

## **COMMUNITIES, JOBS AND THE FOREST SECTOR**

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**NOTE:** This paper is intended for discussion purposes only and does not reflect government policy.

## COMMUNITIES, JOBS AND THE FOREST SECTOR

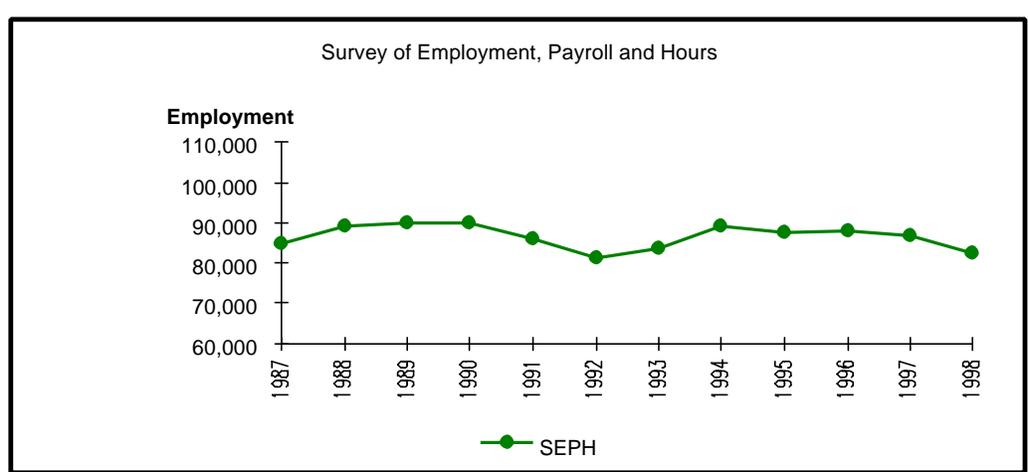
### 1. Purpose

The purpose of this paper is to outline the importance of the forest sector to B.C. communities and to identify the issues that likely will need to be addressed in the context of changes taking place in the sector. The need for a review of provincial forest policy and its consequence to industry, communities and workers is driven by the forces of change -- global competition, technological change, evolving societal values, and changes in market demand—and the need to adjust to these new realities in a fair and balanced manner.

### 2. Background

As noted in the paper, The Working Forest – Directions for the Future: “For more than a century, our forests were seen as a vast storehouse of wealth and opportunity. Investments in forestry opened up the province and helped establish scores of thriving communities.”

The forest sector has played the leading role in the social, economic and community development of British Columbia. The forest sector employs more than 80,000 people; in addition to this direct employment, many people are employed in indirect and induced jobs (i.e. provision of specific services to the industry and jobs in other sectors, such as the retail sector).



The forest industry is a key part of the community<sup>1</sup> social fabric and contributes very significantly to the economic well being of many communities through the jobs it creates and the revenues it provides to local governments. Within B.C., 31 of the 63 community areas in the province are considered to be “forestry dependent” in the sense that 20% or more of residents’ basic after tax income is attributable to the forest sector. (For a detailed listing, see Appendix 1)

<sup>1</sup> An indication of the strong relationship between the forest industry and communities is the fact that in 1998, the Union of BC Municipalities (UBCM) and the Council of Forest Industries (COFI), signed a memorandum of understanding to work together to achieve the goals of community stability and industry competitiveness.

Communities are dependent upon industry taxes for developing facilities and services and as a result are vulnerable to industry restructuring and downsizing. An example of this is Gold River which lost 82% of property tax base when the Bowater pulp mill closed permanently in February, 1999.

The forest industry and governments have made efforts to support communities through a variety of programs and services to help stabilize existing businesses; to assist in developing economic diversification strategies and the creation of new businesses and jobs and to provide re-training and re-employment support to displaced workers.

Several historical understandings have also influenced the relationship of government, industry, communities and workers in the forest sector. These include:

- Legal relationships (see Appendix 2) that govern access to timber in exchange for obligations to manage the resource for long-term sustainability, respect non-economic values tied to the forest lands and to develop long term businesses that provide community based employment and revenue, and
- Social obligations of both government and industry to support communities and workers, particularly in difficult times, with a variety of transition and support services; for example, the Employment Standards Act, Industrial Adjustment Services (IAS) and Forest Renewal BC community and work force transition programs.

