Southern Interior Beetle Action Coalition

Submission to the Special Committee on Timber Supply

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1 Introduction

1.1 Overview

In May 2012, a Special Committee on Timber Supply was struck by the BC Legislative Assembly to examine and make recommendations about mid-term timber supply in British Columbia, as a result of the mountain pine beetle infestation. The Committee will be conducting public consultations and has been asked to deliver a report by August 15, 2012.

The terms of reference for the Special Committee on Timber Supply require the Committee to make recommendations for:

- Increasing timber supply;
- Direction on the potential scope of changes to land use objectives, rate of cut and the conversion of volume based to area based tenures, and
- Areas requiring change to legislation and/or other key implementation tools.

In addition, the June 11, 2012 discussion paper issued by the Special Committee on Timber Supply posed a series of questions to the public to stimulate expression of views relating to the above mandatory recommendations to be made by the Committee, including:

What cautions and advice do you have for this committee in considering whether and how to mitigate mid-term timber supply?

What values and principles should guide the evaluation and decision-making regarding potential actions to mitigate the timber supply impacts?

How should decisions regarding potential actions to mitigate the timber supply impacts be made and, by whom? How would you as an individual or a community want to be engaged in these considerations going forward?

What specific information about your local area would you like the Committee to know and consider?

1.2 Purpose

The Southern Interior Beetle Action Coalition (SIBAC) welcomes the opportunity to make the following input and recommendations to the Committee, as guided by the Committee terms of reference and questions posed to the public. However, SIBAC is very concerned about the extremely short time frame that the Committee has been given to hold public meetings and to present its final report. The pending mid-term timber declines from the Mountain Pine Beetle (MPB) epidemic have been well known for over a decade. Numerous reports over this time frame – including SIBAC's – have acknowledged that mid-term timber supply will decline with resulting sawmill closures and employment loss.

The issues surrounding the MPB epidemic, its impacts; mitigation needs, and the future of the interior forest sector are extremely complex and of critical importance to rural interior BC***. Given the magnitude and the critical importance of the issues and the government's response, SIBAC believes that it is imperative that the provincial government consult deeply with rural local government and First Nation leaders before adopting any new MPB related timber supply or forest sector policies or approaches.***

The recommendations in this submission are based on the research and public input that SIBAC undertook and received in preparing our final report to the government of BC in October 2009 entitled *Southern Interior Beetle Action Coalition – Mountain Pine Beetle Assessment and Mitigation Plan.* The 24 recommendations of the SIBAC final report are included as Appendix A.

To provide context and background rationale for SIBAC's recommendations to the Committee, this submission is structured into five remaining sections:

- Section 2 - SIBAC Overview
- Section 3 - Major Mountain Pine Beetle (MPB) Concerns in the Southern Interior
- Section 4 - Understanding MPB Impacts in the Context of Forest Sector Trends in the Southern Interior
- Section 5 - SIBAC's MPB Mitigation Recommendations
- Section 6 - SIBAC's Recommendations Specific to the Committee's Terms of Reference.

2 SIBAC Overview

2.1 SIBAC Membership and Areas of Interest

SIBAC became an incorporated society in early 2008 and has broad representation from local, regional and First Nation governments from across the Southern Interior of British Columbia. The founding purpose of SIBAC was to provide a local perspective on the MPB epidemic and its impacts and to prepare a regional MPB mitigation plan with recommendations for the Provincial and Federal Governments. A representative of each participating organizations formally sits on the SIBAC Board. SIBAC membership includes the following organizations:

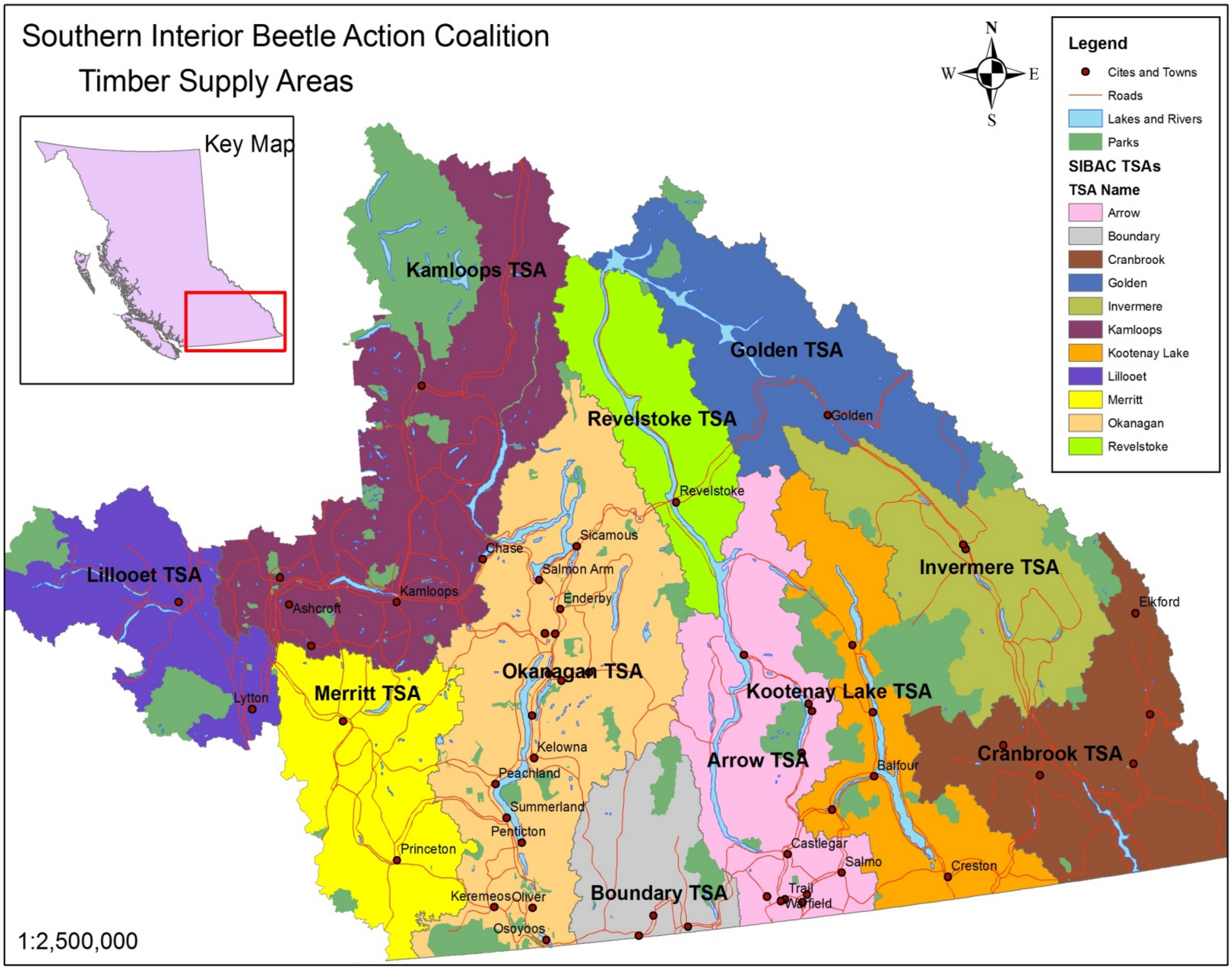
- Regional District of Central Okanagan
- CFDC of Central Interior First Nations (CFDC-CIFN)
- Lillooet Tribal Council
- Regional District of North Okanagan
- Regional District of Okanagan-Similkameen
- Regional District of East Kootenay
- Shuswap Nation Tribal Council
- Ktunaxa Nation Council
- Columbia Shuswap Regional District
- Kootenay Boundary Regional District
- Nicola Tribal Association
- Okanagan Nation Alliance
- Regional District of Central Kootenay
- Squamish Lillooet Regional District
- Thompson Nicola Regional District

2.2 Geographic Description

The Southern Interior is a large and diverse region with a variety of economic challenges and opportunities. Rural communities in the region typically have higher forest dependencies and are more likely to be impacted by the MPB than urban centres, which tend to be more diversified and will be more resilient to a downturn in their forest economy. As illustrated in Figure 2.2-1, the SIBAC region is located in the south-eastern portion of British Columbia and consists of 11 Timber Supply Areas (TSAs) including:

- Arrow
- Invermere
- Golden
- Lillooet
- Boundary
- Kootenay Lake
- Merritt
- Kamloops
- Cranbrook
- Revelstoke
- Okanagan

Figure 2.2-1: Southern Interior Beetle Action Coalition Region



2.3 SIBAC's MPB Mitigation Plan Research & Planning Process

In preparing its final MPB Mitigation Plan, SIBAC conducted community, industry and stakeholder consultations in 20 Southern Interior communities. This consultation included one-on-one interviews with local political leaders, First Nations, business leaders and stakeholders; conference calls with Forest Industry business leaders; and community forums in 13 Southern Interior communities with over 200 participants from a variety of sectors. SIBAC used the information gathered through the community consultations to form the recommendations in their final report.

