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Central Interior Logging Association Area-Based Tenure Policy Brief



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Central Interior Logging Association

"Together We're Strong"

Introduction

We, the Central Interior Logging Association, represent a critical part of the British Columbian forestry harvesting sector in the challenges it faces. The Mountain Pine Beetle outbreak in the Interior has caused a substantial downturn in the midterm timber supply and presents a significant problem to CILA members. The BC government has proposed a tenure reform that sees a volume- to area-based tenure conversion. It is the purpose of this brief to present our views on this issue, potential policy solutions to it, and make recommendations with respect to our core values.

Background

The Central Interior Logging Association (CILA) was founded in 1966 in Prince George as a membership association representing the forest harvesting sector in the Central and Northern Interior of the province (Figure 1). We represent over 200 members including independent loggers, log-haulers, road builders, woodlot owners, biomass producers and processors, and silvicultural contractors. We provide our members with services regarding safety, government policy, environmental issues, and provide liaison with First Nations, forest companies, and various interest groups to present a strong forestry sector. Approximately 60% of the provincial Crown timber volume is harvested within regions represented by CILA, employing nearly 9,000 people. Our members are community-based, small businesses that provide essential jobs and economic stability within forestry-dependent communities. Our objective is to help our members stay viable, competitive, efficient and innovative, and sustain the forestry economy through job security and stability.

Issue Definition

The Mountain Pine Beetle epidemic has affected an estimated 18.1 million hectares of forested land in BC, including 10 million hectares that supports timber harvesting (Legislative Assembly of BC, 2012a). An estimated 53% of merchantable pine volume has been killed by 2012, however the overall infestation is declining and the estimated cumulative kill varies between 56-70% by 2021 (Legislative Assembly of BC, 2012b; Ministry of Forests, Lands and Natural Resource Operations, 2012a). The CILA represents members in some of the hardest hit timber supply areas (TSA) including Quesnel, Vanderhoof, and Lakes (Figure 1) (Legislative Assembly of BC, 2012a; BC Forest Service, 2013). Timber supply in the Interior will continue to decrease, with provincial projections in 10 to 15 years to be 20%

lower than pre-infestation levels that may last up to 50 years (Legislative Assembly of BC, 2012a; Legislative Assembly of BC, 2012b). Harvesting levels will be reduced to compensate for the lack of mature timber supply once beetle-killed pine is no longer salvageable, a trend already observed in the most affected areas where decreasing harvest levels likely exceed the 20% provincial average (Legislative Assembly of BC, 2012a; Legislative Assembly of BC, 2012b). These shortages will have significant negative economic and social impacts on forestry-dependent communities (Legislative Assembly of BC, 2012a; Legislative Assembly of BC, 2012b).

Proposed Solution

In 2012 the Ministry of Forests, Lands and Natural Resource Operations proposed new legislation to assist the conversion of volume-based tenures to area-based tenures, and create a supplemental forest license to provide security of timber supply to companies utilizing non-sawlog quality wood (Ministry of Forests, Lands and Natural Resource Operations, 2012b). A subsequent document outlined three potential volume to area-based conversion models, as well as the advantages and disadvantages to area-based tenures (Tables 1 and 2) (Ministry of Forests, Lands and Natural Resource Operations, 2012c). Feasibility will be TSA specific and depend on many area-dependent factors, such as fragmentation and future accessibility of the timber supply.

Proposed Conversion Model	Description
<i>Single licence model</i>	A licensee surrenders their volume-based licence in exchange for additional area added to their area-based tenure.
<i>Whole timber supply area model</i>	All major volume-based licences within a TSA are included and most of the area is converted to area-based tenures.
<i>Partial timber supply area model</i>	Two or more licensees surrender their volume-based licence(s) in exchange for creating new area-based tenures or adding to their existing area-based tenures. The TSA is then subdivided with new area-based tenures in one part and volume-based licences in the remainder.