More recently, government has implemented the Mill Closure Review Process, through the Office of the Jobs and Timber Accord Advocate, which examines the economic viability of forest operations that announce pending layoffs. Alternatives to maintain viable mill operations are explored and if the mill is not viable, the Office works with companies, workers, and communities to identify new forest sector business opportunities.

### **3. Issues**

#### Changes in the Forest Sector Economy

The British Columbia forest sector is going through a period of significant change caused by a number of factors, including:

- increasingly sophisticated technology that enhances manufacturing capacity and efficiency but also results in the need for fewer, but better skilled workers;
- strong global competition from countries where trees grow faster than in BC, where land and fibre costs are lower, where labour costs are lower and where environmental regulations are less stringent;
- reductions in the Allowable Annual Cut (AAC) in some regions for reasons such as:
  - the lower volume of wood in second-growth forests;
  - taking land out of timber production to fulfill society's desire for more parks and wildlife protection;
  - adjustments for past rates of harvest;
- over capacity in the solid wood manufacturing sector;
- changes in market demand; and
- restrictions on exports due to trade agreements such as the Canada - US Softwood Lumber Agreement.

These changes have created instability in forest communities in recent years and have raised questions regarding the future of the forest sector:

- How will these new realities shape the future forest sector?
- How will communities and workers be affected?
- What roles will industry, government, communities, workers play?

#### **4. Strategic Directions**

##### **Supporting Communities and Jobs**

Some of the other discussion papers accompanying *The Working Forest: Directions for the Future* explore strategies to assist communities to diversify their economic bases and to support them in the transition process. Specifically, these papers highlight strategies to support communities and workers by:

- creating a competitive industry that will support the stabilization of industry and therefore communities
- exploring forest values other than timber and identifying options for eco-tourism, recreation usage, and a variety of other interests;
- exploring intensive zoning, tenure, and pricing options to enhance small scale and community forestry opportunities;
- discussing value-added manufacturing and the opportunity which it presents for economic and job growth; and
- providing support for communities undergoing industry restructuring.

These options raise a number of key questions:

- How can our forest resources be utilized for other opportunities to assist community diversification?
- Can a more intensive zonation and tenure reform free up land for small scale forestry opportunities and community forests?
- How can small scale forestry and community forests support communities and jobs?
- How can value added initiatives support regional development?
- How do the above and other strategies support communities and jobs?

##### **Supporting Workers**

Historically, forest legislation has been used to influence, and in some cases to require, the specific location of wood processing facilities in the province as a condition of obtaining and maintaining forest agreements. The requirement for the processing of Crown timber originated from the province's desire to develop a world class milling infrastructure and stimulate the social and economic development of the province.

British Columbians and prominent stakeholders have made it clear that while some rationalization in the forest industry is necessary, it cannot be left entirely to market forces. As a result, it is important to think about ways of determining the appropriate balance between industry rationalization (such as specific mill closures) and the best interests of the workers, the community and the province.

What has become clear is that, as workers and their communities face instability and uncertainty as a result of necessary changes in the forest sector, a new understanding is required between the stakeholders – industry, government, communities, and workers – to ease the transition and to enable all the participants to take best advantage of new opportunities for economic growth and employment in the future. Other

industries, most notably the steel industry, when faced with similar issues have developed a sector wide approach, driven by industry stakeholders, to respond to competitive business and employment issues confronting their sector.

In this regard, business and workers face significant challenges in three areas; adapting to the competitive requirements of a more global economy, increasing their skills and abilities in the workplace, and adjusting to industry restructuring and downsizing.

### 1. Adapting to the Global Economy

Companies and employees need to work together to create a better appreciation and understanding by employees of the total process of product development; products, markets, customers, and finances. There is a significant need for a new employer/employee approach to develop work structures and systems that utilize and empower an accountable workforce, both individually and through teams. The key components of a competitive workforce -- strategic marketing skills in management and coaching, team building, and communications skills for both workers and supervisors -- should be the responsibility of all the stakeholders.