SIBAC also completed extensive background research including detailed reports on:

- forest sector trend, future timber supply analysis and MPB impact projections;
- socio-economic indicators and trend analysis of communities in the Southern Interior region; and,

- MPB environmental impacts overview report.

Finally, the SIBAC Board recognises the unique relationship that First Nations have with respect to the land base and resources in their traditional territories, and that MPB impacts can be different for First Nation communities. Therefore, SIBAC provided funding to each SIBAC member First Nations Tribal Council to prepare a report that identified the specific concerns and recommendations of each First Nation Tribal Council with respect to MPB. SIBAC also provided funding to the Community Futures Development Corporation of Central Interior First Nations to create a similar report for non-aligned Bands in the Southern Interior.

The SIBAC planning documents are available on the SIBAC website at www.sibacs.com.

2.4 Recent SIBAC Activities

Since submitting its Mountain Pine Beetle Assessment and Mitigation Plan to the Province of British Columbia in late 2009, SIBAC has been active in undertaking a variety of implementation tasks. The SIBAC Board believes that it is an important coordinating voice for Southern Interior communities and has taken an active role in addressing strategy recommendations from its Plan as well as working with like-minded organisations and funders to achieve desired outcomes across the Southern Interior of British Columbia. In 2010 SIBAC invested $284,200 in fourteen projects.

In April 2011, SIBAC received an additional $3 million in funding from the Provincial government. This funding was provided so that SIBAC could fund initiatives that address the priority recommendations of their MPB Mitigation Plan over a three year period. To date, SIBAC has invested $915,634 in another 37 projects. In addition, this SIBAC investment has leveraged over $3 million in supporting funding for these projects from a variety of partner organizations.

SIBAC has supported four strategic projects with OBAC and CCBAC in strategic priority areas that are of high importance to all three BACs:

- **Bridges: Community Forests/Woodlot Federation** – this project was designed to develop and access appropriate tools, information and relationships that will increase movement of fibre from Community Forests and Woodlots to the value added sector and resulted in the creation of the WoodSourceBC website. The Ministry of Forests, Lands and Natural Resource Operations has just agreed to provide funding to expand the WoodSourceBC website to incorporate elements of the provincial government Fibre Connections initiative.
- **Green Energy as Rural Economic Development Tool –**a project designed to create information and tools that will assist rural communities in identifying and taking advantage of the economic opportunities associated with Green Energy development.
- **Log Home and Timber Frame Market and Industry Expansion Project** – this project involves working with the Log and Timber Frame Building Industry Association in identifying and implementing actions that will help expand markets for the log home and timber frame sector.
- **Green Heat Initiative Project Extension and Expansion –** the BACs provided funding to expand and extend the Green Heat Initiative for a year. The Green Heat Initiative provides free technical assistance to communities, First Nations and organizations regarding biomass heating opportunities.

3 Major MPB Concerns in the Southern Interior

SIBAC's research and community consultations identified a wide range of concerns regarding MPB in the Southern Interior. The following lists just some of the major concerns that were consistently raised:

- MPB impacts (and MPB salvage harvesting impacts) on hydrological cycles, drinking water quality, flooding risks, and local government and First Nations infrastructure;
- MPB impacts (and MPB salvage harvesting impacts) on wildlife habitat and wildlife populations;
- General concern on overall forest health issues (i.e., other forest pests) and the effects of climate change on the future of British Columbia's forests and ecosystems;
- MPB impacts (and MPB salvage harvesting impacts) on First Nations' current and future cultural and economic uses of their traditional territories;
- MPB impacts (and MPB salvage harvesting impacts) on other economic sectors such as agriculture and tourism;
- Continued loss of employment and rural economic contribution from the traditional dimension lumber production segment of the forest sector;
- Continued corporate consolidation and increasing control of BC's public timber by increasingly fewer companies;
- Lack of access to fibre and other business support that would encourage more value-added wood manufacturing in the Southern Interior;
- Increase the number of Community Forests, woodlots, First Nation tenures in place in the interior of British Columbia;
- Desire to see increased timber rights and volumes assigned to Community Forests, Woodlots and First Nations tenures that they are of viable size and volume;
- Community and First Nations concerns around wildfire risks and hazard abatement;
- MPB impacts in terms of job loss and economic impacts from the loss of industrial taxation in forest dependent communities;
- A desire to see government training and support programs that are truly designed to keep displaced workers living in their current communities rather than leaving to find employment elsewhere; and,
- Widespread concern about general rural economic decline in BC and the lack of enough senior government actions and resources to help economically revitalise and diversify rural BC communities.

SIBAC's background socio-economic research substantiates the concern of economic and employment decline in several rural areas. As noted by the various graphs in Appendix C, when examining trends of key indicators such as population growth, labour force growth, employment income growth and household income growth, it is clear that many rural communities and areas lag behind the provincial average by a very significant margin. Unfortunately, many of these communities are also the most forest dependent and at the highest risk for MPB impacts. Without new approaches that will assist these communities in significantly increasing their levels of economic growth and diversification, they are ill-prepared to deal with MPB induced economic and employment shocks.

4 MPB Impacts in the Context of Interior Forest Sector Trends

SIBAC believes that it is important to understand the probable MPB impacts in terms of the longer term trends already impacting the forest sector in BC and specifically the Southern Interior.

4.1 Forest Sector Trends

4.1.1 Historical Forest Employment and Harvest

Firstly, it is important to consider that for communities depending on forestry employment that the increase in efficiency in the forest industry has been achieved in the harvesting and processing of the wood supply over time. Figure 4.1-1 highlights the provincial forest sector employment and the volume of wood harvested over the period from 1980 to 2010.

Figure 4.1-1 Provincial Employment and Harvest in the Forest Industry, 1980 to 2010

Sources: Nawitka Renewable Resource Consultants (1997) for harvest volume and employment estimates 1970-1996: Ministry of Forests, Lands and Natural Resource Operations (2012) for harvest volume 1997-2010.
BC Stats (2012) for employment estimates (1997-2010)

As illustrated, between 1995 and 2005 the amount of timber harvested in the province generally remained flat while the amount of employment required to process the harvest steadily trended downward. While increasing the productivity and efficiency of the large primary wood processors it has often come at the expensive of employment in rural communities throughout British Columbia.

It is important to recognise that this downward trend in employment was already underway in the forest sector prior to the MPB epidemic. Given the configuration of the current forest sector (ie., focus on dimension lumber), it is unlikely that the jobs that have already been lost will ever return, regardless of the timber supply.

4.1.2 Change in Sawmill Sector

To understand the employment transition, one of the key changes experienced in rural British Columbia has been the reduction in the number of lumber mills and the increasing milling capacity among the remaining facilities. As outlined in Table 4.1-1 the number of medium and large lumber mills in the Southern Interior has declined from 32 to 22, a decline of 32%. Meanwhile at the provincial level there has been an even greater decline with 126 mills in 1991 reduced to only 72 mills in 2009, a decline of 43%. At the same time, annual mill capacity in the Southern Interior has actually risen by 53% between 1991 and 2009. Similar results are also seen at the provincial level where the capacity per mill has increased for medium and large sawmills on average by 52%.

