that a partial reinstatement and stabilization of capacity falls short of the real need. In the face of climate change, diminished timber supplies and competing land uses it sees a need to increase the intensity and frequency of measurements and ensure the information is quickly available to decision makers and the public. This concern appears to be shared by others, as evidenced by this recent (July 2014) comment from the Council of Forest Industries in the [BC Forest Professional](#) (July-August 2014): *“The provincial government needs to accelerate its work in updating forest inventories in order to support its decision-making about the land base.”*

OBAC recognizes that the government has many competing priorities for public funds, and that resources allocated to the inventory program may be driven as much by what’s available as by what’s needed. However given its fundamental role in sustainable management and the ability to generate future benefits we believe it requires a higher priority. If additional resources cannot be found through the normal budget process it is possible that adoption of some of the recommendations later in this paper will assist.

Implementation

1. Restore funding to the Inventory Program to a minimum of the long-term average of \$15 million per year.
2. Where the chief forester identifies inventory as a constraint to determining the optimal AAC, commit to rectifying the shortcoming within five years.
3. In the most highly constrained management units, increase the utility of the inventory to ensure it supports more refined landscape and operational level decision making.
4. Enhance the inventory to identify non-conventional resource utilization opportunities.
5. Start immediately to improve the quality of inventories and monitoring for key wildlife species and other non-timber forest resources.

Policy Recommendation 2.3

Accelerate restoration of the future AAC’s to at least the long-run sustainable yield through prompt reforestation of beetle-killed timber.

Rationale

Seven of the twelve most severely impacted timber supply areas (TSAs) in the province are in the Omineca region, including two (Lakes and Vanderhoof portion of the Prince George TSA)

within which pine is by far the main timber species and mortality rates are over 45%. The government's [Mountain Pine Beetle Action Plan](#) (2005-2010 and 2006-2011) set out an objective to: *"Recover the greatest value from dead timber before it burns or decays, while respecting other forest values."* This led to significantly increased harvest levels in beetle killed areas for a few years, with the understanding that this would cause a shortage in the mid-term. An important benefit of the salvage program has been that areas logged have been reforested by the industry, helping to assure long-term timber supplies. However, even with increased AACs not all the dead timber on the commercial harvesting land-base was forecast to be salvaged, and experience shows the actual salvage is below what was allowed.

Another objective of the [2006 Action Plan](#) was to: *Restore the forest resources in areas affected by the epidemic.*" At that time the government acknowledged uncertainty and said (page 17) it expected *"a program with a long-term funding level of at least \$50 million per year that would continue until the not satisfactorily restocked (NSR) areas have been reduced to levels that do not pose serious timber supply problems."* (Note that this is for areas that are not salvaged and reforested by the industry, and is over-and-above reforestation of non-beetle areas damaged by wildfire.) That level of investment has not occurred.

A report by the [Forest Practices Board](#) in 2012 confirms that the reforestation expectations stated in the Action Plan were not met. The board also acknowledged the uncertainties, but projected roughly a million hectares of the commercial forest land-base could potentially be NSR, and said that decisions about whether to replant *"will have an impact on the future timber supply..."* and *"at a minimum, if nature is left to take its course, the eventual crop of timber in those areas will be delayed."* Later in 2012 the [Legislature's Special Committee](#) on Timber Supply also commented on the issue and made recommendations.

In a [February 2012 report](#) the Auditor General said: *"In light of the devastation resulting from mountain pine beetle, the ministry has a window of opportunity to shape our future forests and mitigate the impact with a timely, strategic reforestation plan and cost effective silviculture. To do this, government needs to establish a provincial plan that states its long-term timber objectives and focuses its resources in order to foster economic stability and quality of life for British Columbians now and in the future."* He went on to recommend the government *"ensure that its investments in silviculture are sufficient to achieve long-term timber objectives, and that they align with stewardship principles and are cost-effective."*

Between 2009 and 2011 a Parliamentary Secretary for Silviculture oversaw a discussion paper; public input; and eventually options and recommendations for a new government silviculture framework (May 2011). The proposed framework had four key themes: Management unit level strategies to support sustainable forest management planning; government funding priorities; incentives for private investments; and post free growing management.

Modest progress has been made with the recent reinstatement of some government funding for high priority silviculture work, and the development of comprehensive (“Type 4”) silviculture strategies for key management units. OBAC is also aware of work done in the Ministry of Forests Lands and Natural Resource Management on provincial timber management goals and objectives. The problem does not appear to be a lack of expertise, advice or strategies - it is that real investment (\$) falls far short of what is needed to achieve the objectives expected by the public and needed for a sustainable supply of timber. In [2008 OBAC](#) recommended that the government “*provide incentives which will encourage investment in the forest land base and integrated forest products sector*”. While that is still valid, creative solutions, such as encouraging private investment through carbon credits or more secure tenure are unproven, and will likely be too little – too late for much of the beetle killed area.