We also need to foster and promote the image of a forest industry that is highly competitive, environmentally friendly, technically and mentally challenging, and attractive as a career option for young people.

- Would a vehicle such as a forest sector council help to achieve a competitive advantage in markets, products and processes for the forest industry and it's workers in the new economic environment?

### 2. Upgrading Worker Skills

Another key area for a healthy forest industry is a workforce with cutting edge technical skills. Industry requires workers who have broadly based training in all aspects of mill/forest operations and equipment, and workers with such a skill set are not only invaluable but much less likely to be facing layoff or job loss. Identifying human resource training requirements such as distance education, literacy and numeracy, and more effective and ongoing continuous on-the-job training is an essential step for both employers and union representatives.

A vehicle is needed to provide leadership and support to workers to acquire skills in value-added and customer relations, as well as being able to work with new technology and processes. There also needs to be a re-commitment to and expansion of apprenticeship training and trades upgrading. Direction and funding need to be prioritized to develop training programs in the workplace through regional colleges, community skill centres, and other training providers. Maintaining forest sector worker's skills is a wise investment in an industry that is undergoing dramatic change and adjusting to a more competitive global economy.

- Would the creation of a forest sector council, with industry, worker, community, and education participation, provide the necessary leadership and funding to develop an effective workplace training system for workers in the forest industry?

### 3. Workers in Transition

For many years forest companies have played a key role in the process of protecting workers and minimizing the effects of layoffs and shutdowns. Collective agreements have been negotiated which provide early retirement, seniority recall rights, and preferential hiring arrangements for laid off workers.

Governments, too, have worked with forest companies, unions, and communities to provide transition services to affected workers and their families. The Industrial Adjustment Service (IAS) has been utilized often to establish adjustment committees and coordinate worker job search activities, retraining, and mobility assistance. Government also has mobilized colleges and their quick response training services in support of laid off workers. The Job Protection Commissioner has been engaged to develop economic plans for sustaining viable plants and protecting jobs. Recently, government has initiated a Community Transition Secretariat, in the new Ministry of Community Development, Cooperatives and Volunteers, and as already mentioned, the Mill Closure Review Process was introduced to lead government's efforts in this area by addressing five principle objectives:

- to implement a review of the economic viability of an operation upon notice of permanent closure of a mill;
- to determine if there are alternatives to maintain viable mill operations;
- to identify new opportunities if the operation is not viable;
- to develop adjustment strategies for displaced forest workers; and
- to support communities with transition services and economic diversification opportunities.

The key question that needs to be addressed in this regard is:

- Are there better ways for communities and workers to deal with the effects of industry restructuring and downsizing, and how can the stakeholders ensure they are implemented?

### **New Relationships and Responsibilities**

Because of its historic pioneering role in British Columbia and its active presence throughout the province today, the forest industry has developed a unique relationship with its workers and with the communities it calls home. The policies and legislation that govern the industry have shaped, and will continue to inform, this unique relationship. A key "understanding" of this unique relationship has been that forest companies will have continued access to forest resources on public land, as long as they manage the resource for long-term sustainability, respect non-economic values tied to the forest lands, and develop long term businesses that provide community based employment and revenue.

Government has taken steps to update some elements of this "understanding" to reflect the changing views of British Columbians and others, particularly around the management of forest resources. The question remains as to whether further changes are required to ensure that communities and workers who depend on the forest industry adapt successfully to changes in the forest economy.

