



# POLICY CHANGES AND THEIR UNINTENDED CONSEQUENCES

By Ian McNeill

Forest policy genesis in British Columbia has seen significant changes over the last quarter century. Harcourt's NDP government brought in the Forest Practices Code that changed the paradigm in how forest management occurred. The Code was brought in over concerns of how the publicly owned forest resource was being managed. Campbell's Liberal government changed that approach to forest management by replacing the Code for results-based forest practices underpinned by greater professional reliance—a model perhaps just as effective but less explicit to non-industry folk. The BC Liberals also undertook the forest revitalization process driven in part as a made-in-BC solution to the US softwood lumber lobby.

All of these caused significant changes to how the forest industry operated. All were initiated in response to expressed public or industry concern. As the new government is learning, trying to change engrained forest policy always leads to seemingly more problems.

The platform of Horgan's new NDP government includes a desire to reduce log exports, increase First Nations participation and embark on changes to wildlife management. However, as TLA members and contractors across the

province have experienced, each time a new government takes on the lofty calls of solving forest policy woes, inevitably there are unintended consequences.

Reducing log exports is front and centre of the NDP's focus on major policy changes to address and increase domestic processing needs. The general industry view is if the provincial government moves ahead with plans to scale back log exports from BC forests it will likely present major impacts on the coastal logging industry including overall reductions to employment and fibre availability, which is contrary to the intent of reducing log exports. However, current access to timber is an acute concern for independent manufacturers (those who do not have tenure) and that is a problem that cannot be ignored either.

What has not been fully considered in the desire to reduce log exports is the impact on smaller operators, including First Nations tenure holders and the holders of community forest licences, which use the income log exports generate to fund essential services and community development.

"I feel like I'm being penalized," says Guy Wright, natural resource manager for the K'ómoks First Nation on Vancouver Island. "We'll see a lot of profit loss."

Craig Galligos, forestry manager for Thichum Forest Products, owned by the Tla'amin Nation in Powell River, is equally concerned. "Log export reductions would negatively impact our business and, as a result, take away from returns to our community. We fund community projects and shift monies to programs that need assistance. A reduction in our profitability will have a direct impact on those programs." He's also concerned about the impact on employment opportunities. "If we could provide good stable jobs this would help attract new workers," he says.

That the provincial government seems determined to carry through with its election promise and at least scale back log exports to some degree seems increasingly certain. In a visit to Nanaimo last March, Forests Minister Doug Donaldson said he found it "unacceptable" that BC exported six million cubic metres of "raw" logs in 2016, this despite the fact that according to the Canadian Centre for Policy Alternatives, it generated \$3 billion for the provincial economy. "What our emphasis has been, is trying to turn our attention to how do you have

more of those logs processed in mills in BC," Donaldson is quoted as saying.

More recently, the TLA attended a meeting last June where the Minister said reducing log exports is part and parcel of the government's "coast revitalization initiative."

The apparent premise is simple. Cutbacks on exports will supposedly increase the availability of logs for the domestic market given reduced competition for this fibre from international buyers. This will lead to the revitalization of the manufacturing industry, innovation, and ultimately more jobs for British Columbians.

But will it?

No, says Roger Harris, more likely cutting back on log exports will be a job killer, says the former MLA and cabinet minister who currently serves as BC's Forest Safety Ombudsman, is a director on the BC Aboriginal Business and Investment Council (ABIC), and works with First Nations, industry and governments.

The premium paid by foreign buyers creates the margins that allow the harvesting sector to operate and build the strong balance sheets necessary to invest

in value-added processing (although there is no clear evidence that this has taken place in a direct sense). Eliminate that revenue and many operators will simply cease to function, especially in regions where the timber profile value is low and harvesting costs are high; which describes a lot of areas on the coast, many of which are managed by First Nations. When asked what the industry would be like in 10 years if log exports were curtailed, he proposed the following: Depriving licensees of the ability to access the export markets for some portion of their log sales will result in an increase in high grading, an increase in the amount of wood waste left behind, and turn many timber stands into economic ghettos as the highest value timber will have been removed, resulting in fewer logs being harvested and available for domestic use in manufacturing. Rather than attracting innovation and investment back into rural BC, it would have the opposite effect and in some regions put the final nail in the coffin for both the harvesting and manufacturing sectors and the jobs associated with them.



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And it gets worse, log exports are a forest health issue. Many of the timber stands on the coast and in the Northwest are “over mature,” of low value and expensive to access. These are also some of the best growing sites in the province for reforestation. Without an economic way to remove the timber from the land and replant these stands nothing will change. The timber value will continue to decline and with it the opportunities to have a thriving forest sector.

The exporting of logs should be one of the tools used in the development of a forest revitalization plan. By maximizing the value on some portions of log sales it will provide the revenues that facilitates the ability for full-profile harvesting, which means less waste residual, less high grading, lower operating costs, greater access to fibre for value-added processing, support innovation, and provide a legacy of a healthy and vibrant timber basket to build a globally competitive industry all around. The added bonus is much of this innovation will occur in areas closer to the stands, which means investments in rural communities, not a continuation of the consolidation of manufacturing to larger centres.

“The Herculean challenge is helping the public understand this perspective as well,” says David Elstone, TLA executive director.