Table 4.1-1: Lumber Mills Summary Statistics for Medium and Large Sized Mills

Southern Interior of British Columbia						
Years	**1991**	**1995**	**2000**	**2005**	**2008**	**2009**
Number of Mills	32	32	28	26	24	22
Annual Capacity (Millions of Board feet per year)	3,055.2	3,098.4	3,072.0	3,585.9	3,083.3	3,208.9
Annual Output (Millions of Board feet per year)	2,434.0	2,912.0	3,052.6	3,960.4	2,508.6	2,159.1
Annual Capacity per Mill (Millions of Board feet yr)	95.5	96.8	109.7	137.9	128.5	145.9
British Columbia						
Number of Mills	126	121	113	100	83	72
Annual Capacity (Millions of Board feet per year)	14,745.6	14,172.0	14,745.6	16,169.5	13,676.5	12,862.0
Annual Output (Millions of Board feet per year)	12,766.0	13,350.0	13,609.1	16,729.9	11,196.6	9,112.3
Annual Capacity per Mill (Millions of Board feet yr)	117.0	117.1	130.5	161.7	164.8	178.6

Source: BC Ministry of Forests, Lands and Natural Resource Operations. (2011)

With the number of medium and large mills having declined it is not surprising that employment in the total milling industry has also declined in TSAs throughout the Southern Interior. Table 4.1-2 outlines the number of mills and the associated mill employment for several wood processing categories in the Southern Interior including: lumber mills, plywood and veneer, log home, pole, post and utility mills, and shake and shingle mills. With processing employment representing a large portion of local total forest employment, the change in mill employment typically provides insight into the overall local forest sector employment. In addition, local processing facilities also represent an important source of revenue for many Southern Interior communities.

As illustrated below, the number of total processing facilities and the associated employment from 1995 to 2008 by TSA in the Southern Interior has dropped, with 156 facilities counted in 1995 and only 102 counted in 2008 – a 35% decline. Over the same period associated processing employment has declined by 2,700 – a decline of 27%. While some of the recent decline can be attributed to market conditions in 2008 with the slowdown in the world economy, the number of mills has declined over the 1991 to 2008 period. More recently, mill employment is now declining as well.

Finally, and perhaps most importantly, it needs to be recognized and acknowledged that sawmilling capacity has grown significantly over the past decade and has risen with mountain pine beetle timber supply uplifts. As a result, there is very significant sawmilling over-capacity in the interior of BC compared to mid-term timber supplies. For example, as MFLNRO has noted in the four Timber Supply Areas alone of Prince George, Lakes, Quesnel and Williams Lake the 3 shift capacity of existing sawmills is approximately 26.7 million cubic metres of logs. This compares to a pre-uplift AAC of 16 million cubic metres and a projected post-MPB mid-term timber supply of approximately 10 million cubic metres. As the CEO of Canfor noted in his verbal presentation to the Mid-Term Timber Supply Committee it is simply a fact that more mills in the interior will close no matter what is done to try and increase mid-term timber supplies.

Table 4.1-2: Total Mills and Mill Employment for Southern Interior Beetle Action Region By TSA (1995 to 2008)

	1995		2000		2005		2008	
TSA	# Mills	Employment	# Mills	Employment	# Mills	Employment	# Mills	Employment
Arrow & Boundary	24	1,819	20	1,798	14	1,626	13	1,136
Cranbrook & Invermere	24	1,346	21	1,134	14	1,029	13	935
Golden & Revelstoke	13	620	12	590	7	1,077	6	714
Kamloops	21	1,988	29	2,062	19	1,810	15	1,414
Kootenay Lake	7	396	7	420	6	559	7	291
Merrit & Lillooet	13	894	11	812	15	1,014	17	1,019
Okanagan	54	2,859	46	2,884	39	2,873	31	1,713
Total	**156**	**9,922**	**146**	**9,700**	**114**	**9,988**	**102**	**7,222**

Source: BC Ministry of Forests, Lands and Natural Resource Operations (2011)

4.1.3 Harvest Concentration Among Forest Companies

Although British Columbia took back 20% of the timber harvesting volume in 2006 as part of a strategy to ensure a market based timber pricing system, a small number of forest companies continue to control a significant share of timber harvesting rights within the province. As illustrated in Table 4.1-3, timber harvesting by the top 5 forest companies operating in British Columbia have consistently controlled over 34% of the total harvest. With the concentration among licensees often much higher at a local level, it seems likely that most local volume that was designed to create markets still flows to the major licensees. For example, in 2012 two firms accounted for over 23% of the allowable annual cut (AAC) but were also geographically concentrated within specific regions of the province.

Table 4.1-3: Change in AAC Concentration for the Top 5 and 10 Firms in BC and the Ministry of Forests (1976 to 2012)

	1976	1990	1996	2006	2009	2012
Top 5	40.6%	43.0%	34.2%	34.6%	34.6%	40.9% note 2
Top 10	58.7%	59.0%	53.9%	45.5%	45.5%	46.6%
Provincial AAC (millions m3)	21.6 note 1	74.5	70.9	83.5	85.0	78.3

Note 1: Millions of cunits

Note 2: Includes the recent purchase of Tembec by Canadian Forest Products Ltd.

Source: Nelson (2006); BC MOF; BC MFLNRO (2012a)

Table 4.1-4 outlines the top 5 and 10 companies by AAC apportionment in British Columbia in 2012.

Table 4.1-4: British Columbia AAC Apportionment for Top 5 and 10 Companies (2012)

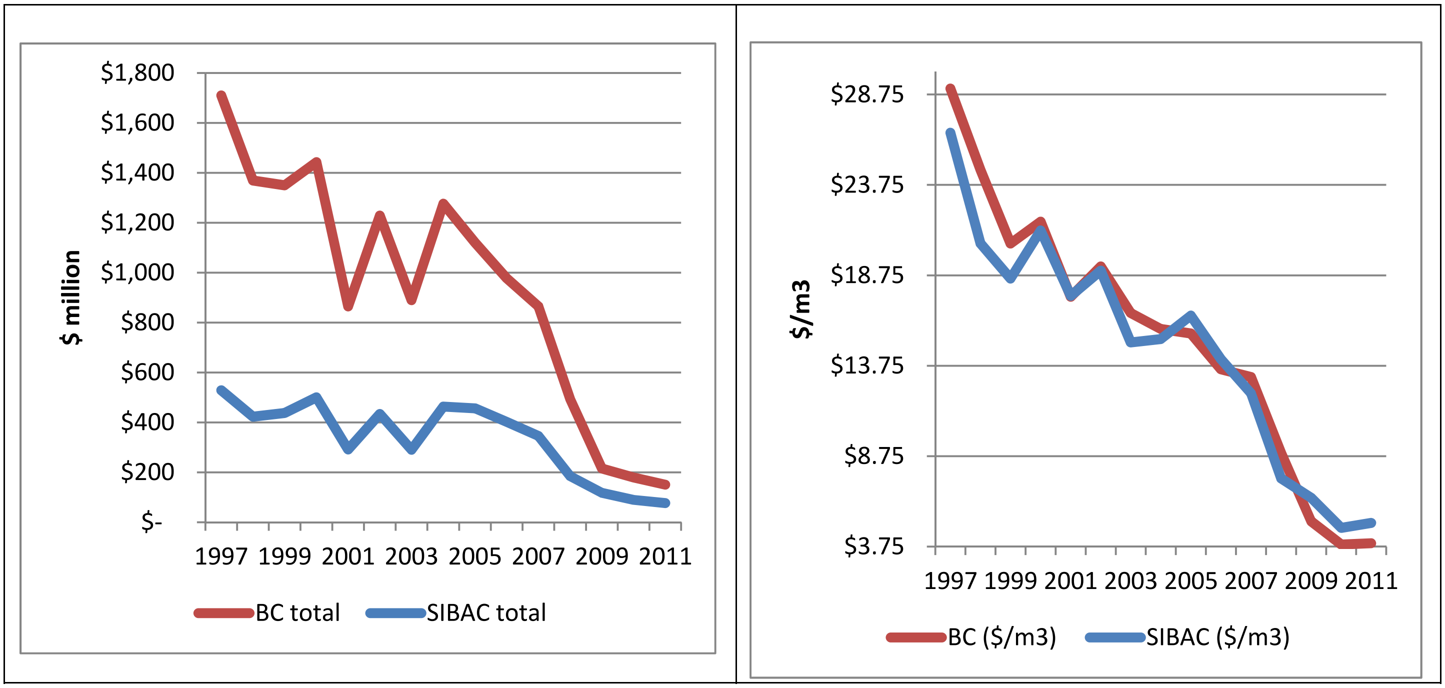
Company	AAC (m^3)	% of Provincial AAC	Accumulated % of Provincial AAC
Canadian Forest Products Ltd.	11,194,152	14.33%	14.33%
Western Forest Products Inc.	6,955,254	8.90%	23.23%
West Fraser Mills Ltd.	5,988,817	7.67%	30.90%
Tolko Industries Ltd.	4,042,135	5.17%	36.07%
International Forest Products Ltd.	3,757,701	4.81%	40.88%
Top 5	**31,938,059**	**40.88%**	**40.88%**
Louisiana-Pacific Canada Ltd.	1,133,295	1.45%	42.33%
Conifex Mackenzie Forest Products Inc.	932,500	1.19%	43.52%
Mackenzie Fibre Management Corporation	800,000	1.02%	44.54%
Teal Cedar Products Ltd.	797,756	1.02%	45.56%
Weyerhauser Company Ltd.	733,980	0.94%	46.50%
Top 10	**36,335,590**	**46.50%**	**46.50%**