Table 1: Ministry of Forests, Lands and Natural Resource Operations proposed legislation for conversion of volume-based to area-based tenures in response to Mountain Pine Beetle (Ministry of Forests, Lands and Natural Resource Operations, 2012b).

Advantages	Disadvantages
<i>Business opportunities</i> – greater security of land base could promote new investment and help facilitate partnerships.	<i>Public perception</i> – concern of major forest corporations “controlling” more of public forest land.
<i>Improved forest management</i> – greater investment in silviculture and higher level of forest management.	<i>Implementation</i> – most TSAs have diverse topography and timber resources with multiple licenses each with unique AAC. Converting volume-based licences in a fair and equitable way would prove challenging.
<i>Freeing up of allowable annual cut (AAC)</i> – licensee may be prepared to accept an area-based tenure that represents less AAC than current tenure, allowing a return of AAC to government.	
	<i>Loss of flexibility</i> – reduces flexibility to the government and usually increases compensation costs for land impacts.

Table 2: Advantages and disadvantages of area-based tenures relevant to CILA’s values (Ministry of Forests, Lands and Natural Resource Operations, 2012b).

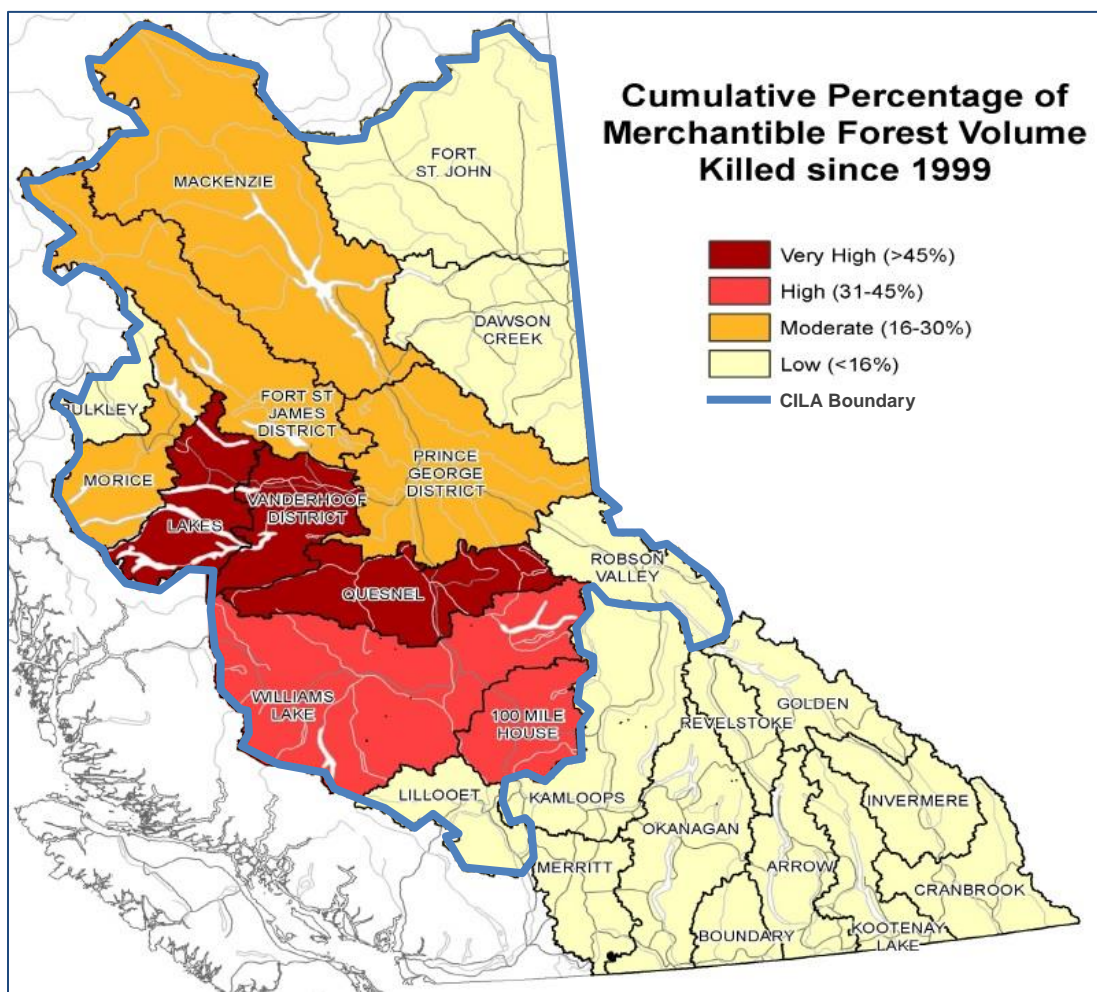


Figure 1: Cumulative percentage of merchantable forest volume killed since 1999 (credit: Ministry of Forests, Lands and Natural Resource Operations, 2012).

Evaluative Criteria

Alternative solutions to the midterm timber supply deficit are evaluated against criteria that are based on the CILA's values. We are not strictly against area-based tenure reform as long as our values and the following conditions are addressed.

Fair and Equitable Distribution and Access to Quality Timber

It is necessary that access to the small amount of quality timber remaining in the Central Interior is fair and equitable, especially in the instance of redistribution following tenure reform. Whether or not a tenure reform takes place, it is necessary to maintain a level of AAC and revenue that supports forest-dependent communities. It is our concern that an inequitable distribution of timber would tend to favour larger licensees with greater bidding power putting smaller companies at a disadvantage, which eventually decreases the diversity of employment and contract opportunities. Supporting the bidding power of smaller harvesting companies and allowing them greater access to tenures made available through tenure reform needs to be taken into account when evaluating tenure allocation.

Diversifying the Economy and Well-being of Forestry-Based Communities