As of this writing, no one outside government has any idea what the province is actually going to do—the how much, when and where of it all—and that has operators big and small worried about their futures, including A&A Trading, a company that manages its own tenures and has a dozen successful partnerships with First Nations. “Exports are critical to the harvesting sector in which First Nations are active participants,” says Makenzie Leine, the company’s vice president of business development and indigenous partnerships. “We supply wood to the domestic market and strive to build strong relationships with domestic manufacturers. Anything that is surplus to their needs is exported. These exports support the profitability and economic stability of operations, bringing value to our partners and stability to workers and contractors. They also support the economic viability of other parts of the forest profile which, in many cases, brings more fibre to the domestic market. Changes in export policies could

have a significant impact on our ability to do this.”

The dropping of the log-export boom is not the only upcoming policy change that could have a negative impact on the forest industry, in this case the arena shifts from the Coast to the Interior. Woodland caribou numbers have been declining in Canada and the federal government is currently consulting with the provincial government on what to do about it as part of its Action Plan for the woodland caribou. One possible solution would be to pull land out of the working forest. How much is unclear, but an early indication from a source that prefers to remain anonymous suggests a 14-million cubic metre reduction in the Interior AAC, which currently sits at 54 million cubic metres.

This has many in the Interior concerned, including Lennard Joe, GM of Stuwix Resources Joint Venture in Merritt and a board member of the Interior Logging Association. “We don’t want decisions made on speculation and without adequate consultation,” he says, adding that the woodland caribou are important to First Nations and that he believes that affected communities either already

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have policies in place, or are working on them. “We operate on a triple bottom line—environmental, social and economic,” he says.

In response to questions submitted by email to the forests ministry about the possibility of land being withdrawn from the working forest to expand woodland caribou habitat, a ministry spokesperson said that the province is two years into a three-year “provincial caribou recovery program” and that it is aware of the need to “adequately balance indigenous cultural values, economic development, and other societal values.” The spokesperson went on to say that the ministry has engaged with industry, stakeholders, and indigenous nations in the development of the program, and will continue to do so. The results of this “engagement” are expected this fall. The question about the possibility of land being withdrawn from the working forest was not addressed.

The TLA is supportive of efforts to create more manufacturing jobs and spur innovation, and it recognizes the importance of protecting endangered species such as the woodland caribou. However, there are no magic-bullet solutions to these complex problems. Slogans like “exporting logs is exporting jobs” may be effective politically, but they do not make a good basis for establishing policy.

Exporting is a tool that allows those engaged in forestry to achieve other objectives, including, at least in some cases, survival. On numerous occasions the TLA has expressed that solutions to the log export issue lies in addressing control of timber supply rather than imposing instruments that directly change log exports.

“It’s all about economics,” says Roger Harris. “Nobody is going to harvest if they’re losing money doing it, in which case there will be a shortage of logs for all buyers in both primary and secondary markets.”

In other words, fewer jobs all round.▲

## A Question of Rights

Does the provincial government have the authority to unilaterally impose further log export restrictions on First Nations?

Not according to Guy Wright of the K’ómoks First Nation. “No,” he says emphatically. “It’s an economic benefit to the Nation.”

Craig Galligos of the Tla’amin Nation agrees. “On First Nation lands, no, I don’t believe that they have any right to restrict our log exports.”

They may have a point, says industry consultant Roger Harris. He argues that the forest licences being issued to First Nations are “government to government” and represent the “currency” of reaching an economic agreement, an accommodation to First Nations as part of the reconciliation process. When these licences are issued they have a certain value. “Suppose the licensee has the ability to export 30 per cent, that confers a certain value on it, if you come in and unilaterally declare that it is now 20 per cent it reduces that value.” He adds that in many cases these licences are small in size and already economically challenged. Reducing the ability to utilize log exports only makes that situation worse and in some cases could be economically fatal.

It is worth noting that none of the sources *Truck LoggerBC* magazine interviewed for this story has so far been consulted by government with respect to reducing log exports. Readers of this magazine will recall that last year we published a story about the UN Declaration on the Rights of Indigenous People (UNDRIP). The declaration recognizes that indigenous people have inherent rights, including those associated with their traditional territories. “There is recognition of indigenous control and ownership of resources and of seeking indigenous consent prior to development,” said Rob Miller, a lawyer with MT+Co who heads up the company’s First Nations Economic Development group. Yet on the matter of log exports, nei-

ther the K’ómoks or Tla’amin nations’ representatives we spoke to had been consulted, this despite the fact that in September of last year Premier John Horgan issued a statement that his government was “committed to working in partnership with Indigenous peoples to embrace and implement UNDRIP..”

Failure to engage in consultation with First Nations prior to unilaterally increasing log export restrictions that beggars the value of licences could be both politically and economically problematic for the government. “If First Nations find their licences have been restricted in value, don’t be surprised if they head to the courts,” says Harris.

There is also the possibility the government might finesse that part of the problem by picking and choosing who can and cannot maintain their current export levels. It could for example choose to exempt First Nations and/or those with community forest licences. What this would mean for those who do not qualify for the exemptions, is that they are forced to bear the brunt of a policy decision that upon close examination appears to be more political than practical.

Makenzie Leine from A&A Trading says there needs to be a shift in focus when it comes to forest revitalization. “We need to avoid the temptation to prompt change by restricting or penalizing a part of the sector that has been innovative, built relationships, invested in the sector, and learned to survive in a very challenging business environment,” she says.

According to David Elstone, TLA executive director, who receives diverse views on log exports from within the TLA membership, who heard from one member who expressed, “the government should be attempting to provide positive conditions to attract investors and innovation rather than seeking to impose changes that cause internal conflict.”