Source: BC MFLNRO (2012a)

4.2 Change in Provincial Stumpage Revenue

British Columbia collects revenue from the sale/harvest of Crown timber, termed stumpage revenue. The amount of revenue is dependent on the price per cubic meter paid by the logger and the total volume harvested. The price of the wood is related to the species, quality, logging costs and market conditions. Figure 4.2-1summarizes the trend in total stumpage revenue and the average stumpage value between 1997 and 2011.

Figure 4.2-1 Total Stumpage Revenue and Average per cubic meter BC and Southern Interior Region



Source: Ministry of Forests, Lands and Natural Resource Operations (2012b)

In the late 1990's to about 2005, relatively high lumber prices in the BC main market, the US and above normal total provincial harvest volumes supported total stumpage revenue at over $1 billion annually. The price of SPF lumber peaked in 2004 at $510 per thousand board feet. US housing starts peaked in 2005. The reliance of the BC forest industry on the US housing market saw a decline in revenue related to the decline in the US housing market and lumber prices which began declining in 2006 and collapsed to a low lumber price of $207 per thousand board feet in 2009, and low volume. With both falling harvest volume and falling stumpage price, stumpage revenue declined sharply provincially, such that total stumpage revenue in 2011 was 9% of its value in 1997.

Stumpage revenue from SIBAC region harvest volume has been affected by the same market forces, although to lesser degree than experienced provincially. Total stumpage revenue from the harvest in the Southern Interior in 2001 was 15% of its corresponding 1997 value, still a precipitous decline. Recently, the average stumpage value in the SIBAC region is greater than the provincial average rate. As a consequence, the SIBAC region's contribution to provincial stumpage revenue increased from 31% in 1997 to 51% in 2011.

4.3 Creating Value from Public Fibre

"The Value-added sector represents an important target for potential growth…..These products have significant export opportunities. For example, British Columbia supplies only one per cent of the $200 billion U.S. value-added market, compared to 30 per cent of the $35 billion commodity market. Together with other growing global markets, these present opportunities for growth in manufacturing operations that add significantly more value to the underlying fibre than traditional commodity production."[1]

As illustrated in Table 4.3-1, forest products exports have been in steady decline since 2002 as a share of British Columbia's total exports. In 2002 wood products and pulp and paper exports were worth almost $14.4 billion or 49.7% of all British Columbia exports. However, the share and value have declined steadily and in 2011 accounted for exports of $9.9 billion and represented only 30.5% of all exports from British Columbia (BC Stats.2012).

Table 4.3-1: BC Exports to All Countries (2002 to 2011)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
	($,000,000)									
Wood Products	9,284	8,239	10,062	9,485	8,776	7,164	5,408	4,127	5,106	5,703
Pulp and Paper Products	5,069	4,758	5,019	4,649	4,784	5,118	4,699	3,475	4,037	4,279
Total Forest Sector	14,353	12,997	15,081	14,134	13,560	12,282	10,107	7,602	9,143	9,982
Grand Total	28,828	28,265	31,008	34,167	33,466	31,524	33,124	25,240	28,721	32,752
Forest Sector Share	49.8%	46.0%	48.6%	41.4%	40.5%	39.0%	30.5%	30.1%	31.8%	30.5%

Source: BC Stats (2012)

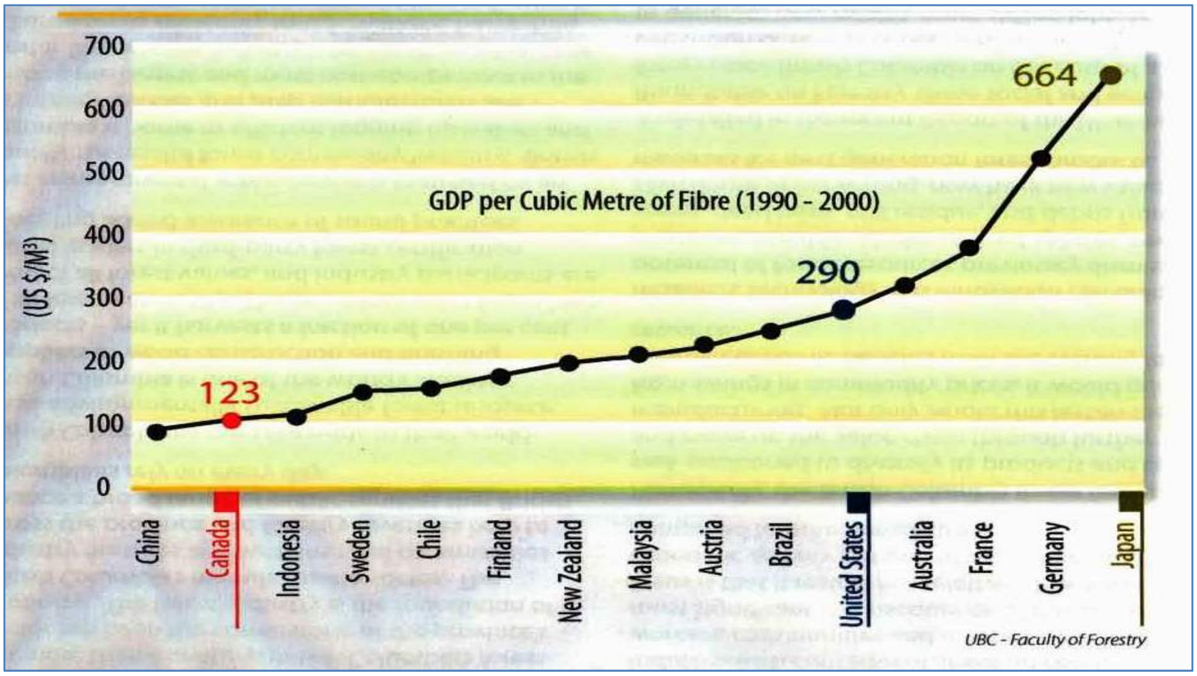
Throughout the history of British Columbia's many Royal Commissions and other reviews of the provincial forest sector, a common theme has always been the need to increase the amount of value added wood manufacturing in the province. Yet research has shown that British Columbia continues to trail many other industrialized jurisdictions and has the potential to dramatically increase the economic value generated per unit of wood fibre used. As illustrated in Figure 4.3-1, between 1990 and 2000, on average, Canada's forest sector generated $123 of gross domestic product (GDP) per cubic metre of wood fibre harvested.