We know that good silviculture policies and investments pay off. If not for the federal and provincial efforts to eliminate backlog NSR and adopt mandatory reforestation 25 years ago, our prospects for the mid-term timber supply would be more dire. That’s why OBAC recommended in its [Future Forest and Fiber Use Strategy](#) that “*MPB areas be promptly and adequately reforested*”. We cannot deny our children and grandchildren the opportunity to enjoy the benefits of a robust timber supply because we refuse to invest in it.

Implementation

1. Make an immediate commitment to technically sound, aggressive timber targets for each management unit.
2. Immediately make a commitment to a 10 year reforestation program and allocate enough funding to begin capacity building and carry out all necessary surveys.
3. Within three years, have an operational reforestation program operating in high-priority beetle-killed areas of at least \$50 million per year – incremental to current funding.
4. Place a high priority on completion of technically sound silviculture strategies and use them to monitor progress, refine targets and optimize investment.
5. Strongly encourage the federal government to contribute additional funding to enable a more aggressive timeline.
6. Continue to explore innovative approaches that encourage private investment in incremental and intensive silviculture.

Proposed Action #3

INCREASE SECTOR DIVERSITY

***Intent:** Forest policy will encourage diversity and responsiveness to changing conditions in the forest, and in products, services and forest sector enterprises.*

Policy Recommendation 3.1

Undertake a 20 year program to diversify and update forest tenure in a manner that encourages stewardship, competition and optimum long-term public benefits.

Rationale

In its November 2008 [strategy](#), OBAC recommended “*more equitable and diverse access for existing and new users of fiber*”. Tenures are a legal arrangement between the resource owner (the public) and a resource user. The forms of tenure that can be used are set in legislation, and have evolved over time. Presently about 60% of the timber harvested in the province (and the region when the salvage uplift is excluded) is through volume-based forest licences, 20% through timber sales and 20% through area-based tree farm licences and a variety of smaller, specialized tenures.

There is a concern about timber rights becoming concentrated in the control of a small number of private companies. For example, in [2010 the government’s information](#) shows that ten large companies held rights to about 45% of the provincial allowable cut. As the allowable cut declines, the share controlled these companies can be expected to rise because much of their tenure is replaceable, whereas many of the licences issued to First Nations or for beetle salvage are not. Almost 60% of the replaceable tenure in the Omineca region is currently held by three companies.

About a decade ago the government undertook a significant redistribution of the AAC by taking volume from major (replaceable) licences and apportioning it to timber sales and other smaller tenure types. The purpose was to create more diversity and a competitive market. In return, and in addition to financial compensation, legislation was changed to give the holders of those major licences more flexibility - for example, less onerous forest practices regulations, relaxed cut control, less government involvement in transfers of licence ownership, and removal of mill appurtenancy requirements. At the time communities expressed [concerns](#) about the potential unintended consequences. The policy has been successful at ensuring that about 20% of the allowable annual cut is sold by auction and another 5% is controlled by small enterprises, including some communities and First Nations. However, the continuing concentration of

control over 75% of the cut, and the fact that the holders of those licences also own most of the manufacturing capacity, leads to near monopoly/monopsony situations.

While the above mentioned suite of policy changes was also intended to reinvigorate the value added wood segments of the forest sector, more than 10 years later it is clear that that it has had the opposite effect. The policy changes appear to have further entrenched the pre-existing trend of declining public benefits in the form of direct revenue, employment and municipal major industrial tax base. This raises serious concerns about whether the public, especially communities in closest proximity and most dependent on the forest industry will be able to influence decisions or generate the long-term benefits they need from the forest.

The challenge is not new – in 1991 the [Forest Resources Commission](#) recommended that the tenure system be rebalanced. It said that: owners of manufacturing facilities should not be allowed to have more than 50% of their timber requirements under tenure; tenures where stewardship responsibilities are delegated should be area-based; improvements should be made to existing area-based tenures; and the AAC should be divided equally between large licensees, a proposed government corporation; and small area-based tenures. In 2012 the Legislature’s [Special Committee](#) on Mid-term Timber Supply recommended the government “gradually increase the diversity of area-based tenures...”

It is not necessarily a requirement for business success that large wood manufacturers hold most or all of their raw material supply under replaceable forest tenure. We have instances in BC of very successful, large lumber producers that hold little replaceable forest tenure. These successes can also be found when one looks further afield to, for example, Finland or the United States. In reality, the holding of large, replaceable forest tenures (and associated timber pricing system) by companies that are also wood product manufacturers can be a liability. This situation in BC is a significant factor in the decades old softwood lumber dispute with the United States.

Also, the timberland subject to tenure remains Crown, not private, and expenditures on those lands by the tenure holder are costs, not investments as would be the case in private timberlands. The tenure, therefore, does not appear as an asset on the balance sheet of the company. The ‘off-balance-sheet’ nature of the tenure, not requiring direct investment accounting treatment, improves company return on capital employed. However, from the point of view of government regulators, the potential concentration of forest tenure in fewer companies can be a significant obstacle to mergers between large wood product manufacturers.

