

A Better Future for B.C. Forestry

A Sector Strategy for Sustainable, Value-Added Forest Industries

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Introduction

B.C.'s economy has always depended on its rich forests—from First Nations communities, through the early settler economy, to modern forestry practices and technologies. But in recent years the industry has been buffeted by a perfect storm of environmental, economic, and geopolitical challenges. Total production has declined by up to half in recent years, with devastating effects on employment, output, exports, and taxes. Dozens of remote and regional forest communities are unsure of their future, unless a viable and sustainable future for forestry can be achieved.

This report describes the dimensions of the crisis in B.C. forestry industries (including harvesting, pulp and paper products, and wood product manufacturing). It also reviews the inadequacy of existing government responses to that crisis—which have consisted largely of a slate of relatively small and ad-hoc assistance programs, delivered with little attention to the need for an overall strategy to sustain the industry.

The report then proposes a series of key reforms to develop and implement a strong sector strategy for a modern, value-added, sustainable provincial forest industry. The strategy consists of four major elements, summarized on the next page.



Achieving this more hopeful vision for B.C.'s forestry sector will first require a recognition by government that the industry is vital to the province's future prosperity, and cannot just be written off as an "outdated" or "dying" sector. It also requires an acknowledgment that active sector planning, engaging all relevant stakeholders, is essential to stabilizing and rebuilding the industry: the future of forestry cannot be left solely to the self-interested decisions of private forestry corporations. All those with a stake in the industry's future must have a seat at the table, to develop a plan to sustain a prosperous, sustainable industry. And government must be prepared to support that plan with powerful regulatory levers and fiscal resources. Critical in this regard is a clear, reliable plan to assure a steady supply of sustainable, economic fibre to the industry, in order to support long-term investments in value-added activity. That can be achieved consistent with respect for First Nations rights and environmental objectives, but only with focused action and support from government. Then, to maximize the economic and social value that can be derived from that supply of fibre, a powerful sector strategy is needed to leverage more investment, innovation, and jobs in downstream pulp, paper, and wood manufacturing activities. Finally, to support workers and communities in adapting to all these changes, the province needs an integrated, fully resourced set of adjustment, training, and relocation supports.

B.C. needs a vibrant, innovative, and sustainable forestry industry, to strengthen the provincial economy and sustain dozens of communities in the province's interior, northern, and coastal regions. This goal can be achieved—but only with leadership, political will, and resources.





Summary of Key Actions

The continued decline of production and employment in B.C.'s forest industries is neither inevitable nor acceptable. This report outlines a series of practical measures required to maintain a viable, sustainable, and prosperous forest sector, and the communities that depend on it. The major elements of this sector strategy include:

1. Creation of a Permanent Province-Wide Forestry Sector Council
 - With participation from all key stakeholders: all levels of government, businesses from harvest / pulp & paper / wood products / service sectors, unions, universities and colleges, utility & infrastructure
 - Council works with provincial government to design and implement the sector strategy
 - Government commits resources to fund initiatives identified by the Council, focused on preserving high-quality jobs in forestry industries
2. Development of a Province-Wide Plan for Stable, Sustainable, Economic Fibre Supply:
 - Undertake measures to supplement fibre supply through: more intensive collection, capture of waste from forest and downstream operations, fiscal incentives and de-risking to ensure economic viability of costlier fibre sources, recycled fibre streams, and partnerships with First Nations and private forest operators
 - Identifying and then achieving allowable cuts are equally important; the fibre supply must be both sustainable and economic
 - Integrate supply enhancement measures in a province-wide fibre supply plan that provides stability for downstream forest operations
3. Creation of a Forest Adjustment Bureau to Redesign and Integrate Worker and Community Adjustment Supports:
 - Provide oversight, planning, and resources for comprehensive adjustment and transition supports
 - Ensure flexibility to meet the needs of specific facilities and communities

- Include retraining and upskilling, income security, early retirement, relocation incentives, and other measures to help workers adjust to changing forestry employment patterns
4. Strategy to Maximize Value-Added from Stable Fibre Harvesting:
- Building on the foundation of a secure, sustainable and economic supply of wood fibre, assured through the province-wide fibre supply plan, implement an integrated strategy to maximize value-added downstream and export opportunities arising from that resource input
 - The sector strategy includes measures to support innovative and high-tech manufacturing with capital supports, training and skills investments, clean energy joint ventures, development of new markets and R&D into new forms of engineered wood and paper technology





Part I: A Deepening Crisis

Since time immemorial, B.C.'s forests have been a vital pillar of economic activity and well-being for the province. Indigenous peoples relied sustainably on the forests for many essentials, including lumber, food, hunting, and medicine. The first European settlers immediately recognized the wealth of B.C.'s forests, and lumber and forestry became a mainstay of the settler economy. As B.C. grew and developed, forest industries remained a pillar of the provincial economy: supporting development in the interior and the north of the province, and spurring related spin-off and supply-chain activities in all regions. Forestry was especially important in the development of manufacturing in B.C.. For many decades forestry and related industries constituted B.C.'s single most important 'base' industry: underpinning the investment, jobs, and exports that are necessary to support well-rounded economies and communities. The jobs were hard and all-too-often dangerous. But thanks to the struggles of trade unions, they came to be well-paid, with pensions and benefits, anchoring prosperous communities.

In the last two decades, however, B.C.'s forest industries have experienced a perfect storm of repeated and intersecting crises (see box). A combination of economic, environmental, and global challenges continues to rock the broader forestry sector: including primary harvesting, and downstream forest product manufacturing (including pulp and paper products, and manufactured wood products). Unsustainable harvesting practices in the past gradually depleted available lands for continued harvesting. Environmental disasters such as fires and the mountain pine beetle infestation (both made worse by climate change) severely disrupted harvesting and manufacturing. Ongoing softwood lumber trade battles with the U.S. created uncertainty for the industry. Broader technological and economic changes—such as the shift away from newspapers in mass media (which crushed newsprint demand¹), and booms and busts in the U.S. housing sector—have also racked the province's forestry sector.

1. *Newsprint purchases in North America declined by over two-thirds in the last decade (Reardon, 2022).*

A Never-Ending Crisis

Ongoing: Canada-U.S. softwood lumber dispute

2003: BC. Liberal government guts Forest Lands Reserve Act & Forest Practices Code

2005: Peak of mountain pine beetle infestation

2008: Financial crisis in U.S. mortgage industry; collapse in housing construction

2010-2023: North American newsprint demand falls by over two-thirds

2022-2023: High interest rates cause major slowdown in new home building

2023: Most destructive forest fire season in B.C. history

Last summer marked the most destructive forest fire season yet in B.C.'s history, destroying three million hectares of forest² (much of it formerly harvestable) and further tightening the shortage of fibre disrupting the province's industry. In sum, the cumulative result of all these shocks has been a 50% decline in total softwood lumber harvesting in B.C. from 2016 through 2023. Softwood production last year fell to barely 15,000 metric tonnes, compared to over 30,000 in 2016 (see Figure 1). Such a huge decline in throughput of basic fibre has immediate and painful ripple effects on activity in related sectors: including pulp and paper operations, sawmills, engineered wood, and other manufacturing activities. Falling softwood harvesting reflects many concurrent factors, including the end of temporary harvesting of pine beetle-affected lumber, fires, falling lumber prices (reversing temporary price spikes during the COVID pandemic), and uncertainty in

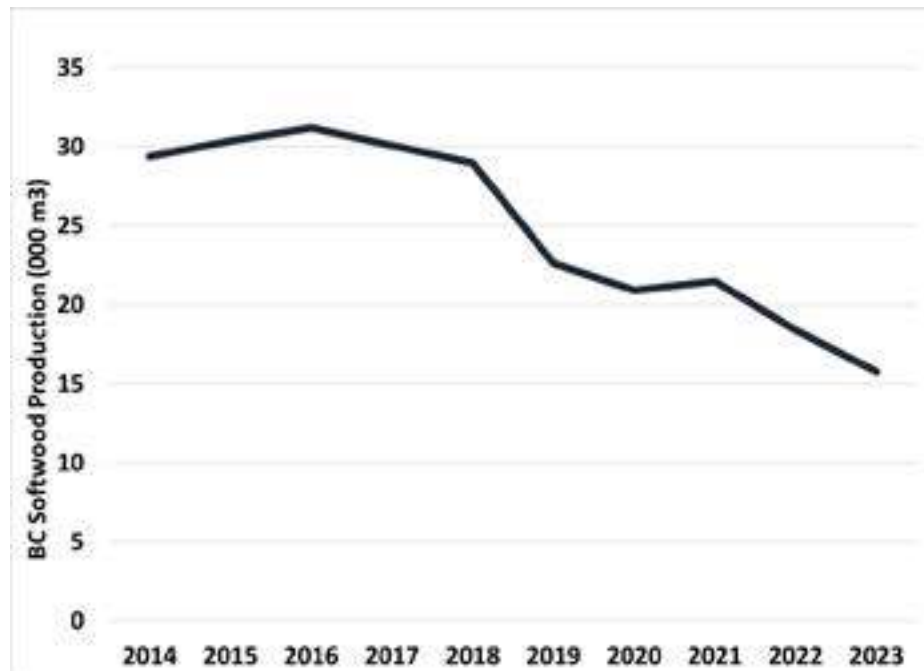
2. *Ministry of Public Safety (2023).*





conservation and forest management policies. Changes in global and continental trade flows have also hurt B.C.'s market position: some sales have been lost to surging forestry production in the U.S. South, and growing U.S. lumber imports from Brazil, Indonesia, and other developing countries.