Over the same period, the U.S. generated 2.5 times more value from each cubic metre of fibre, Germany four times, and Japan five times as much. GDP indicates the total level of economic activity generated including worker wages, payments to suppliers, return to investors and government of BC's revenues (BC Ministry of Forest and Range. nd). As shown on the graph, this places Canada as the second lowest out of fifteen countries.

As described in the previous sections, BC's current forest sector is dominated by a dimension lumber production component that is steadily employing fewer people, in fewer mills and paying less total revenues to both provincial and local governments.

[1] From *"Generating More Value from Our Forests – A Vision and Action Plan for Further Manufacturing"* Ministry of Forests & Range, page 7

Figure 4.3-1: GDP Per Cubic Metre of Fibre (1990 -2000)



Source: BC Ministry of Forest and Range (nd)

In light of this fact – and the impact of the Mountain Pine Beetle epidemic on mid-term timber supplies – SIBAC believes part of the provincial response must be a comprehensive and aggressive strategy to increase value added wood manufacturing in the province. While the provincial government has several documents extolling the virtues of an expanded value added sector, these statements must be backed up with new, stronger policies and business development support that address the barriers to value added expansion including long-term consistent access to fibre. As the Province's own Value Added Strategy concluded: *"Regardless of their species mix, labour costs or access to markets, many countries have found ways to generate more economic value from their forest resource than Canada."*[2]

SIBAC also believes that by strengthening the role of value added sector there will be a greater opportunity to create employment within small rural communities throughout the interior of British Columbia from the forest sector. In addition, a commitment to growing the value added forest sector is also seen as key to replacing some of the forest sector job losses that have been experienced over the past decade and anticipated with further closures of primary processing facilities in the SIBAC region.

4.4 MPB Impacts on Mid-Term Timber Supply

Looking ahead, SIBAC has known for several years that mid-term timber supply would be reduced and considered these eventual declines when they developed their strategy. While economic

[2] From *"Generating More Value from Our Forests – A Vision and Action Plan for Further Manufacturing"* Ministry of Forests & Range, page 4.

impacts have been taking place within rural forest economies for some years now, it is anticipated that the pace of the forest sector impacts may soon begin to accelerate.

4.4.1 Post-MPB Timber Supply Projections

Firstly, the probable MPB impacts on timber supply vary considerably by TSA across the Southern Interior. Due to their higher percentages of pine in the Lillooet, Merritt, Kamloops and Cranbrook TSAs it is anticipated that these TSAs will experience the greatest pressures on mid-term timber supply due to the MPB epidemic. Table 4.4-1 below provides a summary of the range of possible post-MPB mid-term timber supply based on the work completed by Forest Ecosystem Solutions and the Chief Forester's MPB Update Report.

Table 4.4-1 Medium Term Timber Supply Projections

	Pre-MPB Epidemic Estimated Mid-term Timber Supply (m^3)	Post MPB Epidemic Estimated Range of Mid-term Timber Supply (m^3)
Arrow	493,000	394,400 to 448,630
Boundary	749,000	524,300 to 591,710
Cranbrook	559,000	335,400 to 385,710
Golden	440,000	308,000 to 347,600
Invermere	542,570	325,542 to 374,600
Kamloops	2,361,900	1,417,140 to 1,629,711
Kootenay Lake	605,000	484,000 to 550,550
Lillooet	572,900	401,030 to 452,591
Merritt	1,695,500	1,017,300 to 1,169,895
Okanagan	2,550,000	2,040,000 to 2,320,500
Revelstoke	165,000	165,000
Total SIBAC	10,733,870	7,412,112 to 8,436,497

Source: Forest Ecosystem Solutions (2009) and BC Ministry of Forests and Range (2009)

While the 2008 economic slowdown may have provided a preview of the future economic impact, the permanent economic impact still to come is highlighted in Table 4.4-2 and reports potential job loss as a result of timber supply declines predicted from the table above with the values representing reductions, or loss, from the 2006 employment values.

Table 4.4-2: Potential Loss of Employment and Stumpage Revenue, SIBAC and BC

Employment (person years)	Low		High
Total Direct Job Loss SIBAC	3,840	To	4,395
Total Indirect/Induced Job Loss SIBAC	2,165	To	2,475
Total Loss SIBAC Region	**6,005**	**To**	**6,870**
Total Job Loss Rest of BC	4,740	To	5,360
Total Job Loss BC	**10,745**	**To**	**12,230**
Stumpage ($ thousands)			
Total Stumpage Loss	**$ 59,576**	**To**	**$ 67,363**

Source: Southern Interior Pine Beetle Action Coalition (2009)

5 SIBAC's MPB Mitigation Recommendations

In preparing its final MPB Mitigation Plan and recommendations, SIBAC considered the public input and research that has been briefly summarized in the previous two sections.

As noted the concerns of Southern Interior residents regarding the MPB epidemic are diverse and complex and go far beyond simply the impacts on the forest sector. From SIBAC's background research it also became very clear that the economic and employment impacts of the MPB epidemic are amplified by two major underlying problems of (1) general economic decline and/or stagnation in several rural communities and areas of the Southern Interior and (2) a forest sector that is dominated by the dimension lumber production that overall is producing less employment and economic benefit to rural Southern Interior of BC.

As a result of the above, SIBAC's final report organized its 24 recommendations under seven major theme areas of Environmental Issues, Forest Sector Issues, Economic Sector Issues, Community Safety Issues, Government Revenue Issues, Rural Development Issues, and Communities Most-at-Risk.

The SIBAC MPB Mitigation Plan provides important context from which to understand the recommendations made to the Committee below. In SIBAC's opinion it must be recognised that simply attempting to increase timber supply temporarily without addressing these other concerns and the underlying rural economic development problem, simply postpones the inevitable and may in fact do much more harm than good. ***In SIBAC's opinion any major sustainable response to a declining timber supply MUST include policies and actions that encourage more rural employment and economic benefit from each metre of public timber harvested.***

6 SIBAC's Recommendations Specific to the Committee's Terms of Reference

With regards to the Committee's specific Terms of Reference, SIBAC makes the following recommendations.

6.1 Increasing Timber Supply

Based on analysis of the information posted on the Committee website, SIBAC understands that the government of BC is considering increasing timber supply through a series of means generally described as follows:

- *Increased investment in silviculture to improve growth rates of forests;*
- *Construction of road infrastructure to improve the economics of harvesting timber in remote parts of the commercial forest;*
- *Policy change or investment to increase the degree of rehabilitation of pine beetle damaged forest while salvaging dead and living timber that may otherwise be lost;*
- *Increasing the timber land area that is commercially harvested, for example by increasing timber harvests on steep slopes or harvesting low value forests that have historically not been harvested.*

SIBAC understands that the history of the forest industry has been characterised by evolution of the nature described above. SIBAC would caution that an enlargement of the 'footprint' of forestry is implied by some aspects of this evolution which has implications to other stakeholders and other parts of the economy. At the same time, it is a fact that the public benefits from the lumber manufacturing sector in terms of jobs, stumpage revenue and local industrial tax have been in decline for a considerable period of time as mills have closed over the years. SIBAC expects this trend to continue in spite of timber supply mitigation actions.

The lumber manufacturing sector will remain an important part of BC's economy, and global competitiveness of the industry is in the public interest. However, pursuit of that global competitiveness has placed the lumber manufacturing sector in a position of extraordinary control over the timber resource and the market for that resource, which can act as a barrier to diversification of the wood products sector or the rural economy in general. Some of the actions under consideration would come at increased public expense, and it is not apparent that they would represent the highest and best use of public money.