Measures must be taken to increase contractor opportunities and diversify the forestry economy of the most affected communities (Ministry of Forests, Lands and Natural Resource Operations, 2012a). Communities that are currently relying on a single major harvesting company for employment are at risk of the highest economic losses; these companies are not tied to the community and therefore when faced with a timber deficit can move to another geographical area and close community-dependent operations. The BC government has already heavily invested in the economic diversification of hard-hit communities (Ministry of Forests, Lands and Natural Resource Operations, 2012b), however policy solutions need to support growing forestry sectors, companies that take advantage of low quality timber, and companies that explore innovative opportunities that have the potential to expand markets in the forestry sector.

Minimize Tenure Amalgamation

In the case where tenure reform takes place, we are adamant that broad stroke amalgamation and effective overall downsizing in number of tenures does not take place. Amalgamation does not favour smaller tenure holders (Legislative Assembly, 2012b) and is not supported by the Ministry of Forests, Lands and Natural Resource Operations (2012b). It is our concern that amalgamation would

mimic privatization and unduly favour large businesses with overwhelming power over the contract opportunities associated with its land base (R. Nagel, personal communication, November 5 2013).

Policy Alternatives

In order to address the midterm timber supply deficit, we considered policy alternatives in the context of the criteria set out above. Favourable alternative as well as those unfavourable to the CILA are presented below and how well these alternatives meet the criteria is presented in Table 3.

Status Quo: No Tenure Reform

Under current forest policy our criteria are not met and we foresee further negative effects on communities in the Central Interior, including mill closures and centralization and amalgamation of tenures to larger companies (R. Nagel, personal communication, November 5 2013). We feel strongly that a business as usual approach is not favourable in addressing the pending midterm timber supply deficit.

Complete Conversion of Volume to Area-Based Tenure under Single Licence Model

This policy alternative also does not fully meet our criteria in that it amalgamates tenures and does not provision fair and equitable quality timber distribution. It is thought that area-based tenures have a longer term management outlook which could foster a greater interest in more intensive silviculture and reforestation plans. It is however necessary to incorporate these practices into the licence agreement and apply measures to ensure that plans are followed in order to improve the security of contracts (Ministry of Forest Lands and Resource Operations, 2012b). This can be achieved through design and implementation of new forest practices regulations for area-based tenure management plans.