Figure 1. B.C. Softwood Lumber Production, 2014-2023



Source: Calculations from Statistics Canada Table 16-10-0017-01.

Many of the challenges afflicting B.C.'s forestry industries are common to global markets—such as the massive decline in newsprint demand. Others, however, are uniquely acute in the B.C. context: including the impact of climate-related disasters (like the pine beetle and forest fires), and challenges of forest management (including growing desire to conserve old-growth forests, and the interaction of Indigenous reconciliation and land claims with forest management practices). As a result of B.C.'s particular challenges, overall forestry activity has declined further and faster here than in other Canadian provinces. For example, as recently as 2014 B.C. accounted for over half of all Canadian softwood lumber production. Last year it accounted for just one-third (see Figure 2).

Figure 2. B.C.'s Shrinking Share of Canadian Softwood Lumber Production



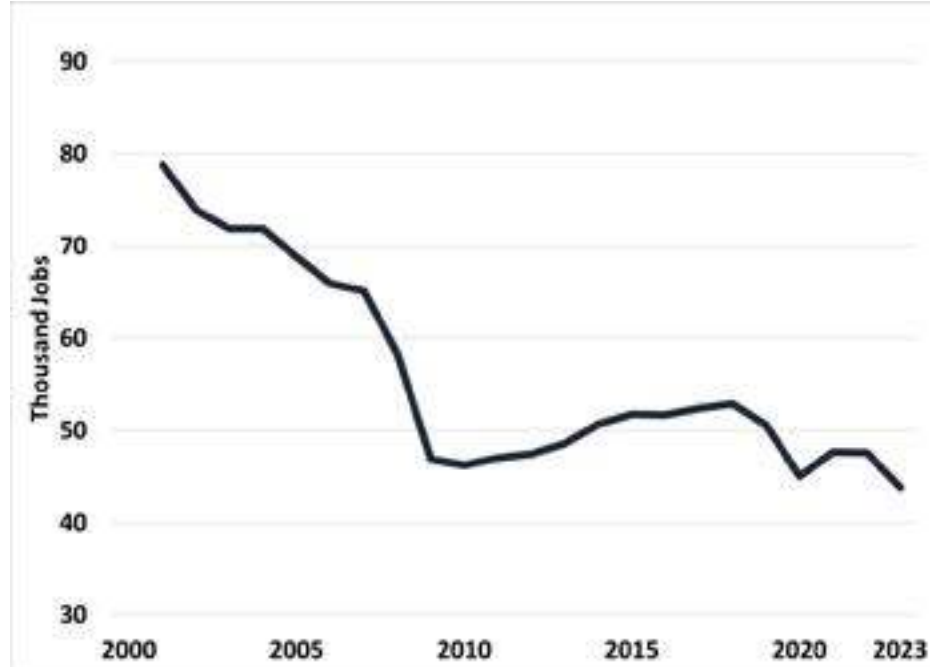
Source: Calculations from Statistics Canada Table 16-10-0017-01.

Less production inevitably means fewer jobs, and the hemorrhage of good-paying employment in the province's forestry sector has been devastating: for affected workers, and for the communities and regions where they live. Since 2001, combined direct employment in B.C. forest industries (including forestry and support services; pulp and paper manufacturing; and sawmills and other wood manufacturing) has fallen by 45%: from 79,000 positions in 2001, to under 44,000 last year (Figure 3).





Figure 3. Employment in B.C. Forestry Industries, 2001-2023

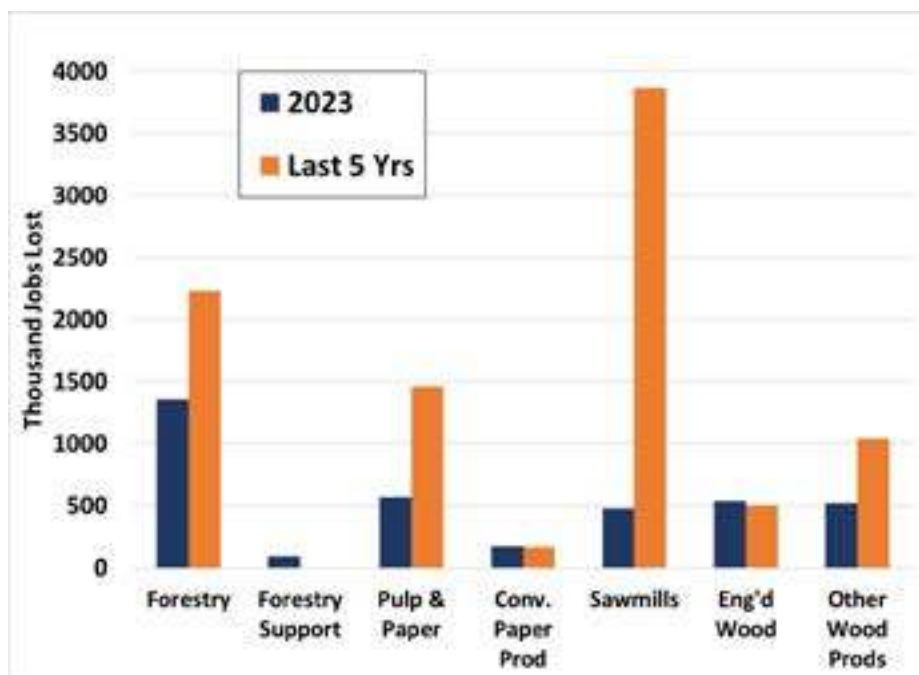


Source: Calculations from Statistics Canada Tables 14-10-0202-01 and 14-10-0201-01. 2023 estimate based on 11 months data.

Unfortunately, the bleeding has not stopped. In the last year alone, forestry companies have announced several further permanent and temporary plant closures and lay-offs (see box).³ Combined forest industry employment fell by 3750 positions in 2023, bringing the five-year total loss (since 2018) to 9000 jobs. As indicated in Figure 4, job losses have been experienced across all facets of the industry: including primary forestry, pulp and paper operations, sawmills, and other manufacturing.

3. See Carrigg (2023), CBC (2023), Feinberg (2023), Canadian Press (2024a), and Elstone (2023) for recent developments.

Figure 4. Forestry Job Losses by Sector, 2018-2023



Source: Calculations from Statistics Canada Tables 14-10-0202-01 and 14-10-0201-01. 2023 estimate based on 11 months data.

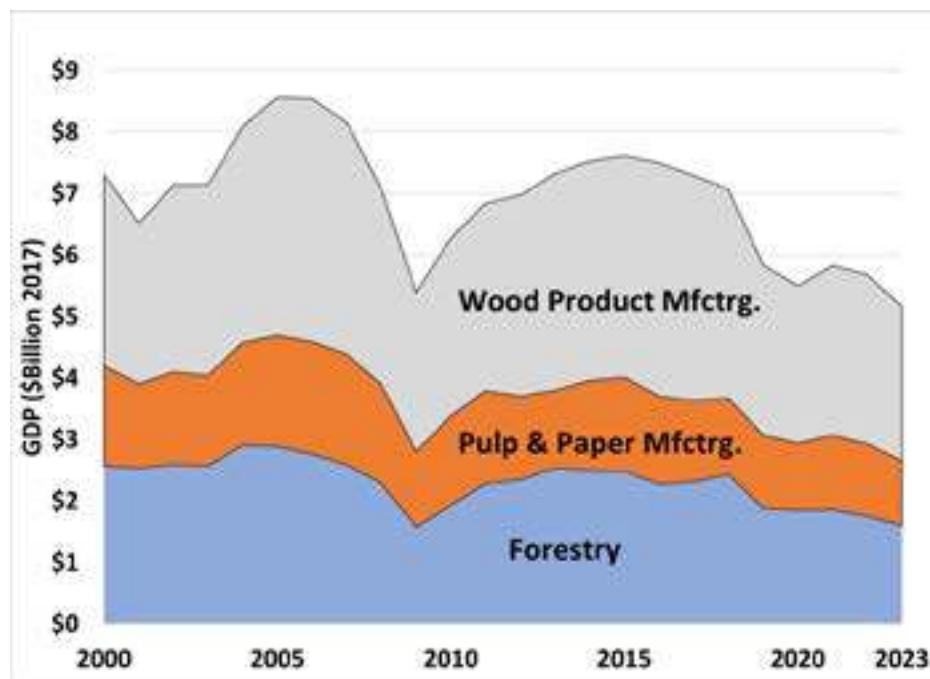
Recent B.C. Forest Industry Closures

- Canfor: Permanent closure of pulp line in Prince George (2023)
- Canfor: Permanent closure of Chetwynd sawmill and pellet plant (2023)
- Canfor: Closure of Houston sawmill (2023)
- Canfor: Six-month curtailment of Polar sawmill, Prince George (2023)
- Catalyst: Indefinite closure of paper mill in Duncan (2024)
- Catalyst: Permanent closure of paper mill in Powell River (2023)
- Ledcor: Permanent closure of Chilliwack Cant mill (2023)
- Sinclair: Permanent shift reduction, Nechako sawmill (2023)
- Skeena: Receivership and closure, Terrace sawmill and pellet plant (2023)
- Tolko: Shift reductions, Armstrong and Soda Creek sawmills (2023)
- Vaagen Fibre: Indefinite closure of sawmill in Midway (2023)
- West Fraser: Permanent closure of Fraser Lake sawmill (2023)
- Western Forest Products: Permanent closure of Port Alberni sawmill (2023)

Source: Compilation from media and company reports.