Going forward, SIBAC believes the following principles and values should apply:

1. The implications to non-timber sectors of actions such as those being contemplated have in the past been assessed iteratively through public consultations, land use plans and timber supply review at a local level. That principle and practice should continue to apply.

2. The future of the forest sector is but one aspect of the larger rural economic development challenge facing rural BC. Given the declining public benefit trend of the lumber manufacturing sector, public investments should be aimed at aspects of the rural economy that produce new or growing benefits to rural communities.
3. There is untapped value in the forest resource that is not currently being converted into jobs and provincial and local government revenue.
4. While the Mountain Pine Beetle epidemic has primarily been focused on timber harvest, there needs to be a more holistic approach to the Mountain Pine Beetle mitigation that considers the revitalisation of rural communities and ecosystem health.

Recommendation #1: Create a rural development strategy that is inclusive of rural communities and First Nations, and dedicate funding for rural economic development. Broadening the focus of government beyond timber supply and the lumber manufacturing sector will serve to identify promising economic sectors and actions for each sector that warrants investment. Failure to do so raises a considerable risk that we invest scarce resources in a way that does not actually benefit the communities of concern.

Recommendation #2: Create and support a new economic development initiative which encourages and facilitates rural communities and areas to collaborate on rural economic revitalisation at a regional scale. Success in other jurisdictions has shown that such an initiative will help integrate the economic initiatives of various levels of government and between large and small communities in a region.

Recommendation #3: Develop new methods of regional resource revenue sharing with local governments and First Nations to reduce the reliance on declining industrial and commercial taxation and for use in growing and diversifying local economies. This recommendation has previously been made by the BC Progress Board and the Task Force on Community Opportunities. Premier Clark in her leadership platform stated "Rural British Columbia generates a tremendous amount of B.C.'s wealth. It is imperative that the wealth is returned to protect and promote rural communities."

Recommendation #4: Maximise value from the existing timber supply through innovation, partnering and access to fibre. As the government did for the lumber manufacturing sector through the 2003 *Forest Revitalisation Plan*, take policy and legislative action on a similar scale for the value added wood sector. The actions must be adequate to create the regulatory and policy environment that supports investment in the sector, productive collaborations between the primary and secondary wood sectors, a functioning market for the special types of wood fibre and logs needed in the value added wood sector and support for market and product development. We have 'islands of success' in BC in the form of primary lumber manufacturers that have carefully built a business model based partially on productive, profitable relationships with value added wood producers. Examples include Kalesnikoff Lumber Ltd. and Gorman Bros. Lumber Ltd.

Recommendation #5: Bring innovation to the timber pricing system to facilitate growth, diversification and job creation in the wood products sector. At present, a number of aspects of timber pricing policy act against the public interest in jobs, revenue, economic growth and diversification. The policy regards the entire wood basket as suited either to commodity lumber or pulp manufacture, without regard to that part of the wood basket that is best suited to value added wood production. Log haul costs are the single largest cost component of wood product manufacture, and the policy only provides cost recognition for log hauling to the nearest large lumber mill ('point of appraisal') creating a direct cost or economic barrier to moving logs suited to value added wood manufacturers or markets while at the same time giving lumber manufacturers a competitive edge in acquiring the logs suited to value added wood manufacture. The public purse and the value added wood sector would benefit from the establishment of log sorting capacity close to the source of logs to sort 'the right log to the right mill', but there is no cost recognition in the pricing policy for this. As a result, virtually all logs are delivered directly to large sawmill operations giving the lumber manufacturer control and commercial advantage over any decision to sort or market logs suited for value added wood manufacture. There have been instances where going-concern value added wood enterprises have been unable to acquire the fibre they need at any price, never mind a fair market price. These are only examples of aspects of the policy that should be examined, and many others would come to light through more rigorous scrutiny and innovation.

Recommendation #6: Continue to grow the proportion of the timber supply held locally by communities and First Nations. This action is necessary to strengthen the log market, facilitate the flow of the 'right log to the right mill and create a larger source of local benefit from the forest resource whether or not government takes action to mitigate timber supply declines. It is also critical to expand the size and the number of tenures held by First Nations and communities to ensure viable First Nation tenures and Community Forests are in place in the Southern Interior. SIBAC believes that creating more tenures and expanding the volumes associated with existing First Nations tenures and Community Forests is critical component of any government Mountain Pine Beetle mitigation response.

Recommendation #7: Complete a MPB management and salvage strategy for each timber supply area. If government takes action to mitigate timber supply, SIBAC recommends further, more detailed engagement at the local or timber supply area level to finalize decisions. This engagement need not take the form of open public meetings, but could be structured, for example, with representation of local government, conservation interests and small business. SIBAC believes a separate process of engagement will be required with First Nations necessitated by the special relationship between First Nations and the Province.

Recommendation #8: Ensure that forest health remains a key focus in any management strategy of British Columbia's forest lands. Climate change has now begun to impact the ecosystems in the Southern Interior of British Columbia and moving forward forest health issues will need careful consideration in forest sector activities and management in the province.

6.2 Potential Scope of Changes to Land Use Objectives and Rate of Cut

SIBAC understands that government is considering change to land use objectives for visual quality management, biodiversity/old growth conservation or wildlife habitat (i.e., ungulate winter range) objectives with the goal of reducing the degree of timber supply decline caused by mountain pine beetle. With regard to rate of cut, the issue under consideration is whether short term harvest rates could and should be held at a level which later causes the sustainable timber harvest rate to fall lower than would otherwise be the case. SIBAC wishes to express some cautions and advice regarding this possibility. SIBAC cautions that the matters under consideration for change not only affect the flow of timber, they also affect water management, tourism, ranching, public recreation and ecosystem sustainability, all large issues in the SIBAC region.

In the SIBAC region, finding the right balance between all of these interests was the result of arduous negotiation and consensus seeking through Land and Resource Management Plans and the Kootenay-Boundary Land Use Plan. SIBAC cautions that this balance is based on carefully considered, well informed social choices, and the forest practices that followed are simply the tactics needed to realise the social choice. SIBAC is concerned that the government of British Columbia is considering changing the tactics (the forest practices) without first doing the public engagement work needed to re-visit the social choice to, as the case may be, conserve biodiversity, old growth, wildlife habitat or visual landscapes.

SIBAC is also concerned that, in most cases, the timber supply benefit to be realised from the changes under consideration is temporary. Nearly all the timber supply affected by Visual Quality Objectives (VQOs) are already considered in timber supply review, so changing VQO's mostly affects only the timing and scale of the timber harvest in a VQO, not the sustainable supply. There are finite timber volumes in old growth conservation areas and wildlife habitat areas which represent only a temporary supply. Keeping the short term harvest rate higher longer simply harvests mid-term timber supply in the short term.

SIBAC is also concerned that management of the values in question bears with it the risks of uncertainty that come from factors such as climate change impacting ecosystems or wildfire regimes, projections for large population growth in parts of the SIBAC region, the possibility of other large epidemics, or limitations in the data we use to make resource management decisions. SIBAC believes that a number of principles or values should be applied to the decisions at hand:

1. SIBAC believes that ecosystem sustainability is a critical value and any change must remain within the range of resiliency of ecosystems, recognising the risks of uncertainty mentioned above.
2. Given that the land use objectives at issue, and the forest practices that are used to achieve them, are the result of primarily local informed choice, any change to them should also result from such local informed choice.
3. The economic, social and environmental risks associated with the changes under consideration vary widely between timber supply areas, and there may well be scope for local interests to accept varying levels of change as a result.

Recommendation #9: Do not attempt to 'broad brush' change to land use objectives. Base change, if any, on local engagement and informed choice. If government wishes to pursue change to land use objectives, SIBAC recommends further, more detailed engagement at the local or timber supply area level to finalize decisions. This engagement need not take the form of open public meetings. SIBAC believes a separate process of engagement will be required with First Nations necessitated by the special relationship between First Nations and the Province.

