

A Better Future for B.C. Forestry

**A Sector Strategy for Sustainable, Value-Added
Forest Industries**



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Introduction: A Pillar of B.C.'s Economy

- From the beginning, forestry was a foundation of economic activity in B.C.
 - First Nations
 - Early settlers
 - Modern economic development & industrialization
- It still plays a vital economic role in the provincial economy.
- Especially important in forest-dependent communities in the interior, north, and coastal regions.
- Despite rocky times, the industry could have a viable, prosperous future – but only with an active sector strategy to support investment, technology, and good union jobs.



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)



Outline of this Paper

1. Description of the crisis.
2. Community impacts and transition programs.
3. A pro-active sector strategy
4. Conclusion and policy recommendations.

Part I: Describing the Crisis

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A Never-Ending Crisis

- For two decades, the industry has been wracked by one emergency after another.
- Some ecological. Some geopolitical. Some technological.
- End result: the industry has been cut in half.
- B.C.'s share of Canadian softwood production has shrunk.
- Jobs, communities, GDP, taxes have all been hurt.



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

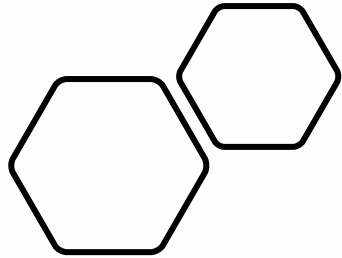
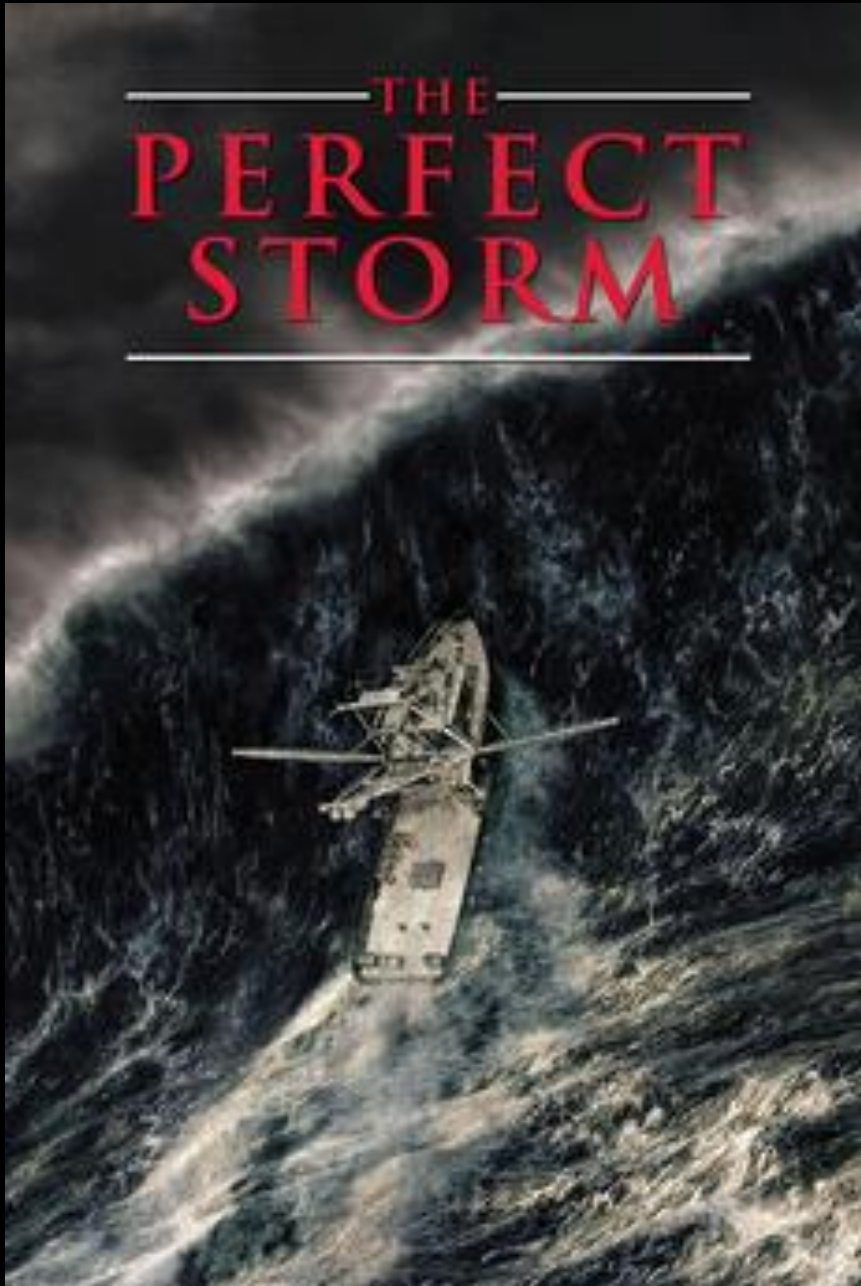