With falling harvesting, manufacturing, and employment, the overall economic footprint of the broader forestry sector has also diminished. Figure 5 illustrates the evolution of value-added (or GDP) in the various components of B.C.'s forest industries. From a combined total of over \$8 billion in provincial GDP per year (measured in inflation-adjusted 2017 dollar terms) in the mid-2000s (prior to the pine beetle disaster), total GDP has cycled wildly as the industry endured crisis after crisis. Nevertheless, in 2023 the combined industry (forestry, pulp and paper, and wood products) still added some \$5.2 billion (\$2017) to the provincial economy.

Figure 5. Value-Added by B.C. Forestry Sector, 2000-2023

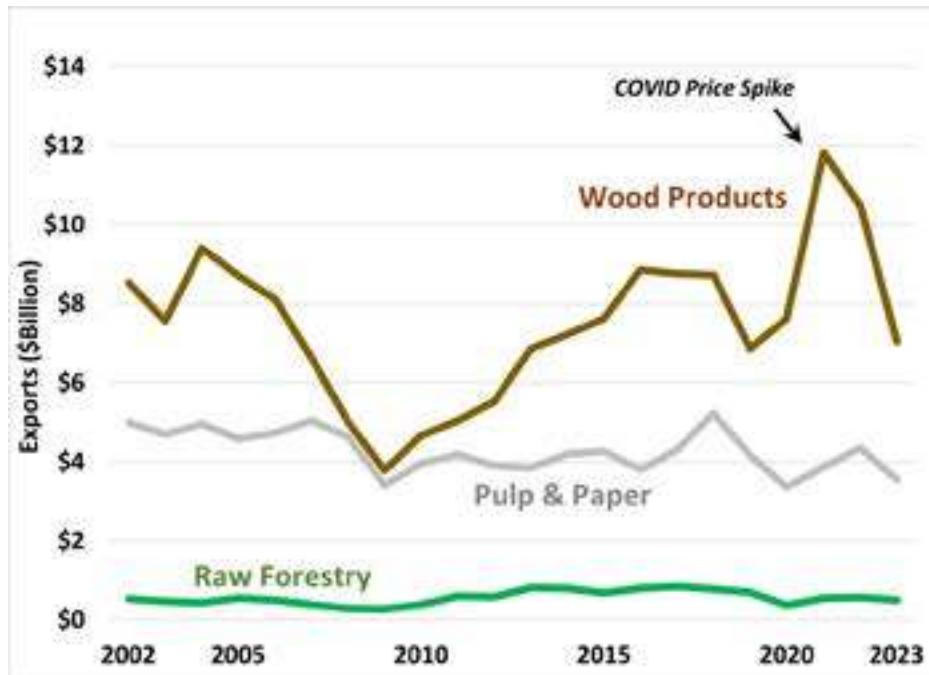


Source: Calculations from Statistics Canada Tables 36-10-0402-01 and 36-10-0434-01. 2023 estimate based on 11 months data Canada-wide.

Most of the industry's output is exported, mostly to the U.S. (for obvious economic and geographical reasons). The downside of dependence on the U.S. market is B.C.'s vulnerability to both economic and political shocks from the U.S. As indicated in Figure 6, the value of wood product exports from B.C. (mostly sawmilled lumber, and measured in nominal terms) has fluctuated wildly: falling after the pine beetle infestation, then rebounding in the later 2010s. A temporary boom in U.S. building activity after the COVID lockdowns produced a short-lived surge in production and export values (mostly due to sky-high prices for lumber, which quintupled in 2021). Wood product exports spiked to \$12 billion in 2021, the highest ever in nominal dollars. But then export sales retreated sharply—falling almost in half due to slowing U.S. construction activity (hurt

by high interest rates) and softer softwood lumber prices. Sadly, the surge in revenues and profits reaped by forest companies during that short-lived pandemic boom did not translate into longer-term reinvestments in B.C.'s industry. Instead, the temporary boom in profits was mostly distributed to shareholders through dividends and share repurchases.

Figure 6. Forestry Exports from B.C., 2002-2023



Source: Industry Canada Trade Data Online.

Exports of paper products have been more stable in dollar terms, fluctuating around \$4 billion per year. Raw log and other unprocessed forestry exports constitute a smaller but still concerning share of total forestry exports from B.C., totaling about \$500 million in 2023.

Through all these ups and downs, B.C.'s broader forest sector remains a linchpin of the province's economic well-being. Table 1 summarizes several dimensions of the industry's economic footprint in B.C., disaggregated into its three major components: harvesting and support services, pulp and paper, and wood product manufacturing. Together, the forest sector still directly employs almost 44,000 workers in B.C. These jobs are especially important in the smaller communities (in interior, northern, and coastal regions) where forestry remains the mainstay of local industry. Forest industry workers earn \$3.25 billion in wages per year—that are promptly pumped back into local and regional communities through consumer spending. Total GDP was \$5.2 billion in 2023 (in \$2017 terms); forestry exports were more than twice as much.

Table 1: Economic Footprint of B.C. Forest Industries (2023)

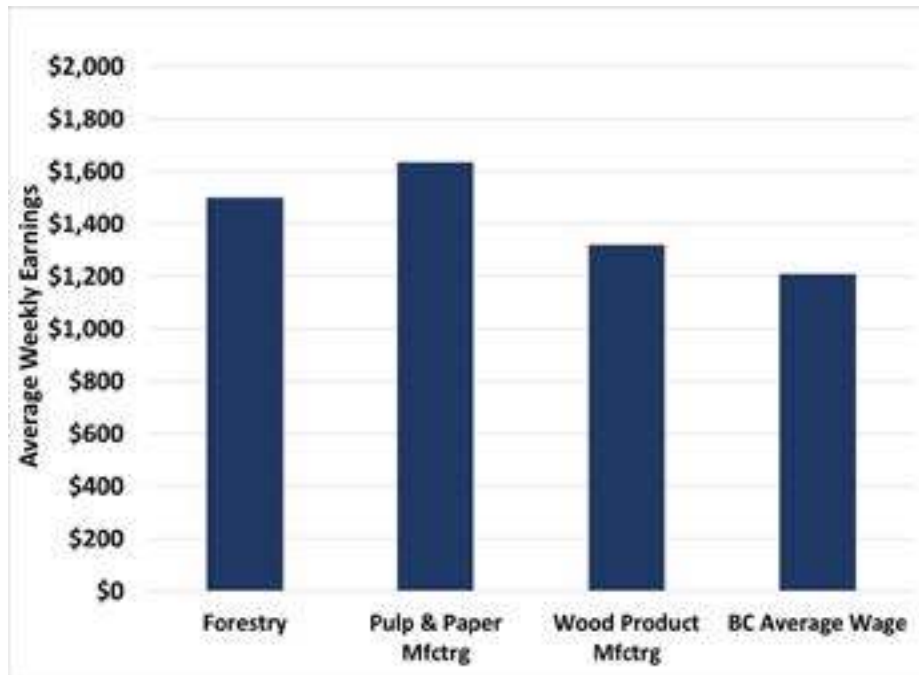
	Employment	Total Wages (\$bil)	Value-Added (\$2017 bil)	Exports (\$bil)
Forestry & Support Services	15,750	\$1.25	\$1.6	\$0.5
Pulp and Paper Manufacturing	5,600	\$0.5	\$1.1	\$3.6
Wood Product Manufacturing	22,500	\$1.5	\$2.5	\$7.0
TOTAL	43,850	\$3.25	\$5.2	\$11.1

Source: Calculations from Statistics Canada and Industry Canada data.

Jobs in forest industries have a disproportionate importance in B.C.'s economy, because forestry has long been an important source of decent, better-paid working-class employment. This is especially true in regional communities which do not have as diverse labour markets as major cities in the lower mainland and Victoria. Average annual incomes in forest jobs exceed the B.C.-wide average by as much as one-third (see Figure 7). Including pension and benefits provided in most forest industry jobs (thanks to the bargaining progress of unions over decades), it is clear that forestry jobs are vital to broader community prosperity. Preserving remaining forest industry jobs must be a central goal of B.C.'s economic strategy in the years ahead. The government cannot limit itself to simply providing transitional assistance to workers displaced by the sector's continuing crisis.



Figure 7. Average Wages by Industry, B.C., 2023

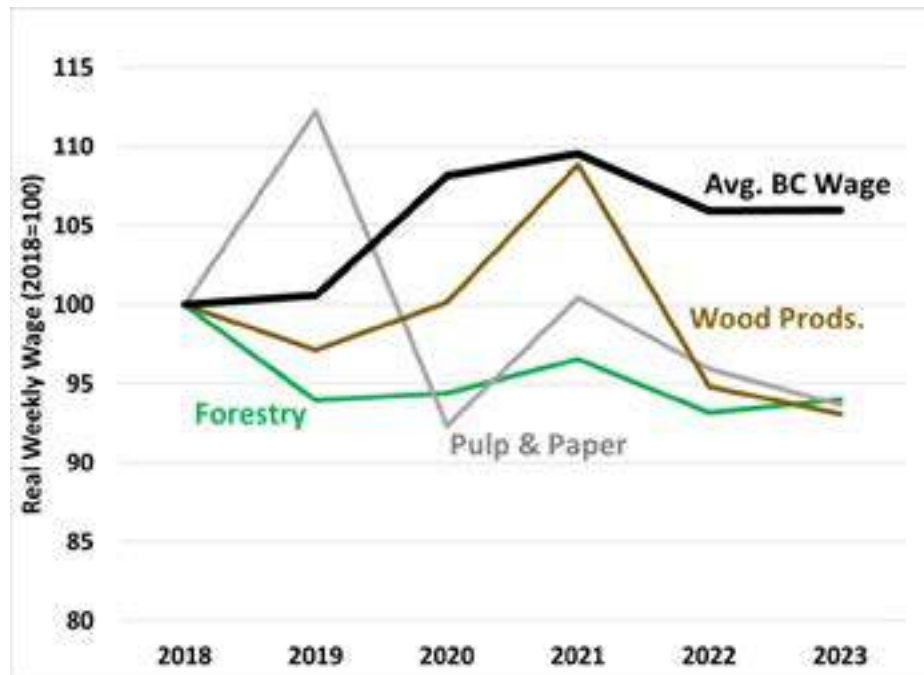


Source: Calculations from Statistics Canada Table 14-10-0203-01. Sector-wide averages (union and non-union).