Recommendation #10: Keep timber supply benefits local. SIBAC recommends that, if changed to land use objectives are made, that resulting timber supply should accrue to the local communities and First Nations that must bear the impact of the change in the balance of land use objectives. Local communities and First Nations should be considered 'shareholders' in this timber supply.

Recommendation #11: Ensure that parks and protected area contributions to old growth conservation and other aspects of biodiversity conservation are properly accounted for. There is some concern that, particularly with regard to old growth conservation, we may not be fully recognising the 'old growth reservoirs' that exist in parks and protected areas, and may be constraining further timber supply outside of parks and protected areas 'unnecessarily'.

Recommendation #12: Subject to the recommendations above, on the face of it maintaining short term harvest rates high at the expense of mid-term timber supply is not likely necessary in the SIBAC region. While there may be timber supply areas north of the SIBAC region where the short term timber supply is critical for community stability, SIBAC does not expect such situations to arise in the SIBAC region.

6.3 Conversion of Volume Based Tenures to Area Based Tenures

SIBAC understands that, on some existing area based tenures, the forests receive some silviculture treatments that are not as widely applied on volume based tenures (better forest inventories, better spacing, better brushing, more fertilisation) and that more timber supply is produced from these area based tenures. However, SIBAC also understands that much of the funding for these treatments is public funding from the Land Based Investment program.

SIBAC is concerned that a large scale conversion of volume based tenures, mostly held by large lumber manufacturers, to area based licenses would increase the difficulty of diversifying the rural economy due to the higher degree of land use control exerted by the area based tenure holder. This difficulty, combined with the previously described trend toward fewer jobs and fewer tax-paying mills, could in fact result in a net detriment to forest dependent communities.

Recommendation #13: If government moves forward with conversions to area based tenures, SIBAC would only support new area based tenures being allocated to First Nations and Community Forests. Given the trend in declining forest sector employment in rural communities, communities and First Nations need the opportunity to control the wealth and employment created by activities associated from their local forest lands. The best opportunity for achieving this goal is if communities and First Nations are the stewards of their local forest lands.

6.4 Change to Legislation and/or Other Key Implementation Tools

The SIBAC recommendations in this submission imply the need for a number of changes to legislation and/or other implementation tools. They are summarised here once again:

1. The need for a rural development strategy with dedicated funding for its implementation;
2. The need for new rural economic development initiatives and funding programs within which communities and areas can collaborate on rural economic revitalisation;

3. The need to provide new additional financial and government support to MPB "communities-at-risk" and First Nations so that they have the funding necessary for the pending economic, employment and social transitions they will be experiencing.
4. The need for a large scale legislative and policy suite, analogous to the 2003 *Forest Revitalisation Plan* for the lumber manufacturing industry, aimed at developing the value added wood sector in BC;
5. The need for legislative tools to grow the proportion of the timber supply held by communities and First Nations;
6. If government decides to move forward with timber supply mitigation actions, the need for legislative and policy tools to ensure that the timber supply benefits remain with local communities and First Nations;
7. If government decides to move forward to convert volume based tenures to area based tenures, the need for legislative tools to ensure that only a portion of the volume based annual allowable cut is converted to area based tenure, with the balance of the annual allowable cut accruing to the benefit of local communities and First Nations.
8. There is a need to support policy that promotes access and stimulates innovation in the forest sector by entrepreneurs and small business in rural communities in British Columbia.

APPENDIX A - SIBAC MPB Mitigation Plan Recommendations

Environmental Issues

- **SIBAC RECOMMENDATION 1 – That the Province work with communities and First Nations to assess and mitigate watersheds at high risk for water quality problems due to the MPB epidemic.**

- **SIBAC RECOMMENDATION 2 –The Province should complete a MPB management and salvage strategy for each TSA in the Southern Interior.**

- **SIBAC RECOMMENDATION 3 – That the Provincial and Federal Governments should examine potential flooding risks in Communities.**

- **SIBAC RECOMMENDATION 4 – That the Ministry of Environment regularly update Communities on major actions the Ministry is undertaking in response to the MPB epidemic.**

Forest Sector Issues

- **SIBAC RECOMMENDATION 5 – That the Province should continue to seek methods that maximize value from the timber supply through innovation, partnering and access to fibre.**

- **SIBAC RECOMMENDATION 6 – That the Province should ensure land-based investments (silviculture) continue and cover the entire land base.**

- **SIBAC RECOMMENDATION 7 – That the Province should undertake changes to forest policy which support Community and First Nation priorities for economic development.**

- **SIBAC RECOMMENDATION 8 – That the Province and Federal governments support transition and training of forest workers and related displaced workers so that they are able remain in their current communities.**

- **SIBAC RECOMMENDATION 9 – That the SIBAC Committee will support Provincial Government initiatives to generate new activities and address MPB issues.**

- **SIBAC RECOMMENDATION 10 – That the Provincial and Federal Governments work with Communities and First Nations to develop tourism infrastructure in Southern Interior Communities.**

- **SIBAC RECOMMENDATION 11 – That the Provincial and Federal Governments continue to fund the barrier replacement program and range improvements.**

Economic Sector Issues

- **SIBAC RECOMMENDATION 12 – That the Provincial and Federal Governments should undertake hazard/dead tree removal along critical corridors.**
- **SIBAC RECOMMENDATION 13 – That the Provincial and Federal Governments should work to address limited water supplies for livestock.**
- **SIBAC RECOMMENDATION 14 – That the Province should undertake comprehensive and Integrated range management planning.**

Community Safety Issues

- **SIBAC RECOMMENDATION 15 – That the Province work with Communities and First Nations to create "wildfire reduction unit crews".**
- **SIBAC RECOMMENDATION 16 – That the Ministry of Forests & Range implement policy and/or regulation changes that would facilitate increased wildfire hazard treatments in the Southern Interior.**
- **SIBAC RECOMMENDATION 17 – That the Province, Municipalities, Regional Districts and First Nations commit to working more collaboratively on wildfire hazard reduction.**

Government Revenue Issues

- **SIBAC RECOMMENDATION 18 – That the Provincial Government develop new methods of regional resource revenue sharing with local governments and First Nations.**
- **SIBAC RECOMMENDATION 19 –That the Provincial and Federal Governments explore government incentives to foster business investment in rural communities.**

Rural Development Issues

- **SIBAC RECOMMENDATION 20 – That the Provincial Government create a Rural Strategy for BC.**
- **SIBAC RECOMMENDATION 21 – That the Provincial and Federal Governments dedicate funding for rural economic development in BC.**
- **SIBAC RECOMMENDATION 22 – That the Provincial Government create and support a new economic development program/initiative which encourages and facilitates regional collaboration on economic development in the Southern Interior.**
- **SIBAC RECOMMENDATION 23 – That the Provincial Government work with Rural Communities to protect community services and assets.**

Communities Most-At-Risk

- **SIBAC RECOMMENDATION 24 – That the Provincial Government provide implementation resources to MPB At-Risk Communities and Tribal Councils.**

APPENDIX B - Rural Socio-Economic Indicators

B-1 Population Growth

Table B-1 outlines the population for each TSA in the Southern Interior between 1986 and 2006. As illustrated all TSAs, except the Okanagan TSA, experienced smaller population increases than generally enjoyed at the provincial level. In the case of the Revelstoke and Cranbrook TSAs, there are fewer people living in these TSAs in 2006 than was the case in 1986.