A 2009 report prepared for the BC Business Council noted this issue saying “*Perversely, this off-balance-sheet asset also could be the industry’s greatest weakness over the next decade, preventing rationalization and consolidation that would otherwise occur – because regulators will not allow Crown timber tenure concentration to take place.*” (Woodbridge 2009, [Opportunity 2020 BC’s Forest Industry, Moving from a Volume Focus to a Value Perspective](#), (page 75).

The government has made incremental changes to tenure (e.g. for bioenergy), however we believe a more holistic and strategic examination is in order. Most tenures require that sound practices be applied in the process of harvesting and growing timber, but provide no real incentives for more comprehensive long-term stewardship. At the same time, the capacity for public funding of real stewardship is very limited. This suggests that new arrangements are needed to support a strong competitive industry within the context of stewardship of long-term public interests.

There is no quick or easy solution. Large wood product manufacturing companies are an important component of the industry because they are able to compete in global markets, have access to capital for large infrastructure investments, and the capacity for large scale operations. However the interests of these companies and those of the public will not always be fully aligned. Rebalancing the distribution of tenure could require compensating current licensees, and there will need to be a clear business case for any changes.

Implementation

1. Immediately commit to increasing the apportionment for Community Forests and First Nations Woodland Licences to at least 10% of the allowable annual cut within five years.
2. Undertake a comprehensive review of forest resource licensing and produce a public report and implementation plan with one year. The review should:
 - a. Utilize and build on work already done by various commissions, committees and other bodies.
 - b. Include but not be limited to timber resources.
 - c. Establish a method and timeline for rebalancing the timber apportionment to come in line more-or less with the distribution recommended by the Forest Resources Commission.
 - d. Develop new or modified tenure agreements and pricing options that encourage holders to innovate and invest in the forest and future forest products. This should include replaceable tenures for smaller companies willing to create local manufacturing jobs, and perhaps public-private partnerships.

Policy Recommendation 3.2

Immediately begin a 20 year program to diversify product manufacturing with a goal to add greater value and generate greater benefits for British Columbians.

Rationale

In response to the consequences of the beetle epidemic, communities recognized the need to get greater value from diminishing timber resources – particularly over the mid-term. OBAC has consistently encouraged more sector diversity, and included it as part of its [2008 Future Forest Products and Fibre Use Strategy](#). In 2007 the Cariboo-Chilcotin Beetle Action Coalition (CCBAC) published a [strategy for secondary wood manufacturing](#) setting out a goal to double region’s sector by 2017. In 2013 the Southern Interior Beetle Action Coalition (SIBAC) also produced a [report and recommendations](#) which has been fully endorsed by OBAC and CCBAC. That report lays out a clear and compelling rationale for government to take stronger hand to develop the value added sector for the purpose of generating greater public benefit from timber resources.

For at least three decades there has been discussion about generating more jobs and public benefits from our timber resources by adding more value. Government policy has not been consistent in this regard – a few special policies and programs to stimulate the value-added wood products sector were introduced in the 1990s then all but disappeared for a decade as the government focused on policy to “revitalize” the primary lumber sector and help it open markets and be more competitive. However in 2009 the government published [A Vision and Action Plan for Further Manufacturing](#) that says in part “By 2020 British Columbia’s environmentally sustainable forest sector generates more economic value per hectare than any jurisdiction on Earth.” Under the plan’s objective of to facilitate “right fiber to right process” there are two particular action items of note: “Work towards a target where primary mills make available 25 percent of their products for further manufacturing” and “work to increase the number and size of community forests and encourage communities to use the fiber to support further manufacturing.” In 2012 the government released a [forest sector strategy](#) that includes plans to support product diversification and improve access to forest tenure for a range of users. The specific commitments are modest but in the right direction.

Unlike the primary sector which is relatively homogeneous, the companies making secondary and value added products are very diverse, and therefore have different needs. For example, some can utilize a wide raw material profile but are very cost sensitive, while others must have very specific fiber quality and species but can afford to pay a premium. Some require highly skilled artisans or machine operators whereas others offer opportunities for employees that are new to the workforce or have limited skills. Some require a significant investment in machinery

while others do not. This makes it more complicated for government to design policies and programs that effectively support the sector while remaining fair and equitable.

It is noteworthy that the growth of bioenergy has added diversity to the forest products sector by providing an alternate use for byproducts of traditional logging and lumber operations. We understand the government is currently working with the value added sector to develop a strategy, and that the SIBAC report mentioned earlier is being studied by government. This could lead to opportunities to create more effective policies and programs. OBAC will support that process.