Above-average wages in forest industries are a vital source of family well-being and consumer spending power for forest communities. However, the ongoing crisis in forest industries has taken a toll on workers' incomes, as well as their job security. In recent years, wages in all segments of the broader forest sector have lagged behind inflation, with the result that real wages (adjusted for purchasing power) have declined. As indicated in Figure 8, real weekly earnings in forestry, pulp and paper manufacturing, and wood product manufacturing have all declined by 6-7% in the last five years. This contrasts with more positive real wage trends in the overall B.C. labour market—where real weekly wages have grown by over 5% since 2018 (despite recent inflation).



Figure 8. Trends in Real Wages, B.C., 2010-2023



Source: Calculations from Statistics Canada Tables 14-10-0203-01 and 14-10-0204-01.

This evidence attests to the importance of maintaining strong union representation and collective bargaining structures as a central element of any sector strategy for forestry in the future. It is not enough to simply enrich financial incentives for private forestry corporations to stay in the province. As was demonstrated by the short-lived profit boom of 2021-2022, left to their own devices these companies will extract whatever profit they can from the province's forests, with little regard to the long-term viability of forest communities and their own workers. Unions must be full partners in developing and implementing a future strategy for B.C.'s forest industries—and they must be empowered to negotiate a fair share of future value-added for their members and their families.

There is a tendency among some observers to write off forestry as a dying, outdated, environmentally destructive industry. This stereotype is fundamentally wrong on all counts. Wood and paper products, including in innovative and high-technology new forms (such as increasingly complex engineered wood products and building materials) will continue to play a vital role in the future economy.

The alternative is to simply abandon this vital industry to the vagaries of corporate greed, global economic and political instability, and climate disasters. Already, the ongoing crisis in forest industries is exacting an unacceptable cost on B.C.'s economy and society. As summarized in Table 2, just since 2018 the broader forestry sector has lost \$5 billion in annual gross output, \$2 billion in annual value-added, and \$3.5 billion in annual exports.

Table 2 The Costs of Crisis: Losses from Forestry Decline B.C., 2018-2023	
Lost Output	\$5 billion / yr
Lost Value-Added	\$2 billion / yr
Lost Jobs:	
Direct	9,000
<u>Indirect</u>	<u>10,000</u>
Total	19,000
Lost Wages (direct only)	\$650 million / yr
Lost Exports	\$3.5 billion / yr
Lost Taxes	\$1 billion+ / yr

Source: Calculations from Statistics Canada, Industry Canada, and Council of Forest Industries data.

The 9000 lost direct forestry jobs have drained some \$650 million in annual wage income from the provincial economy—a loss of spending power that regional forest communities cannot afford. But the total loss of jobs is actually much worse. When we consider the flow-on impact of lost forest activity on employment in other sectors (both upstream supply industries that feed into forestry operations with machinery, services, transportation and other inputs, and downstream consumer industries that depend on the spending power of forestry workers), the toll is even worse. Econometric studies indicate that for every direct job in the forest sector, 1.1 additional jobs in total are supported through indirect and induced economic activity (for a total multiplier effect of 2.1).⁴ Total job losses as a result of the forestry crisis are thus around 19,000 in just the last five years.

The community as a whole also suffers because of these economic losses. Governments at all levels collect significant revenues through all channels of forest industry activity: including direct stumpage and other production fees, rents, personal income and sales taxes from forestry workers, and corporate income and other levies from forestry companies. Those various revenues were estimated to exceed \$4 billion in 2019—over half of which was collected by the provincial government.⁵ The continuing decline in forest production, value-added, and employment is sapping that flow of revenues—which has shrunk by at least \$1 billion per year. This deprives government of resources essential

4. See *Council of Forest Industries (2021)*, p. 12.

5. See *Council of Forest Industries (2021)*, p. 23.

for funding services such as health care, education, and others, and further undermines overall economic momentum.

For all these reasons, it is vital that provincial economic policy acknowledge and nurture the B.C. forestry sector as a vital pillar of continued prosperity. Yes, the sector must evolve and innovate: to address challenges of climate change, technology, conservation, Indigenous reconciliation, and globalization. But the sector must continue to play its historic role as a vital base for the provincial economy, and an anchor for dozens of smaller communities in B.C.'s interior, northern, and coastal regions.

There are 44,000 direct jobs remaining in the broader forest sector. Every one of them is essential to the future well-being of a family and a community. And it is not just the large number of jobs, but their broader strategic importance, that matters (see box). For this reason, policy must commit to preserving forest jobs, in a modern, sustainable, value-added forest sector—not just offering transitional assistance to those displaced by the continued bleeding.

Why Forestry Jobs Matter

Vital source of better-paying working-class jobs

Key economic anchor in dozens of forest-dependent communities

Accounts for 1 in 5 jobs in northern regions (Cariboo, Northeast, North Coast/ Nechako)

Supports 1 in 4 manufacturing jobs in B.C.

Over 5000 Indigenous workers in better-paying jobs

Every direct job in forest industries supports 1.1 more jobs (upstream and downstream)



Part II: Supporting Workers and Communities

Considering both the current and historic contribution made to the B.C. economy by forestry sector workers and their communities, and considering the number of jobs and communities at stake, a bold and innovative approach to worker and community adjustment is required at this moment. The industry is in crisis, workers and communities are struggling, and effective government policy and action is required.

Some of the challenges faced by the forestry sector are beyond the control of governments, such as the market driven shift away from newspapers and towards electronic media, and others are related to climate change, such as the forest fires of last summer and pine beetle infestation. Other challenges are related to trade battles with the United States, the need for sustainable forest management, and the interaction of Indigenous reconciliation and forest management practices.

Supporting Indigenous reconciliation and the full implementation of UNDRIP principles are non-negotiable. Balanced conservation and a general commitment to sustainable forest management are also essential. But these goals are priorities for all of B.C., and the costs associated with meeting them must be fairly shared across the provincial economy and society—not just borne by workers and communities in the front lines. This is why supporting forestry workers and communities through a strong and fully-resourced adjustment process, alongside active measures to enhance the long-run viability of sustainable, value-added forestry activities, deserves top-priority fiscal and other support from all of society.

It is important to remember that the challenges faced by forestry workers and communities vary, depending on the location and degree of isolation of the community, the availability of alternative well-paying employment in the region, and opportunities for economic diversification. In other words, each community and facility is different.

Existing Provincial Adjustment Programs

Some government programs have been made available to support adjustment and restructuring for workers and communities, and we applaud the efforts the B.C. government has made in developing these programs. But not enough analysis has been done on the long-term challenges faced by forestry workers and their communities. Declining employment, declining population and changing demographics create problems for forestry dependent communities, and we believe there is a role for public policy in assisting these communities adapt to significant long-term change. Similarly, considering the demographics of the sector, more work has to be done to ensure there is a viable workforce in the future for the sector. Existing programs have focused mostly on shorter-term responses to the latest closure or layoff announcement. And existing programs are not sufficient or flexible enough to meet the diverse needs of the workers and communities that depend on forestry for their livelihoods and economic survival.

The slate of existing provincial adjustment programs includes the following:

- Early retirement bridging for forestry workers. This program is capped at \$75,000 per worker and does not take into account the existence, terms, or funded ratio of whatever pension plan may be in place for that worker. As far as we know, there has been no attempt to systematically review this bridging program considering variations in access to retirement funds, demographics, and alternative employment opportunities in each location.
- Forest Employment program. It provides only short-term employment opportunities and is limited in scope.
- Employer Training Grant. This program is designed to upskill existing employees so they can obtain a higher paying job within their existing workplace it is not helpful to workers who lose their jobs when sawmills or paper plants are closing permanently.
- Young Adults at Risk program. This is targeted at youth that are not employment ready—again not helpful for skilled forestry sector workers losing their jobs.
- Community Workforce Response Grant. This program provides funding to unions, NGOs, employers, First Nations and local governments for training for workers who lose their jobs due to old growth deferrals and forest management practices. However, it does not provide relocation assistance if required, and does not provide for analysis of labour market trends and job opportunities in the region.
- Rural Economic Development. The goal here is to support diversification in more remote areas. We applaud the \$250 million Northwest BC Resource Benefits Alliance as a step in the right direction. But the program lacks overall strategic focus

and vision, and will not likely do more than provide extra incremental support to small private initiatives.

- B.C. Manufacturing Jobs Fund. We recognize this significant investment by the province, but once again it is not devoting enough attention to encouraging reinvestment in existing mills, to maintain operations and the good-paying jobs they provide
- Community Transition Service. This program is supposed to jump into action when a plant or mill closure is announced, providing needs assessments, job fairs and townhall meetings. This may help some workers in grappling with their job loss, but is clearly not adequate in addressing overall community needs for long-run job-creation and diversification.

In short, while the B.C. government has launched several programs that apply to many of the closures and displacements that the industry has suffered in recent years, this scatter-gun approach lacks overall strategy and sufficient resources to provide much more than transitional aid to affected workers and communities.