## APPENDIX 1

**Table 1<sup>2</sup>**  
**Communities with the Highest Forestry Income Dependencies and Vulnerability**

<b>Region</b>	<b>Local Areas by Forest Region</b>	<b>Dependency: Share of Income from Forestry*</b>	<b>Vulnerability Index</b>
<b>Vancouver</b>	Port Hardy	51%	100%
	Campbell River	36%	48%
	Alberni	36%	55%
	Queen Charlotte Islands	35%	59%
	Powell River	34%	48%
	Lake Cowichan	33%	49%
	Ocean Falls	26%	42%
	Ladysmith	24%	28%
	Sunshine Coast	20%	22%
	Duncan	20%	24%
	Alert Bay	18%	23%
<b>Kamloops</b>	North Thompson	36%	53%
	Lillooet	29%	42%
	Merritt	27%	33%
	Princeton	24%	26%
<b>Nelson</b>	Castlegar-Arrow Lakes	30%	40%
	Golden	27%	30%
	Grand Forks-Greenwood	25%	30%
	Revelstoke	22%	23%
	Invermere	21%	23%
<b>Cariboo</b>	Quesnel	45%	82%
	Williams Lake	31%	41%
<b>Prince George</b>	Vanderhoof	46%	84%
	Fort Nelson	46%	82%
	McBride-Valemount	39%	62%
	Prince George	33%	47%
<b>Prince Rupert</b>	Burns Lake	41%	71%
	Hazelton	37%	66%
	Smithers-Houston	36%	54%
	Stewart	25%	37%
	Kitimat-Terrace	24%	28%
	Prince Rupert	22%	27%

\*The Income Dependency and Vulnerability estimates are based on 1996 census information.

<sup>2</sup> *British Columbia Local Area Economic Dependencies and Impact Ratios – 1996.*

## APPENDIX 2

### Forest Regulation

When allocating rights to harvest Crown timber, government sometimes included a licence condition requiring the licence holder to process the timber harvested from the licence in a specified timber processing facility owned or operated by the licensee, usually in the general vicinity of the licence. This requirement, referred to as the “mill appurtenancy clause”, prevented the sale or trading of Crown timber by a licensee to another party for processing. In earlier years, the mill appurtenancy clause was used very selectively. By the 1970’s, however, the use of this requirement had become more common.

In the early 1980’s, to facilitate log trading, the provision requiring all timber harvested from a licence to be processed in a licensee’s mill(s), was changed to refer to all timber harvested from a licence *or the equivalent volume*. Around the same time, the “timber processing clause” rather than the “mill appurtenancy clause” became standard in virtually all licences. In addition to recognizing equivalent volumes, the “timber processing clause” links the licence to any mill in the province that is owned or operated by the licensee, rather than to a specific timber processing facility<sup>3</sup>

#### **Terms and Definitions**

**Timber Processing Clause:** - Although there may be minor differences in wording, depending on the date a tenure was issued, the standard wording is as follows:

**The Licensee will process all timber harvested under this Licence or a road permit, or equivalent volumes, through a timber processing facility:**

- a) **owned or operated by the Licensee or an affiliate of the Licensee with the meaning of the *Company Act*, and,**
- b) **equipped to carry out debarking and chipping, unless the minister exempts the licensee in whole or in part from the requirements of this paragraph.**

Note: This clause was recently amended and the updated version will be used in all new licences and replacement licences.

**Mill Appurtenancy Clause:** - The primary objective of the mill appurtenancy requirement is to maintain current levels of employment in mills owned or operated by major licence holders or their affiliates to a certain geographical area. It does this by specifically naming a facility (existing or to be constructed) owned by the licensee (or affiliate), to process the Crown timber on their licences through that facility.

Source: Ministry of Forests, Resource Tenures and Engineering Branch

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<sup>3</sup> Either existing or to be constructed.

The following table shows generally which clause each type of major tenure uses.

<b>Forest Tenure Type</b>	<b>Clause</b>	<b>Comments</b>
Tree Farm Licence	Timber Processing Clause	
Forest Licence (Replaceable)	Timber Processing Clause	
Forest Licence (Non replaceable)	Both the Timber Processing Clause and Mill Appurtenancy Clause	Approximately 50% of these licences reference specific timber processing facilities.
Pulpwood Agreements	Mill Appurtenancy Clause	
<b>OTHER</b>		
Fibre Flow Agreements	Specific	Though not a form of tenure issued by the ministry, these agreements are referenced in the conditions of some licences and are recognized by the ministry for meeting timber processing obligations under licence

Although it has never been used, Section 71 of the *Forest Act* allows the Minister to take fibre away from licensees that do not meet their licence obligations, including those obligations related to the development and operation of processing facilities.