Implementation

1. Set a target (volume and timelines) for the percentage of the allowable cut that is manufactured into value-added products within the region, incorporating the 25% provincial remanufacturing target from the government's 2009 action plan.
2. Immediately adopt the recommendations of [*Growing the BC Interior Value Added Wood Sector*](#) (SIBAC June 2013) in principle and work with the industry and communities to refine and implement them.
3. Employ innovative strategies and policies that encourage existing tenure holders, especially primary manufacturers who hold licences for most of the AAC, to enter into long-term fiber supply agreements with value added manufacturers. This may involve incentives that benefit the major licensee while yielding the highest overall public benefit (e.g., jobs, taxes, community stability).

Proposed Action #4

IMPROVE LOCAL BENEFITS

Intent: *The benefits and consequences of forest policy choices and management decisions will be shared equitably, with emphasis on the interests of local communities.*

Policy Recommendation 4.1

Consistent with the work of the [Rural BC Project](#), begin immediately to phase in a balanced resource revenue sharing formula that invests a portion of the province’s forest resource income directly into strengthening communities in the forests where the revenue is derived.

Rationale

OBAC recently worked with similar coalitions in the Cariboo-Chilcotin and Southern Interior to create a discussion paper: [A Long Term Strategy for Rural Development](#). That paper provides a concise summary of the circumstances faced by rural communities in BC. It correctly notes that “during the past two decades provincial government investments, policies, and actions have helped facilitate significant expansion of BC’s urban economy. In BC’s rural regions, the economy became very uneven with many regions unable to stem decline or move out of stagnation.” It goes on to make the case for why investing in rural BC is important to the province as a whole, and points out that “investment commitment could include mechanisms that allow rural regions to capture and reinvest some portion of benefits of regional economic activity so that ultimately the regions can be ‘self-funding’ in rural economic development activities”. This is consistent with a proposal discussed by the [Union of BC Municipalities](#) in 2004, and with approaches taken for other rural areas.

Our communities are much more than camps whose sole purpose is to house a temporary workforce. Even though some started out to support a specific mining or forestry enterprise in the last century, they have evolved into the home – a place of belonging – for multiple generations of residents. As can be learned from experience in communities such as Tumbler Ridge or Gold River, the time is past when established towns ‘close’ due to industrial transitions. Our history has given us a special relationship with the land that surrounds our homes. We need to earn a living from land, and to protect it. We feel this is important to our sense of belonging and security, and as a legacy to future generations. The sense of ownership local communities feel for the land around them is not unusual – it is sometimes called the “proximity principle”.

In 2005, the [Urban Futures Institute](#) reported that *“the province’s resource, and hence non-metropolitan, regions contribute more, both absolutely and proportionately, than its metropolitan regions, to international and inter-provincial exports...”* The report concluded that 60 percent of the money that pays for goods and services in urban BC comes from the export of natural resources. The research data *“clearly show that all of us in British Columbia are resource dependent, and that the way in which we sustain the economy, and the communities, of our resource regions will affect all of our futures.”*

We enjoy the benefits that come from being part of the broader province and country, and accept our responsibility to contribute to the collective well being. But we cannot do so at the expense of our own communities’ longevity. We must therefore ensure that the first call on direct forest generated revenue is to reinvest in long-term stewardship; the second in sustaining viable communities; and the remainder to the whole province. The provincial government is not unfamiliar with benefit sharing, having negotiated scores of sharing agreements of various types with First Nations related to the wealth that comes from natural resources. We note further that, in her June 2014 letter of expectations to Minister Oakes, the premier has directed the minister to *“Work with Parliamentary Secretary Donna Barnett and the Ministry of Forests, Lands and Natural Resource Operations on the creation and implementation of the Rural Dividend as committed in Strong Economy, Secure Tomorrow”*.

Implementation

1. Immediately adopt a policy whereby the first priority for expenditure of direct forest resource income is on sustainability, incremental improvements to resource management, and productivity of the forest where the revenue is generated. The amount required should be based on technically sound targets and strategies (as proposed under 2.3).
2. Resource income exceeding what is necessary to achieve the resource management targets and strategies should be subject to a sharing formula whereby a portion goes directly to incremental community and economic development programs at the local or regional level, and a portion to the province.
3. Immediately act on the advice of the Rural BC Project for governments to work together to develop the appropriate legal and administrative mechanisms to implement revenue sharing.

Policy Recommendation 4.2

Strengthen policies to generate the best overall value to the public and local communities from utilization of forest resources now and in the long term.

Rationale

Direct revenue (e.g., fees and stumpage) discussed in Section 4.1 is just one component of the overall value generated by timber harvesting and other forest-based enterprises. Much more significant public benefits come from the cascading effects: jobs; purchase of equipment, supplies, and services; transportation; induced economic activity; municipal taxes and services that support the forest enterprises, for example.

The challenge is to find policies that encourage the optimum mix and utilization rate for resources, combined with the right balance between flexibility and continuity. This should provide the “sweet spot” for communities.