An Integrated and Properly Resourced Adjustment Plan

The scale of the crisis in B.C.'s forest industries demands much more than just short-term band-aids. A more sophisticated, strategic, and well-resourced approach to adjustment assistance is merited. And it must set its sights not only on helping workers and communities at the moment of urgent need, but giving these communities and the overall forest sector hope that a viable, if restructured, future is possible. A pro-active approach



that helps workers and communities understand these issues and prepare long before the announcement of a mill closure is critical.

Therefore, one crucial component of a sector strategy for B.C. forest industries must involve the reorganization of the existing slate of piecemeal training, diversification, and early retirement programs currently offered by the provincial government, into a *pro-active, more strategic, and better-resourced Forestry Adjustment Board*. The board would monitor sector developments (to gain advance warning of possible adverse events), align various existing programs, recognize regional differences, and allocate additional resources to support transitions across the provincial forestry sector in coming years. The Board's action plan must include all dimensions of successful adjustment planning and support, including:

- Local and regional labour market information systems to support advance notice and better planning of diversification, job-creation, and relocation decisions.
- Comprehensive and adequate early retirement supports (taking into account specific features and funded status of existing pension plans, and access to other income supports).
- Support for retraining and upskilling, both for new roles within the evolving value-added forestry industry, and for roles in other sectors (including income supports during retraining).
- Relocation assistance to support workers and their families who choose to move elsewhere to pursue educational or employment opportunities (including moving costs and residential property sales).

The goal of this integrated Forestry Adjustment Board is not solely to assist workers and communities affected by facility closures and job losses—although the reality is that this will continue to be a painful, but necessary challenge faced in the industry. It is also to facilitate transitions to alternative growing opportunities within the sector (including upskilling and relocation, where necessary) driven by the value-added sector strategy described in Part III of this report.

Early Retirement and Income Security

The current environment has created extreme anxiety among forestry workers, their families, and their neighbours. With the industry's total softwood production cut in half, and total employment falling almost as much, workers and their communities are understandably worried. This is particularly true for older workers, who face daunting hurdles in attaining alternative employment, relocating, or replacing their previous incomes. For them, providing fair early retirement options will be an important avenue for adjustment



to the sector's crisis. This approach also has potential to preserve more jobs for younger workers (who otherwise might be displaced).

To properly analyze the potential role of early retirement programs in addressing the impact of forestry job loss, a more detailed analysis of existing pension plans, retirement savings plans and income security packages should be undertaken, with customized attention to circumstances in particular workplaces and communities. Capping early retirement bridging at \$75,000 per worker, without investigation of pension funding ratios and the particular circumstances of individual workplaces and communities, is like offering a treatment before understanding the ailment.

A more systematic early retirement program should be developed, with full participation of industry stakeholders (including unions). Stakeholders need full access to details including:

1. The benefits provided by existing pension plans and/or retirement savings plans in impacted workplaces.
2. The financial status and funded ratios of the plans themselves—including valuations on both an on-going and windup basis.
3. Income levels of impacted workers prior to retirement.
4. Review of what alternative support for workers is possible through income security programs (including Employment Insurance and provincial programs).

With more details on the potential income losses facing workers, other income supports, and the early retirement terms of current pensions, stakeholders and governments can

better design appropriate early retirement and income security support. The arbitrary cap of \$75,000 on bridging benefits should be abandoned, and provincial support for an early retirement program with broader coverage and capacity to adequately replace affected workers' existing incomes must be provided.

Early retirement and income security is the cornerstone of any decent worker and community adjustment program. An effective one cannot be designed without stakeholders understanding earnings, pensions and income security on a workplace-by-workplace basis.

Customized Regional Approaches and Worker/Community Transition Teams

In recognition of the unique challenges faced by different groups of workers and communities, unions and communities also need access to support, services, and data:

1. Funding should be adequate for transition teams to do their work properly.
2. Data related to wages, local labour markets, existing mills and their commitments, regional economic activity and opportunity, pension funding, government programs, etc.
3. Resources to perform skills assessments, career counselling, family counselling.
4. Resources to develop individual plans for each impacted worker.
5. Resources to develop more expeditious pathways to new careers that recognize skills impacted workers already possess.



Regional Labour Market Information and Economic Analysis

Also essential for the design of decent worker and community adjustment programs is comprehensive labour market information. This data reveals just how dependent each affected community is on the forestry jobs at stake, and what other opportunities exist for employment in the community.

Generally speaking, the more isolated the community, and the more the community is dependent on a particular forest facility, the more challenging worker and community transition will be. Stakeholders involved in designing an effective labour and community adjustment should have access to details related to:

1. Ratios of jobs at risk due to forestry sector challenges to total employment in each region.
2. Job multipliers and the indirect economic gains from creating or losing jobs in the sector.
3. Income levels of jobs lost relative to income levels in the region.
4. Employment levels and job opportunities within a reasonable commute from the facility at risk.

Only when stakeholders and transition teams are fully informed can they design decent community and worker adjustments.

Upskilling and Retraining

Part III of this report describes a plan for developing and implementing a comprehensive sector strategy for forestry industries. It would encourage innovation and value-added production, to maximize the jobs and incomes that could be supported from a stable, secure supply of raw fibre. This strategy will be essential to supporting future job opportunities in the broader forestry sector. However, existing workers displaced from current jobs may require new skills and upgrading to fill future opportunities. Other workers may wish to pursue retraining for roles outside of the forestry sector; relocation assistance will be important in some of these cases. Therefore, access to retraining and upskilling programs is an essential component of an overall adjustment strategy.

The provincial government's Employer Training Grant can fund upskilling by some workers, so they can improve their earnings potential and employers can access skilled labour for higher-valued-added production projects. However, until there is a strong sector strategy in place to stimulate those new value-added opportunities, and a better

understanding of regional labour markets and alternative employment opportunities, the effectiveness of the Employer Training Grant is unknowable.

Finally, workers will also need income support while they are being trained. Moreover, depending on the gap between what they presently earn and what is provided from Employment Income and other income security programs, they may need additional income top-ups.

Proper training programs—both for upskilling for new forestry jobs in the current location, and retraining to look for jobs elsewhere—need access to information about:

1. Potential for increased value-added forestry production in the region.
2. Skills requirements of the workforce to make that transition.
3. What types of training, income support and relocation support will be most effective in supporting transition to other jobs.
4. Better information about regional labour markets and economies.
5. Funding or other types of support that can be made available to communities or unions as they develop localized plans to address local challenges.

Worker and Community Transition

Stakeholders should be made aware of new developments in worker and community transition policies, and funding should be made available to stakeholders to identify new ways to address worker and community transition. In particular, stakeholders should have funding to experiment with new and more effective ways to help workers and communities transition. For example, there may be ways to catalogue the skills and responsibilities of workers impacted by transitions, and compare them to the skills and responsibilities required in other occupations. There may be more effective ways to develop pathways to new employment that take into account the skills impacted workers already have. Research and experimentation on new ways to maintain social programs, and/or achieve economic diversity during periods of crisis would be useful.

As forestry production has declined over the past decade, communities dependent on the forestry sector and impacted by forestry policy have faced severe challenges. The more isolated the community, and the more dependent it is on a particular mill or plant, the more severe the challenges. The ability of each community to provide basic social services will be compromised, and the ability of workers to find other employment opportunities without leaving the community is reduced.

Consider one example to demonstrate the disproportionate disruptions that forest-dependent communities are experiencing. West Fraser recently announced the closure of a

mill in Fraser Lake. Approximately 175 jobs will be or have been lost. The population of Fraser Lake is approximately 1,000. Over 17% of the population of town will be laid off. The population of Greater Vancouver is some 2.6 million, and 17% of that population is 442,000 jobs. What would happen to Vancouver if it lost that many jobs? Once the direct and indirect job loss and resulting economic impact is taken into account, such an event would certainly be considered catastrophic.

Smaller and more remote forest communities thereby require additional fiscal support, social and income programming, and other measures to assist them in surviving major downsizing or closure of keystone facilities.

Maintaining basic social supports and public services in communities hit simultaneously by lower tax revenue due to job loss, and increased demand for services also due to job loss, will also be challenging. Depending on location and access to transportation, there may or may not be realistic opportunities for economic diversification. Incremental provincial fiscal support for these communities through intergovernmental transfers to municipal governments and agencies would support the hardest-hit forestry communities through these hard times.

Stakeholders involved in designing community adjustments should be informed about potential demands on social services and the communities' ability to fund the services required. Stakeholders should also be informed about realistic opportunities for diversification and/or for regional forestry companies to move into increased value-added forestry. This will require additional analysis and discussions among the unions, employers, communities, government stakeholders involved.





Part III: Building a Sustainable, Value-Added Forest Sector

What is a Sector Strategy, and Why Do We Need One?

Put simply, the purpose of sector strategies is to use government policy levers to shape the structure of an economy, in order to nurture and expand the presence and size of desired industries, technologies, and capacities. In the past, sector strategies typically focused on attracting and supporting major keystone industrial facilities (like large factories and mines). However, given the emergence of modern export-oriented industries (including specialised, smaller scale manufacturing, technology sectors, business services, and others), sector strategies have broader application today. Modern sector strategies (often collectively called ‘industrial policy’) can target support to any sector with key qualitative characteristics that make its presence broadly and strategically important to the overall economy. These characteristics include:⁶

- Export-orientation (such that a larger industry presence automatically leads to stronger trade performance).
- Technology-intensity (supporting strong domestic research and innovation capacities).
- High productivity, and potential for future productivity growth (underpinning high and rising living standards over time).
- Connections to strong domestic supply chains (thus ensuring significant spin-off economic activities through both upstream and downstream interactions).