Table B-1: SIBAC Total Population and Population Change By TSA, 1986 to 2006

	1986	1991	1996	2001	2006	('86 to '06)
Arrow	41,430	41,830	44,635	43,820	41,725	0.7%
Boundary	9,980	10,790	12,295	11,800	11,860	18.8%
Cranbrook	45,875	44,685	47,250	46,710	45,445	-0.9%
Golden	5,845	6,010	6,410	6,590	6,285	7.5%
Invermere	7,645	8,135	9,555	9,660	9,985	30.6%
Kamloops	79,755	87,275	99,210	100,660	103,380	29.6%
Kootenay Lake	27,315	28,910	32,970	32,100	31,980	17.1%
Lillooet	4,860	5,795	6,390	6,370	5,955	22.5%
Merritt	14,885	15,310	16,750	15,590	16,195	8.8%
Okanagan	223,245	261,485	310,360	325,670	348,055	55.9%
Revelstoke	8,870	8,265	8,620	8,000	7,795	-12.1%
Total SIBAC	469,705	518,490	594,445	606,970	628,660	33.8%
BC	2,883,365	3,282,060	3,724,500	3,907,740	4,243,580	47.2%

Source: Statistics Canada (1986) (1991) (1996) (2001) (2006)

B-2 Labour Force Change

Many of the TSAs have historically had large forest sector labour forces. However, over the twenty year period from 1986 to 2006, employment in forest sector has consistently declined in most of the TSAs in the Southern Interior. Only in the Merritt TSA, which saw its forest sector labour force grow by 7.1%, and the Okanagan TSA which grew by 0.8%, was there positive forest sector growth. Overall, forest sector labour force has declined by over 30.1% between 1986 and 2006 across the province.

As presented in Table B-2, the total labour force in each TSA has managed to grow, although all TSAs have not kept pace with the provincial level labour force growth, with the Okanagan TSA being the only exception, growing faster than the province.

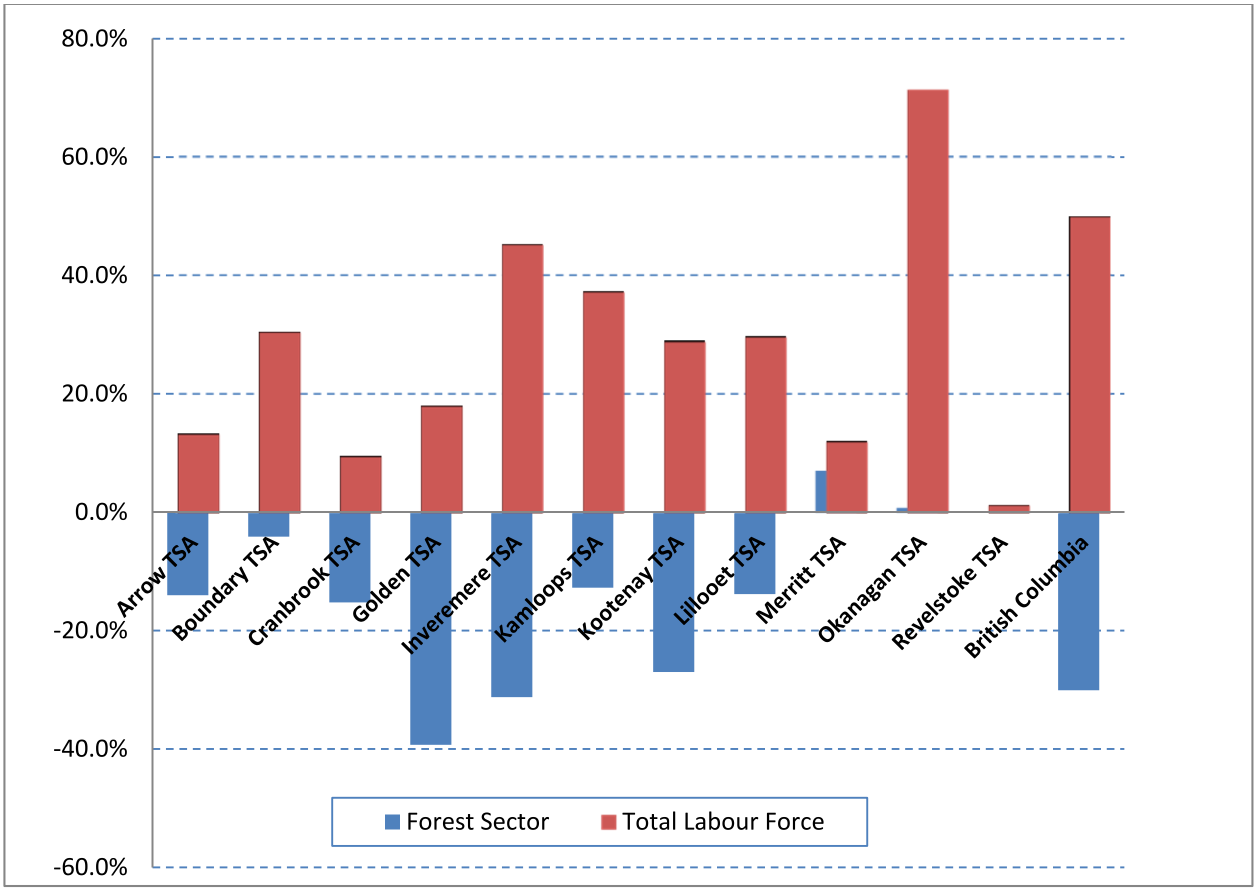
Table B-2: Labour Force and Labour Force Change By TSA, 1986 to 2006

	1986	1991	1996	2001	2006	Change
Arrow TSA						
Total Forest Sector	2,245	2,310	2,520	2,380	1,930	-14.0%
Total Labour Force	18,930	20,735	21,900	22,340	21,465	13.4%
Boundary TSA						
Total Forest Sector	970	1,170	990	1,010	930	-4.1%
Total Labour Force	4,290	5,225	5,905	5,935	5,605	30.7%
Cranbrook TSA						
Total Forest Sector	1,935	1,950	2,210	1,905	1,640	-15.2%
Total Labour Force	22,650	23,160	24,820	24,830	24,820	9.6%
Golden TSA						
Total Forest Sector	980	880	590	590	595	-39.3%
Total Labour Force	3,220	3,375	3,630	3,790	3,805	18.2%
Invermere TSA						
Total Forest Sector	880	885	815	690	605	-31.3%
Total Labour Force	4,125	4,130	5,395	5,655	5,995	45.3%
Kamloops TSA						
Total Forest Sector	3,995	3,910	3,975	4,085	3,485	-12.8%
Total Labour Force	41,065	46,860	53,470	54,185	56,425	37.4%
Kootenay Lake TSA						
Total Forest Sector	1,445	1,105	1,305	1,215	1,055	-27.0%
Total Labour Force	12,135	13,530	16,335	15,935	15,660	29.0%
Lillooet TSA						
Total Forest Sector	470	505	560	405	405	-13.8%
Total Labour Force	2,295	2,725	3,200	3,300	2,980	29.8%
Merritt TSA						
Total Forest Sector	1,205	1,205	1,425	1,280	1,290	7.1%
Total Labour Force	7,100	7,590	8,270	7,525	7,960	12.1%
Okanagan TSA						
Total Forest Sector	7,085	7,520	7,965	7,400	7,140	0.8%
Total Labour Force	103,645	126,375	151,715	159,250	177,610	71.4%
Revelstoke TSA						
Total Forest Sector	575	625	710	590	575	0.0%
Total Labour Force	4,585	4,585	4,805	4,445	4,645	1.3%
British Columbia						
Total Forest Sector	106,115	104,860	104,750	95,705	74,185	-30.1%
Total Labour Force	1,484,185	1,748,925	1,960,660	2,059,945	2,226,385	50.0%

Source: Statistics Canada (1986) (1991) (1996) (2001) (2006)

Figure B-1 further highlights the divergence in the forest sector and the total labour force in each TSA and the province. As illustrated, the forest sector has consistently declined in share of labour force across the TSAs and province. This suggests that what was once a key labour generator in many rural communities has now declined in importance and is being replaced by other categories of employment.

Figure B-1: Change in Total Labour Force and Forest Labour Force by TSA, 1986 to 2006



Source: Statistics Canada (1986) (1991) (1996) (2001) (2006)

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