Finding the optimum mix and utilization rate for resources begins with land-use plans (e.g., land and resource management plans), as well as with the capacity to predict the costs and benefits of various options at a reasonable scale. This is one reason the proposed implementation measures in Section 2.1 and 2.3 are so important. It also involves decisions about timing (including intergenerational) and allocation of resources – matters of great importance to local communities, dealt with more in Section 5.

Government policies attempt to provide the manufacturers of lumber and other commodity forest products with enough flexibility to be competitive in global markets. However communities that rely heavily on a single industry, (and even more so on a single operator) can suffer from dramatic economic fluctuations as companies exercise that flexibility. While we hope for (and sometimes assume) there is a symbiotic relationship between the industry and communities, what is best for a particular company may not always be best for the public, and what appears acceptable to the province as a whole may not be good for the local community. An important means to maintaining industry flexibility, while providing reasonable continuity for communities is to increase sector diversity as discussed in Section 3. Even where a community depends mostly on the forest sector, if there are different companies selling different products to various markets they are collectively more resilient.

Beyond the structural issues and opportunities, communities sometimes see behavioral differences between companies. For example, one mid-sized independent lumber producer in the region operated continuously through the most recent recession despite experiencing a significant financial loss. To the company’s employees, suppliers and community this

demonstrated a commitment to a long-term relationship, especially since many other companies with greater means cut back operations to prevent losses. (Keep in mind that this occurred during a period when the public objective was to capture value from beetle killed timber before it decayed or burned). Communities believe that public policy should incent this type of behaviour - but it doesn't.

In 2013 the Journal Ecology and Society, as part of its series [Understanding Adaptive Capacity in Forest Governance](#) published a [study](#) of southeastern BC that demonstrates that there is research to support communities' observations. The work compared resilience to economic shocks (such as the turndown of the US housing market) between large commodity mills and smaller specialty mills over a ten year period, including the last major recession. The study concluded that the independent specialty mills were more resilient to shocks and: contributed more jobs per volume of wood consumed and produced; had greater flexibility to operate further below their capacity; produced more diverse primary and secondary (value-added) wood products; targeted more diverse markets; and did more log sorting and trading in logs of different species with other specialty mills and with local commodity mills, with whom they acted as a resilient cluster.

OBAC sees an opportunity to improve the relationship with the forest industry by creating new arrangements that can be negotiated for mutual interest. For example, in its submission to the government on area-based tenure OBAC said: *"...the licence should require that communities in proximity to the timber benefit either by a requirement for local manufacturing or a commensurate measure."* The point being, arrangements need to be mutually beneficial and balanced at a meaningful scale.

One place the Government has direct control is with the 20% of the harvest managed by BC Timber Sales (BCTS). In its submission during the 2013/2014 BCTS Review, OBAC proposed changes to operating policies such as tighter cut control; more multi-year contracting; and proactive support to value-added manufacturers, that would better provide public value beyond the direct revenue objective.

Implementation

1. Concurrent with recommendation 3.1(2), ensure tenure conditions can be negotiated in a manner that:
 - a. Includes incentives for continuity of operations that exceed industry norms, for example more even-flow cut control.
 - b. Encourages local manufacturing.
 - c. Encourages adding value beyond primary manufacturing locally (see also 3.2).

2. Establish a contingency fund with contributions from company performance bonds and shared revenue (see Section 4.1(2)) that can be activated when a company defaults on the conditions of a tenure under Section 4.2(1) or closes a mill without reasonable notice. The fund to be accessed by communities to mitigate tax and services impacts during transition.
3. Mandate BCTS to design and schedule timber sales to support a wider range of local economic development objectives, including support for small and value-added businesses and report results accordingly.

Proposed Action #5

STRENGTHEN LOCAL PARTICPATION

Intent: Communities have a direct, legally defined and effective role in decisions about management and utilization of local forest resources.

Policy Recommendation 5.1

Strengthen the role of communities and local governments in key administrative decisions.

Rationale

Although the entire province is affected by decisions about management and utilization of forest resources, it is the communities in closest proximity that have the most at stake. It naturally follows that while the interests of the province must be addressed, local communities should have considerable influence. Presently authority is vested with the province and we recognize that this is important for equity, consistency and efficiency however there is room for the legislature to share its authority with communities.

For several decades the province has relied on “public input” to inform many of its decisions. The process has varied from highly structured to informal and from broad to stakeholder specific. Local governments are often invited to participate in such processes. A significant aspect of OBACs response to the province’s [Discussion Paper: Area-Based Forest Tenure](#) related to the role of communities in the decision process.