These characteristics apply to many different industries, in the primary, secondary, and tertiary spheres of the economy. Certainly, as confirmed by the data provided in Part I of this paper, they apply strongly to B.C.’s forestry industries:

6. See Stanford (2012) for more on these qualitative features.

- Most forest product output is exported.
- The industry incorporates innovative technology in harvesting, manufacturing, and end use.
- Forestry supports tens of thousands of provincial jobs with above-average wages (especially critical in regional communities).
- It anchors broad and sizeable linkages (both upstream and downstream), that support 1.1 more jobs for every single forest industry job (for a total multiplier effect of 2.1).

These broader economic benefits justify a commitment by government, including ample fiscal resources, to an ambitious forest industry sector strategy.

For several decades after the 1980s, active sector strategies became unfashionable among market-oriented economic policymakers. Informed by orthodox economic theories, governments were advised not to try to pick economic ‘winners and losers’ through active measures favouring particular sectors.⁷ Instead, supposedly neutral market forces and private business decisions should determine the sectoral structure of economies.

This hands-off approach led to a hollowing out of the industrial bases of many developed economies—including Canada. Indeed, after the turn of the century, Canada’s export profile initially became notably more concentrated in the export of raw resource products (especially petroleum), instead of adding value to our resources through additional, technology-intensive manufacturing activities.

7. *The Economist* (2022); *Bulfone* (2023).



An example of the failure of hands-off, market-driven policy is the disastrous “Forest Revitalization Act” implemented by the then-Liberal provincial government in B.C. in 2003. This policy turned over most decision-making on both forest management and downstream investments to private corporations. Various concessions were made to private forestry interests, regulations on minimum cuts and local job guarantees were abandoned, and so-called “market pricing” allowed corporations maximum leeway to extract short-term profit with little attention to long-run value-added investment and jobs. This left the whole industry precariously vulnerable to the short-term actions of private forestry companies, just in time for the “perfect storm” of challenges (from pine beetle to U.S. tariffs to forest fires) that have devastated the sector ever since.

This disastrous experience and its legacy stand as a stark reminder of how not to manage our natural resource wealth. A future sector strategy needs to prioritize the good union jobs, long-term investments, value-added activity, and sustainability that can come with thoughtful, regulated forestry activity—rather than short-term profits for forestry corporations.

Fortunately, active sector strategy measures have been re-embraced by governments around the world, even endorsed by conventional international organizations like the IMF and the World Bank.⁸ In Canada, recent federal government policies have re-energized interest in sector strategies. An example is the government’s ambitious effort to build domestic manufacturing industries related to the ongoing global energy transition—such as electric vehicles, batteries, and other sustainable energy technologies (Hodgson 2023). Clearly, the notion that government can and must play an active role in shaping industrial structure, and supporting sustainable industries that generate value-added, innovation, and inclusive prosperity, has become the new ‘common sense’. The B.C. government can and must align its economic development strategies accordingly—starting with making the most of industries, like forestry, that are rooted so firmly in our province’s history and natural wealth.

The Toolbox of Sector Strategies

There are many policy levers in the ‘toolbox’ of government economic policy-making, that can be applied to the goals of a modern sector strategy. These include:

- Low interest loans or other forms of preferential financing
- Production or capital subsidies

8. *The revival of sector strategies and industrial policy is described by Stiglitz, Lin, and Monga (2013); Rodrik (2008, 2014); Dean et al. (2020); Mazzucato (2013); McNamara (2022); and Muro (2023).*

- Underwriting and guaranteeing investments
- Direct public investments (often in partnership or joint venture with private capital)
- Trade policy
- Direct regulations (regarding production methods, safety, environmental issues, jobs and training, and more)
- Development approval, zoning, and land-use regulations
- Public procurement strategies
- Public support for skills, training, and recruitment of labour
- Public support for technology and research
- Integration with energy policy (such as provision of lower-cost or lower-carbon power)
- Price controls

This rich toolbox of policy levers confirms that governments (even at the provincial level) have ample capacity to strengthen activity in a desired sector. The main issue is whether government has the political will to make a viable, sustainable forest sector a priority—or whether it will hope that merely ‘managing the decline’ will be enough.

Principles of Sector Strategy-Making: Flexible, Stakeholder-Driven, Well-Resourced

The rationale for active sector strategies, and the wide range of tools available to implement these strategies, are clear. Several principles and best practices must be respected and followed in developing and executing sector strategies. These best practices will ensure that sector strategies reliably and transparently advance the economic interests of the broader population—rather than becoming slush funds for private companies, without commitment to the future well-being of the industry or the community.

Stakeholder Participation: Effective sector strategies need the full commitment of all industry stakeholders to make them work. This starts with all levels of government—including local and municipal governments, which can play a vital role in successful investment plans (through land-use, development permits, infrastructure, and taxes). The process must also include all segments of forest business: from harvesters and sawmills, through manufacturers in pulp, paper, and engineered wood products. Supply-chain and service firms (including utilities, trucking and transportation), and even end-users such as major wood-based builders, can also play a role in ensuring the sector strategy pursues



every opportunity to add value to our forest resources. Organized labour is an obvious and necessary stakeholder: unions must play a full role in designing, implementing, and evaluating the sector strategy (discussed further below). First Nations and Indigenous forestry organizations are essential partners in developing and implementing the sector strategy. Other stakeholders should include colleges and universities, employment service providers, energy and infrastructure planners, and the provincial financial community. By involving all constituencies with a stake in a sustainable future for forestry, the sector strategy can harness and align the efforts of all stakeholders for maximum impact.

Transparency and Accountability: An effective sector strategy requires the investment of significant public resources: including regulatory powers, direct fiscal supports (such as subsidies or public investments), and indirect or foregone resources (via tax expenditures or other tools). To ensure the efficient use of those resources, and also to reinforce public support for the overall strategy, it is essential that transparent reporting and accountability mechanisms be built into the strategy from the beginning. Public subsidies and other supports for businesses must be tied to clear and firm performance requirements (regarding investments, jobs, production, and/or environmental performance).⁹ Clawback

9. *The rationale for attaching conditions to industrial support programs, and examples of successful strategies, are reviewed by Mazzucato and Rodrik (2023).*

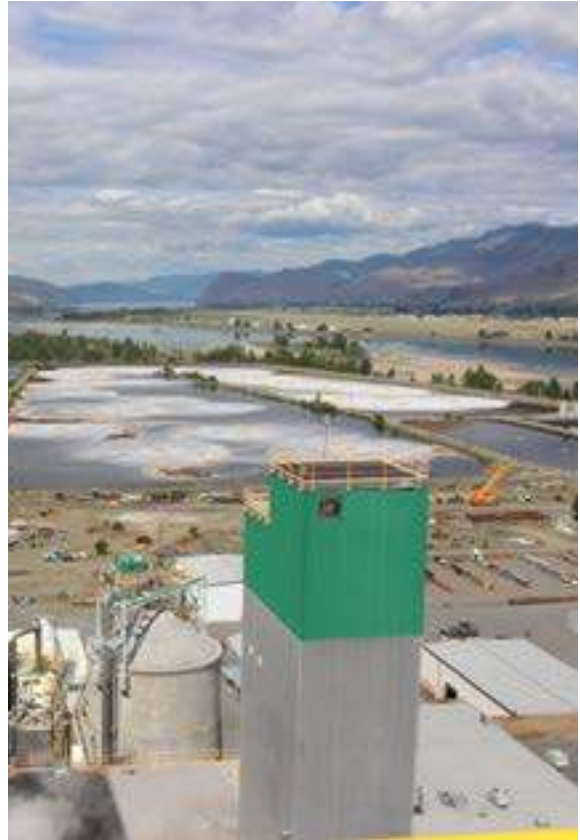
mechanisms must be negotiated so public support is repaid in the event performance metrics are not satisfied. Regular high-level reporting on investments made, and benefits delivered, must be public, with more fine-grained data available to participating stakeholders.

Regional Input and Flexibility: One of the critical features of the forestry sector is its widely dispersed location across dozens of smaller and remote regional communities in the interior, coastal, and northern parts of B.C. Forestry industries provide vital economic sustenance to those communities—many of which would literally cease to exist without forestry. However, this also complicates the process of designing and implementing appropriate and effective sector strategy measures: including investment supports, skills and training initiatives, infrastructure measures, and (where necessary) adjustment programs for displaced workers. For this reason, a B.C. forestry sector strategy cannot rely on ‘one-size-fits-all’ policies that apply equally to all regions and communities across the industry’s far-flung footprint. Rather, appropriate flexibility and local input are required to ensure these supports and measures fit well with specific local circumstances.

Workers’ Collective Representation: The efforts over decades by forest industry unions to improve safety, lift wages, and negotiate fair pensions and benefits explains the superior quality and compensation of forest sector jobs. These efforts also enhance the benefit of



forest industry jobs to the local and regional communities that depend on them: well-paid forest jobs generate stronger flows of consumer spending, and healthier household finances, thus anchoring the economic potential of interior, northern and coastal communities. In the context of sector strategy policies, unions serve other essential functions. They can negotiate on behalf of workers around all aspects of the strategy: including facilitating new investments and technologies, ensuring that government resources are used wisely and transparently for their intended purpose, and—where necessary—negotiating fairer provisions in the event of layoffs and restructuring. For all these reasons, it is vital that forest unions play a central role in all aspects of the sector strategy, including negotiating industry policies, implementing them, auditing and evaluating their effects, and ensuring workers receive a fair share of the resulting economic benefits. Normally, we would expect all companies participating in the sector plan, and receiving public support and incentives as a result, to have their employees represented by a duly certified trade union.¹⁰ In the absence of an existing union relationship, these companies must undertake steps leading to voluntary union certification. This is a reasonable and reciprocal commitment that will help to ensure that the policies and resources mobilized through the sector strategy serve their ultimate public purposes.