Tenure Take-back with Fair and Equitable Timber Reallocation

We can look to the tenure take-back which took place during the Forestry Revitalization Plan in 2004 as an avenue for fair and equitable timber allocation. The take-back would target large tenures with remaining quality timber and open these areas to a competitive bidding process. The bidding process is separated by company size: one open to smaller businesses and the other to large businesses, or Categories 1 and 2 respectively. If the high quality tenure is appropriately distributed among these two bidding processes then more equitable access among future tenure holders is achieved. The AAC

distribution can be divided according to sawlog grade and non-sawlog grade to facilitate the fair and transparent distribution of quality timber (Legislative Assembly, 2012a). A similar model to the proposed partial timber supply area model (Table 1) can be used in distributing the land base made available during a volume to area-based conversion.

This take-back and split bidding process policy alternative minimizes amalgamation of tenures and also supports economic diversity as smaller companies are able to take advantage of high quality timber and invest in value added timber products (Ministry of Forests, 2003).

Investment in Alternate Forestry Sectors and New Tenures

In light of a tenure reform, there is an opportunity to put in place regulations and practices that support the initiative to diversify the economies of hardest hit areas. This can be achieved by increasing niche markets and industries which would allow for more contract opportunities. A new type of specific biomass production volume-based tenure can be developed, that is not currently part of the tenure system, to increase salvage opportunities as well as growing fibre specifically for bioenergy. The current small-scale salvage program implemented in 1998 requires a review and revision to make bioenergy production and processing opportunities more economically viable. In order to make the transport of salvage materials economical, current mills could be retrofitted (as available) to enable biomass processing. Multiple mills across the province should be utilized rather than centralizing processing at fewer larger processing plants further from the source (R. Nagel, personal communication, November 5, 2013). The expansion of the biomass sector, particularly salvage logging, requires a balance with other Crown objectives, namely maintaining wilderness values and wildlife habitat (BC Forest Service, 2007).

Increasing incentives in the biomass industry can provide opportunities for licensees working in tenures that contain non-sawlog quality timber. The strong biomass sector would be a good alternative for licensees looking to diversify the products from their tenure. The future decrease in midterm timber supply will likely see more saw mills close which will put greater strain on forest-based communities attached to them. Investing in bioenergy processing and production diversifies the forestry sector in these communities and boosts BC's overall forest industry (BC Government, 2008; Ministry of Forest Lands and Resource Operations, 2012b).

		Evaluative Criteria		
		Criteria 1: <i>Fair and equitable distribution and access to quality timber</i>	Criteria 2: <i>Diversifying economy and wellbeing of forestry-dependent communities</i>	Criteria 3: <i>Minimize tenure amalgamation</i>
Policy Alternatives	Alternative 1: <i>Status quo</i>	Poor	Poor	Moderate
	Alternative 2: <i>Straight conversion to area-based tenure</i>	Poor	Poor	Poor
	Alternative 3: <i>Tenure take-back and timber allocation</i>	Good	Good	Good
	Alternative 4: <i>Investment in alternate forestry sectors</i>	Moderate	Good	Good

Table 3: Comparative matrix of alternatives and consequences of trade-offs.

Conclusion

The decrease in midterm timber supply caused by Mountain Pine Beetle infestation has prompted a response by the provincial government to propose a conversion of volume-based to area-based licences. As a representative of small forestry contractors and businesses in the Central Interior, we have evaluated this proposal and recognized its limitations. Our recommendations are that policy solutions take into consideration the fair and equitable reallocation of timber supply and focus on diversifying the economies of forestry-based communities. To accomplish this, we recommend in the event of a tenure reform a tenure take-back be considered which provides access for small companies to bid on quality timber supply. Further to this, we recommend further investment and new tenure opportunities for the emerging bioenergy sector and other value-added products. We believe these alternatives reasonably address the timber supply issue and align with broader government objectives.

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