The [Future Forest Products and Fibre Use Strategy](#) (2008) proposed that community resilience considerations should be at the heart of forest management decisions, and recommended that the government “*amend legislation to require that the goals and objectives expressed by local communities are considered in forest management decisions*”. To demonstrate how this could work, in 2009 OBAC carried out a [pilot project](#) with the provincial chief forester to improve

community input to the Prince George Timber Supply Review and the subsequent allowable cut determination. While the input was still in the form of advice, it was much more informed and specific than in the past. Present legislation requires the chief forester to “...consider the economic and social objectives of the government, as expressed by the minister, for the area, for the general region, and for British Columbia...” The recent expression of the government’s objectives says that “You should also consider important local social and economic objectives expressed by the public during the timber supply review process...” Through this, timber supply reviews have perhaps the most formal requirement for local input. Effectiveness may depend upon capacity (see Section 5.3).

Many other important decisions do not legally require consideration of local community input. The decision maker has discretion to invite comments, and an informal obligation to consider input. A more formal requirement and accountability would give communities greater confidence and better achieve the 2008 recommendations.

In making our changes, we can learn from work underway in other jurisdictions. For example, Ontario is in the midst of two legislated, geographically limited pilots to explore the application of a high degree of local influence on resource management pursuant to the [Ontario Forest Tenure Modernization Act](#) (2011). Under the Act, a local forest management corporation, governed by a board of directors with representatives from local governments, First Nations and industry is established to: hold forest resource licenses and manage Crown forests in a manner necessary to provide for the sustainability of Crown forests in accordance with the *Crown Forest Sustainability Act, 1994* and to promote the sustainability of Crown forests; provide for economic development opportunities for aboriginal peoples; manage its affairs to become a self-sustaining business entity and to optimize the value from Crown forest resources while recognizing the importance of local economic development; and market, sell and enable access to a predictable and competitively priced supply of Crown forest resources.

Such concepts have been proposed before in BC – it is time to move in this direction.

Implementation

1. When conducting timber supply reviews and allowable cut determinations, continue the high standard of community and local government input demonstrated in the Prince George Pilot Project.
2. Adopt a similar, legally supported requirement to consider community and local government input when apportioning timber rights and setting targets or allocating rights to other forest resources (e.g., wildlife, water, forage, carbon...).
3. Establish a strong role for communities and local government in the setting of legal objectives that guide resource practices (see also Section 2.1).

4. Create a process that enables communities and local governments to take a clear and meaningful role in decisions about issuance, conversion or transfer of major tenures that may directly affect them (see also Section 4.2).
5. The province and local governments should work together to develop capacity for implementation of 1-4 above (see also Section 5.3).

Policy Recommendation 5.2

Support meaningful community and local government involvement by making information more useful and available.

Rationale

For the participation of communities and local government to be truly meaningful and add the greatest value to forest resource management good information is required in a usable form. It is understood that in some situations information is proprietary or extremely technical and complex. Simply making more data available is not the answer for communities and local governments. It is the relevance, completeness and usability of information that is important.

In 2003 the Forest Practices Board issued a [bulletin](#) outlining good practices for public involvement. The Board published a [follow-up bulletin in 2013](#) pointing out that many of the complaints it receives involve concerns about meaningful public involvement. It concluded: *“At the strategic level, the Board believes BC needs a reinvigorated strategic planning process that addresses all resource land uses, and provides opportunity for the public to have input to strategic and landscape level objectives. This process ought to be led by government.”* (See also Section 2.3 of this report.) The Board went on to say: *“The forest industry’s social licence to operate depends on maintaining public goodwill, and that means transparent and open communication with the public. The Board, therefore, encourages all licensees to implement practices used by licensees who are leaders in public involvement...”*

Finding the right level of public involvement has often been a frustrating exercise for government, forest companies and communities. Sometimes communities’ expectations are unclear or unrealistic. Sometimes considerable effort is made to involve a community and there is little response. Sometimes a decision must be made quickly to capture an opportunity or deal with crisis. We can learn from these experiences but should not use them as an excuse to bypass good practices.

One of the most effective methods for providing suitable information to the public may be through periodic performance reporting. In the past, the government produced comprehensive *Five Year Forest and Range Analysis* containing important information that the public could use. More recently the chief forester has produced a [State of the Forest Report](#) – the last of which

was published in 2010. Although it is provincial in nature and does not focus on individual communities or management units, it is nonetheless a good example of providing public information in a useful format. OBAC has noted that some good work is underway to provide more locally relevant information – for example the multiple resource value assessments now being carried out by the [Forest and Range Evaluation Program](#), and some of the work emerging from the [Cumulative Effects Framework](#) project, such as the [North East Water Tool](#). The chief forester’s rationale for AAC determinations provides another example of transparency about why a decision is made and what information was considered. A recommendation of the Prince George Pilot Project was that *“A brief, plain-language public document should be provided when a decision is made. This document should summarize key aspects of the more detailed rationale.”*

Communities and local governments want to work in partnership with the province, industry and First Nations to effectively manage forest resources and this can only happen with good information sharing.