Real Resources for Real Effect: It is tempting for a government trying to ‘manage’ the impacts of bad news (too much of which has hit the forestry sector in recent years), by focusing on symbolic, visible actions to show it ‘cares’ and is doing something to help those affected. To some extent, the response of the B.C. government to the evolving forest

10. Many other sector strategies have required that participating firms reach negotiated agreements with unions regarding the implementation of sector policies. A current example is the requirement by the U.S. government that companies receiving lucrative production subsidies offered through the new Inflation Reduction Act clean energy and manufacturing programs remain neutral in union organizing drives, and pay prevailing union wages; see Hammerling (2022) for a description.

industry crisis has demonstrated this tendency. The Ministry of Forests speaks bravely of a plan to “modernize” the forest sector (Ministry of Forests, 2024), and has undertaken many consultations. A Provincial Forestry Forum gathers some industry participants to discuss the industry’s problems, but with little capacity to do anything about them. The work of the awkwardly-named Forestry Worker Supports and Community Resiliency Council (FWSCRC) has mostly involved gathering stakeholders to hear about how government has tried to help hard-hit forest communities—rather than undertaking the more challenging task of imagining a brighter future for the industry, and designing and implementing policies to make that vision a reality. As described in Part II, existing adjustment and retraining programs constitute a scatter-gun approach, relying on partial and often ad-hoc programs to respond to new closure announcements—rather than a holistic and steady commitment to supporting overall adjustment and transition. If a sector strategy is going to have real impact, it must be supported with real resources. This must include meaningful budget commitments, and a pledge by government—as it negotiates with and builds consensus among diverse stakeholders—that the final sector strategy will be supported with adequate and powerful resources and regulatory tools.

Reflecting these best practices, we recommend that the B.C. government *constitute a permanent Forest Sector Council*, engaging all the major stakeholders identified above, to guide the creation and implementation of a powerful sector strategy to build a viable future for the province’s forest industries, and the well-paying union jobs that they support. The Council will include ministerial-level representation from the provincial government, representation from other levels of government, and leadership from participating stakeholders. It will not be a consultative body; rather, it will be assigned responsibility to work with government to design, implement, report on, and evaluate the sector strategy (major elements of which are described below).

The Starting Point: Fibre Supply

The supply chain for all forest-related industries, including value-added manufacturing and related activities and services, inherently begins with the forest. And ensuring reliable, sustainable access to wood fibre is an obvious and necessary starting point for any forest sector strategy. Multiple challenges in managing and accessing fibre supply have arisen from the various crises buffeting the forestry sector, as reviewed in Part I of this report: fires, climate change, pine beetle infestation, Indigenous land claims and reconciliation, and old growth conservation. That uncertainty in fibre supply exacerbates all the economic challenges facing the industry.¹¹ And developing a comprehensive strategy for

11. See Ghosh (2023) and Pawliw (2023).



harvesting a steady, sustainable supply of fibre—that is both environmentally sustainable and economically viable—must be a centrepiece for any future sector strategy.

Forest covers about two-thirds of B.C.'s total geographic area. Protected old-growth forests account for less than one-quarter of that total. The vast majority of forest harvesting (close to 85%) occurs on Crown land. Most actively harvested forests operate under management practices that are certified by third-party agencies as being consistent with sustainable principles. Reforestation investments support the future regeneration of fibre supply, but need to be stepped up.

In sum, despite the challenges listed above, there is no generic shortage of trees in B.C.. Indeed, recent harvesting volumes have fallen substantially below the annual allowable cut (AAC) proscribed in provincial forestry planning¹²—because of general uncertainty and uneconomic conditions in accessing that fibre supply. What is lacking is an integrated, holistic, and consistent management plan to ensure that sufficient fibre is provided to sustain downstream forest industries. That commitment to stable fibre supply must then be paired with a strong strategy to maximize value-added opportunities arising from that resource supply (elements of which are described further below).

There are numerous opportunities for enhancing a reliable, economically viable, and sustainable supply of fibre to support downstream value-added activity in B.C.:

- Stronger requirements must be placed on forest harvesting to ensure full use of available fibre, rather than abandoning and wasting less lucrative forms of timber.

12. See *Ministry of Forests (2021)*.

- Stronger requirements must be placed on sawmills and other downstream operations to capture maximum fibre from waste and byproducts, and arrange for the use of that fibre in complementary operations.¹³
- Investments in research and development of new technologies to access fibre from unconventional sources (including alternative cultivated forest varieties, recycled materials, and waste) can also help to cement future sustainable fibre supplies.
- Negotiations with First Nations communities regarding sustainable foresting on treaty lands (through Forest Landscape Plans and other negotiations) can contribute to future fibre supply. Incentives to First Nations to ensure maximum value-added activity stemming from Indigenous harvesting, efficiently integrated with the rest of B.C.'s forest supply chain, can ensure maximum and mutual benefit from these resources.
- Timber harvesting from private lands accounts for a small but significant share of total harvesting in B.C. Integrating private land harvesting into province-wide fibre supply planning, and providing (where appropriate) fiscal incentives for private land owners to manage and direct their harvesting in line with the province-wide strategy, would enhance the quantity and stability of overall fibre supply. It would also ensure that forestry from private land plays a full and fair role in a sustainable province-wide strategy; private ownership of forest resources does not absolve those owners of responsibility to play a positive role in economic and environmental stewardship of that resource.
- In some cases, fibre is available to support downstream manufacturing operations, but not at “economic” prices given current costs and prices. Private firms may choose to shut mills and other facilities, instead of mobilizing more expensive sources of fibre. This short-run approach to cost-minimization ignores the enormous social and fiscal costs arising from facility closures. A more holistic cost-benefit accounting would justify public incentives to support access to more expensive fibre resources (with stronger infrastructure and transportation supports, for example), adjusting stumpage fees and other fiscal settings as needed to ensure an economic return for less lucrative sources of fibre, or fiscal measures to de-risk investments in downstream activity (by insulating new investments against possible negative changes in input or output prices).

Each of these strategies would make an incremental contribution to guaranteeing a reasonable, stable, and sustainable supply of fibre for downstream forest product activities, while remaining consistent with other policy goals (including First Nations sovereignty and reconciliation, and an overarching commitment to sustainable forestry management). This level of secured, sustainable fibre supply will not be sufficient to rebuild the

13. The B.C. government's Residual Fibre Utilization Initiative (Ministry of Forests 2022) is one effort to more efficiently optimize total fibre use from existing manufacturing facilities, but its ambition is limited by its general reliance on business-to-business initiative rather than stronger benchmarks and targets.

B.C. forestry sector to its former size. But if partnered with ambitious efforts to generate more value-added opportunities from that secured supply of fibre, it could certainly sustain the industry's existing employment footprint.

To harness these various strategies for enhancing fibre supply into an overall plan to provide certainty to downstream forestry operations, *a system of province-wide fibre supply planning must be established*. Scientifically established AAC benchmarks need to be made accessible in practice through fiscal and infrastructure supports and better planning. With better fibre supply planning, this system can determine a level of ongoing fibre supply that is sustainable (given other constraints), and then ensure that fibre is made economically viable for the industry.

Encouragingly, the 2024 B.C. provincial budget made an initial commitment of \$60 million over three years to a 'Forest Enhancement' initiative to support foresters in removing logs, debris, and other potential fuel for forest fires from already-logged areas (Yunker, 2024), and supplying that enhanced harvest to downstream value-added operations. That capture of lower-value fibre resources will incrementally add to broader fibre supply, while simultaneously reducing fire risks. This is a positive step, but more ambitious measures are required both to minimize waste of fibre, and to integrate measures like this into an overarching fibre supply commitment and plan.





Maximizing Value-Added from Sustainable Forestry

Once a flow of sustainable, economic fibre supply has been ascertained and made reliably and economically available to the industry, the next challenge for a forestry sector strategy is maximizing the opportunities for value-added investment, production, employment, and export based on whatever flow of resource input can be sustained. In broad terms, this means discouraging activities which add little or no value to harvested timber. The strategy must also encourage or mandate additional work to transform inputs of raw resource into more expensive, value-added products, with associated investments, jobs, and incomes.

By implementing a multi-dimensional, internally consistent policy strategy, featuring both ‘carrots’ and ‘sticks’, government can prod forestry companies to invest more in value-added operations, and establish a more positive overall trajectory for the whole sector. The process of developing a fully-rounded sector strategy to achieve these aims will require extensive consultation, negotiation, and research. As noted above, it is essential that this process engage all industry stakeholders—including organized labour, industry, local governments, and other participants and partners. So it would be inappropriate and

premature for this document to spell out all details of such a strategy. A holistic strategy to achieve a forest industry renaissance in B.C. cannot be willed into existence with a magic stroke. However, to provide a start to broader discussion among stakeholders, and highlight for government the wide range of policy tools at its disposal, we identify here several promising measures that could sensibly form part of this sector strategy to rebuild an ambitious, sustainable value-added forestry sector.

Integrating Forest Investments with Renewable Energy Planning

There is enormous potential to match new investments in capital and technology in forest manufacturing operations (including pulp and paper and engineered wood products) with innovations in energy use. An encouraging example is the new investment in clean hydrogen co-production (produced as a byproduct of sodium chlorate production) in Prince George, which will then be used to reduce natural gas consumption at the Canfor pulp and paper mill (Canadian Press, 2024b). There are other opportunities for applying new technologies to either reduce energy use in forestry operations, and/or to harvest clean energy from those operations (through cogeneration or coproduction initiatives). By integrating energy planning (including input, planning, and capital from B.C. Hydro) into the new sector strategy, and developing fiscal tools to ensure the value of energy savings is fully reinvested into continued forestry operations, the goals of greenhouse gas reduction and value-added forestry production can be simultaneously advanced.

Public and First Nations Equity Co-Investments

In some circumstances the business case for modernized or restructured investments in downstream forest activity can be strengthened through the provision of financial capital on favourable terms from the provincial government. This could take the form of joint venture co-investments in new projects or subsidiaries, undertaken by the provincial government or by a provincial Crown corporation. B.C. has a rich history of successful public enterprise (including B.C. Hydro and many others). Working together with private firms to capitalize new and renewed capacity in pulp, paper, and value-added wood products would enhance spin-offs from the agreed, sustainable flow of economic fibre. Another advantage of this approach is that by utilizing the balance sheet strength of the provincial government, public equity investments are treated as the acquisition of assets, rather than a current expense—and hence do not impact the government’s current budget balance. The growing impact of First Nations equity capital can also play a vital role in recapitalizing downstream operations and investing in new technologies.

De-Risking Downstream Investments

Alternative strategies for encouraging and accelerating investments in downstream forest industry operations also hold great potential. An important strategy which has been

wielded in recent sector strategy policies in Canada and elsewhere is ‘de-risking’ private investments—by guaranteeing future benchmarks in input or output prices. A recent example of this strategy is the federal government’s guarantee of certain revenue flows to investments in renewable energy or related activities (such as battery production). The same approach can be used in forest industries: for example, by confirming a certain future price for fibre input to downstream operations, the provincial government can strengthen the case for pulp, paper and value-added wood investments. A successful strategy (as described above) to actively manage a supply of economic fibre to the industry would mean the cost of this de-risking to the government was minimal or non-existent. But merely providing the guarantee would help confirm future investments to use that fibre in value-added activity.

Community Benefit Agreements

A vital tool in maximizing the positive economic and social spin-offs from activities supported by a sector strategy is requiring beneficiaries of public support to negotiate community benefit agreements with stakeholders in the regions and communities where those projects are undertaken. Community benefit agreements have a proven track record in B.C. and other jurisdictions (used commonly in major construction and infrastructure projects). They can mandate targets for the quantity and quality of local jobs; meeting pro-active employment equity goals (for women, Indigenous workers, youth, and other targeted groups); providing adequate opportunities for training and apprenticeships; and other goals. Unions, local First Nations, and community advocates must be involved in negotiating these community benefit agreements with investing businesses. And the resulting agreements must specify binding and enforceable targets, to ensure that project sponsors live up to their terms.

Discouraging Low-Value Exports

As noted in Part I, raw log exports currently constitute a small share of total forest product exports from B.C. (under 5% of total exports in dollar value¹⁴); other largely unprocessed forestry exports also result in the loss of value-added opportunities in B.C. With the broader forestry industry in crisis, it’s more important than ever to encourage value-added processing at home, and to discourage raw log exports. Achieving maximum value-added from each unit of fibre harvested must be a core and over-arching priority for the entire sector strategy. While trade policy *per se* is a federal responsibility, the province can discourage those exports on environmental and forest management grounds (well within its jurisdictional responsibility).

14. *This ratio understates the importance of raw log exports, which have lower unit values; in physical terms, log exports are larger as a share of total fibre harvested and processed.*

Stimulating New Value-Added Wood Products

B.C.'s “Wood First Initiative” is taking initial steps to promote wider and unconventional use of wood products in various uses, including larger-scale commercial and residential building (Ministry of Forests, 2022b). New technologies allow the safe use of wood for larger residential and commercial products.¹⁵ Using wood (including innovative engineered wood products) in a broader range of construction significantly reduces the full-cycle greenhouse gas emissions associated with buildings (by both capturing carbon within the wood itself, and avoiding carbon emissions from production of cement). This effort to stimulate more demand for high-value building products needs more attention and fiscal support, and could contribute to enhanced value-added production. Efforts to expand market demand for engineered wood products must be supplemented with parallel efforts to support new investments in their supply. This should include provincial support for new capital investments in engineered and mass wood manufacturing, and support for training and infrastructure requirements for these facilities (especially in more remote regions of the province; see McNally 2024).

Research and Development Support for

15. See Natural Resources Canada (2018), Government of B.C. (2022), and McNally (2024) for more details on the existing footprint of mass wood and engineered wood manufacturing in B.C., and the growing use of these products in construction here and in export markets.



Engineered and Innovative Wood Products

New technology is allowing the use of wood and fibre in many other applications (Zhang, 2023), with great potential for value-added production, jobs, and exports. New-generation engineered wood products can be manufactured with unprecedented properties (strength, flexibility, and durability), and produced from alternative and faster-growing sources of fibre. Given its forest resources and strong high-tech and scientific communities, B.C. should become a world-leading location for forest manufacturing innovation. Partnerships between forestry firms, B.C. colleges and universities, and other scientific resources—amply supported by federal and provincial fiscal incentives—could help to develop additional uses for wood and fibre.

Fair Trade in Forestry Products

Wood and wood product imports to North America from emerging forestry producers, many of which do not follow adequate labour and environmental standards, have reduced the market share for Canadian-made products. Canada's federal government should engage with its U.S. counterparts to address the inflow of lower cost but environmentally and socially unacceptable wood supply into the domestic and North American markets. Preferential most-favoured nation tariff access to North American markets should depend on respect for normal environmental and labour benchmarks (including third-party certification and adherence to ILO core labour standards).



Conclusion: Making it Happen

Despite the rocky road it has recently traversed, B.C.'s broader forest sector (including harvesting, paper product manufacturing, and wood product manufacturing) continues to make a vital contribution to B.C.'s overall economic and social well-being. It supports some 44,000 direct jobs—and close to 100,000 more jobs in total, including the indirect jobs in upstream (supply chain) and downstream (consumer goods and services) industries that depend on forestry as an economic anchor. The industry generates billions of dollars in wages, exports, and government revenues. It is especially important in dozens of regional and remote communities that rely on forestry as their economic foundation. Without forestry, some of those communities will ultimately disappear. The social, health, and fiscal costs of simply allowing forestry to wither away are unacceptable and unfair.

Despite this litany of challenges, it is clear that a viable, sustainable, and prosperous forest sector can continue in B.C. for decades to come. But that won't happen by itself, nor through the private decisions of self-interested forestry firms, nor through the magic of free market forces. It will only happen if all stakeholders engage, through an all-round, internally consistent, and well-resourced sector strategy, to make it happen. Economic policy around the world in recent years has increasingly acknowledged that pro-active sector strategies are integral to successful economic and environmental progress. That lesson is equally true for B.C.'s forest industries. So this report has explained the rationale for, and central components of, a strong sector strategy to build and maintain a viable, sustainable, value-added forest sector in this province.

A scientifically determined and sustainable flow of economic fibre must be the fundamental starting point for a forestry sector strategy. This input flow can be determined and assured through an appropriate provincial fibre supply planning process—including, where appropriate, measures to subsidize or de-risk the costs of fibre supply. Investing fiscal resources in a stable and economic fibre supply is fair: responding to broader challenges and policy priorities (from Indigenous reconciliation to climate change to old growth conservation) must include a commitment to fairly sharing the costs of adjusting

to those challenges — rather than forcing front-line forestry workers and communities to shoulder those costs on their own.

Once a sustainable flow of fibre has been assured, the sector strategy must then aim to maximize the jobs and activity that can be supported from that resource flow. The measures listed in Part III above constitute an initial set of interventions to enhance the footprint and viability of downstream forest industries in B.C. The one-two combination of a secure fibre supply together a strategy to maximize value-added downstream opportunities arising from that supply, would ensure continued employment, viable forest communities, and a continuing contribution to B.C.'s economic and social well-being. Part III has discussed eight specific policy measures to expand and sustain value-added downstream activities, as part of this ambitious and integrated sector strategy. Others will arise from discussions among forest industry stakeholders through the permanent Forest Sector Council we have proposed, to guide provincial forest industry strategy.

Finally, to ensure that this integrated sector strategy fully reflects the interests of the whole province, including forest industry workers and the communities where they live, key best practices must be followed in designing, implementing, and evaluating the sector strategy. Those best practices include input and consensus from all stakeholders, flexibility in addressing varying local and regional conditions, and an assumption that employees of all firms benefiting from subsidies and supports under the sector strategy will be represented by a duly-certified trade union. And where adjustment and restructuring is unavoidable, the sector strategy must deliver comprehensive and generous adjustment, retraining, and relocation supports to affected workers and communities, through an integrated and well-resourced Forestry Adjustment Board.

The overall economic footprint of forestry industries can be stabilized, tens of thousands of jobs preserved, and the viability of dozens of B.C. communities assured, if government and industry stakeholders join in a shared effort to rebuild this vital part of the provincial economy. It is not enough to simply provide transitional assistance to the victims of still more forestry closures and shutdowns. Forest products will continue to play a crucial role in the future economy. B.C. has the resources, the people, the technology, and the commitment to positive values (including sustainability and Indigenous reconciliation) to provide a full and fair share of those forest products. The sector strategy described in this report shows how that vision can become a reality.

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