Implementation

1. Encourage, and if necessary incorporate into a *Natural Resources Act* (see Section 2.3) the use of best practices such as on-line consolidated development plan maps and proactive solicitation of input.
2. Make mandatory and fully fund an ongoing program for reporting on the state of forest resources at a provincial level at least once every ten years and locally every five years.
3. Broaden the use of formal written, published reasons for decisions on important resource matters.
4. Continue to improve the methods for making forest inventory information publically available and readily usable by communities and local governments.
5. For all of the above, fully exploit innovations in social media.

Policy Recommendation 5.3

Support an effective transition to more locally driven forest resource stewardship by helping to improve local capacity.

Rationale

There is considerable benefit to be gained by having communities and local governments more involved in the stewardship of forest resources. We believe that it will lead to greater social licence for industry, especially when combined with the recommendations in Section 4. However local governments have not traditionally had a mandate or capacity to be involved,

and community groups rely primarily on volunteerism. Further, community groups that are able to develop capacity may or may not represent the views of the broader community.

The [Future Forest Products and Fiber Use Strategy](#) (2008) proposes the following: “provide capacity and support to enable communities within a TSA or Forest District to collectively develop goals and objectives” and “decentralize functions within the ministry to engender a partnership between the Province and communities”.

For some communities capacity has been increased over the past decade or so. For example, where local governments are involved in community forests they have built up some internal resources to deal with forest resource matters. On the other hand many communities traditionally relied on locally positioned provincial government staff. A district manager who resided in the community could be seen as an effective advisor, liaison with industry and senior government officials, and sometimes even as an advocate for community interests. This situation has diminished significantly due to a series of reorganizations and consolidations by government. Similarly, professionals employed by the industry often lead public involvement activities and forestry education events, but industry downsizing and consolidation have constrained that as well.

There appears to have been a long, constant trend toward isolating local citizens from resource management – perhaps as a consequence of urbanization. This often places communities (and sometimes the industry) in the role of bystander while the provincial government and experts go about doing the work in the forest. Wildfire suppression is one example of this. While it may have some advantages, it does not engender a sense of stewardship. There is a need to strengthen the ties between communities and forest stewardship. In its submission to the Working Round Table on Forestry (2008) the [Association of BC Forest Professionals](#) identified a need for actions that “provide resilience to communities and re-establish the long-term contribution of BC forests for multiple values”. The Association went on to suggest: “Decentralize the forest ministry to the land and regions in a way that gives autonomy back to a regional framework. The net result will be to strengthen the social and intellectual capital within the rural communities.”

Implementation

1. Immediately stem the centralization of Ministry of Forests Lands and Natural Resource Operations and adopt a policy that keeps more professionals in local communities with local responsibilities.
2. Identify and decentralize functions and staff that are suited to working in partnership on stewardship and resource management matters with local communities.

3. Identify and implement ways to involve the citizenry in resource management rather isolate them from it.
4. The province and local governments should work together to develop capacity at a local and regional level that will enable informed analysis and meaningful participation by communities and local governments in forest resource management.

Proposed Action #6

ENCOURAGE COMPETITIVENESS AND INNOVATION

Intent: *A competitive and healthy business environment that encourages innovation and provides long-term benefits to communities.*

Policy Recommendation 6.1

Ensure policies and programs support current and emerging business needs within the context of healthy communities.

Rationale

While the OBAC believes that all the actions it proposes in this paper will encourage competitiveness and innovation through a transformed and revitalized sector, it also encourages continuation of activities focused specifically on the success of business.

In 2009 [The Working Roundtable on Forestry](#) said “British Columbia has a globally competitive model of sustainable forest management but we must become more focused on effectively using our forest resources to produce existing, and create new, forest products.” The report goes on to make a number of specific recommendations related to a competitive business climate and innovation. In its publication [Generating More Value From our Forests](#) (2009) the government confirms that one of its key actions is to “move innovation from lab to market”. The government provided an update on implementation in [January 2011](#). One of the Roundtable’s recommendations was for a Wood Innovation and Design Center to advance commercialization of value-added wood building and design products. Such a facility is now under construction in Prince George. The BC Jobs Plan 2012 [Forest Sector Strategy](#) the government commits to “embracing innovation and diversification” with specific emphasis on bio-energy and fostering “collaborative academic and applied research capacity”.

Earlier in this submission OBAC recommended that the province establish the vision and guiding principles that we will apply to forest policy choices, and that the vision and principles focus

directly on the public interest. To the extent that public resources are in play, we would urge that government support for innovation be viewed through such a lens. To illustrate, the largest part of the forest sector, the lumber sector, innovates to minimize production cost, not to maximize product value. As a price taker, the sector passes the value of innovation on to the customer in the form of progressively lower lumber prices as competitors adopt the same cost-minimization innovations. This results in declining real, inflation adjusted value for lumber, which in turn limits the capacity of the sector to pay the public timber owner for raw material. This innovation strategy progressively reduces the capacity of the sector to create employment for British Columbians. In this example, investment of public resources in support of such an innovation strategy would run directly counter to the public interest.

The Forest Resources Commission (1991) the Working Roundtable on Forestry (2009), and the Special Committee on Timber Supply (2012) have all encouraged more area-based tenure as a means to improving certainty for business and rewarding innovation. Some progress has been made in regard to small community forest and First Nations tenures. In 2014 the government released a [discussion paper](#) proposing legislation to allow conversion of existing volume-based tenure to area-based and the results of a public input process are expected soon.

It is well understood that there are pitfalls to government intervention in business – industry subsidies and company bail-outs, while they may have short-term public benefits, rarely contribute to a truly healthy and innovative business climate that generates the best long-term public benefit. However governments can play an important role in setting the conditions for success. This may involve policies that encourage continuous improvements by industry, or well placed public investments. [Growing the BC Interior Value Added Wood Sector](#) (SIBAC 2013) provides a number of recommendations for such policies and investments.

Implementation

1. Continue to support existing initiatives, evaluate their effectiveness over appropriate timeframes, and build on success.
2. As part of implementing recommendation 3.2, address the business condition recommendations and strategies in Sections 8.3 – 8.7 of the summary report [Growing the BC Value Added Wood Sector](#).
3. Adopt an ongoing process for identifying and removing obstacles to innovation.
4. Maintain an emphasis on support for training in emerging and future skills needs in sufficient numbers to encourage growth.

Policy Recommendation 6.2

Continue and broaden joint government-industry initiatives to develop and access new and diverse markets.

Rationale

Since at least the mid 1990s the BC government has played a significant role to help access and maintain international markets for BC forest products. Whether it has been informing buyers about sustainable forest practices, representing BC's interests in trade negotiations with the USA, supporting access to markets for value added products, or trade missions to open lumber markets in Asia, the province has been there.

In 2009 the [Working Round Table on Forestry](#) recommended *“we continue to diversify forest product markets with particular emphasis on emerging markets such as China, ensuring that marketing efforts are sustained, coordinated and based on what end users want.”* Growing lumber sales to China during the past five years have been important to maintaining the salvage program in the Omineca Region. The [Forest Sector Strategy](#) (2012) confirmed BC's commitment to develop new markets in China and India.

The work done to maintain and diversify markets for dimension lumber has helped our communities capture value from beetle-killed timber, especially when we experienced a collapse in the US lumber market. Continued effort to maintain and increase that diversity is important to continued prosperity. Although there has been some activity to develop markets for value-added products, more effort would be beneficial. The summary report, [Growing the BC Interior Value Added Wood Sector](#) makes specific recommendations for marketing value added products.

Implementation

1. Continue programs to expand markets in Asia, including development of new markets in China and India and expanding existing markets in Japan and Korea.
2. Maintain or enhance policies and programs that promote the use of BC wood products for building (domestically and internationally).
3. Increase the emphasis on promotion of value-added wood products, as well as non-timber forest products, bioenergy and other innovative uses of forest resources.

Proposed Action #7

WORK TOGETHER ON IMPLEMENTATION

Intent: *A working relationship between communities, the province and others that demonstrates collaboration and progress toward achievement of communities' aspirations for their forests and forest resource economies.*

Rationale

With financial and in-kind support from the province, and input from many others, communities have made a significant investment to define common interests and identify pathways to future prosperity for themselves and the province as a whole. In its [2008 forest policy proposal](#) OBAC recognized that significant policy change will be “an exhaustive task, and should only proceed when there is agreement on the fundamental principles and direction”. We went on to say: “while it may take a decade or more to fully develop and implement a new policy framework, several important steps must be taken immediately”.

It is likely fair to say that the public and even government could be easily overwhelmed by the number of policy issues, proposals and advocacy groups involved in forest policy. The [Healthy Forests Healthy Communities](#) report (2013) observed: “Many communities feel left out of the decision-making and Government does not expedite delivery of commitments. This has generated a sense of frustration and helplessness in getting Government to listen and act.” This sentiment may be exacerbated when government is seen to be working with and responding to industry stakeholders.

OBAC has been able to give communities a voice and the opportunity to work with government, and considers this policy paper to be an important part of that dialogue. Joint follow-up and regular communication with our communities about progress could go a long way to improving public satisfaction with governments and industry. OBAC’s intent is not to express its opinion and then “put the monkey on the back of government”. We acknowledge an ongoing responsibility to participate in refinement and implementation our proposals. This should occur in a manner that is efficient and effective for all participants.

Implementation

1. The province and local governments should immediately agree to form a small joint working group to oversee technical evaluation and implementation of the recommendations in this report. The joint working group should report progress publically within one year.

2. The province should invite local governments (perhaps initially through the Beetle Action Coalitions) to take a stronger role in the strategic and technical aspects of forest policy making. This could occur in conjunction with the capacity building recommended in Section 5.3.

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