Figure 1. B.C. Softwood Lumber Production, 2014-2023

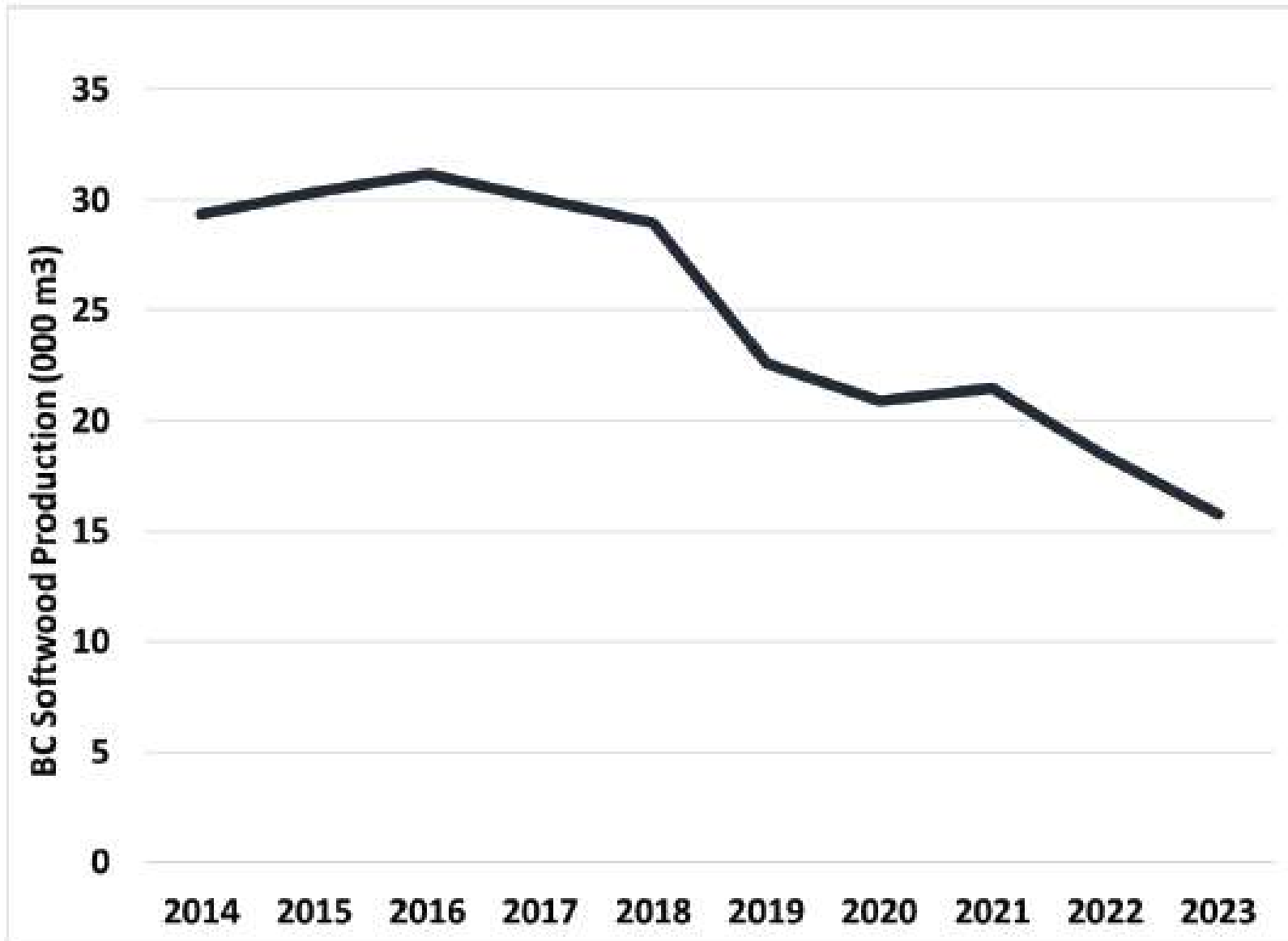


Figure 2. B.C.'s Shrinking Share of Canadian Softwood Lumber Production

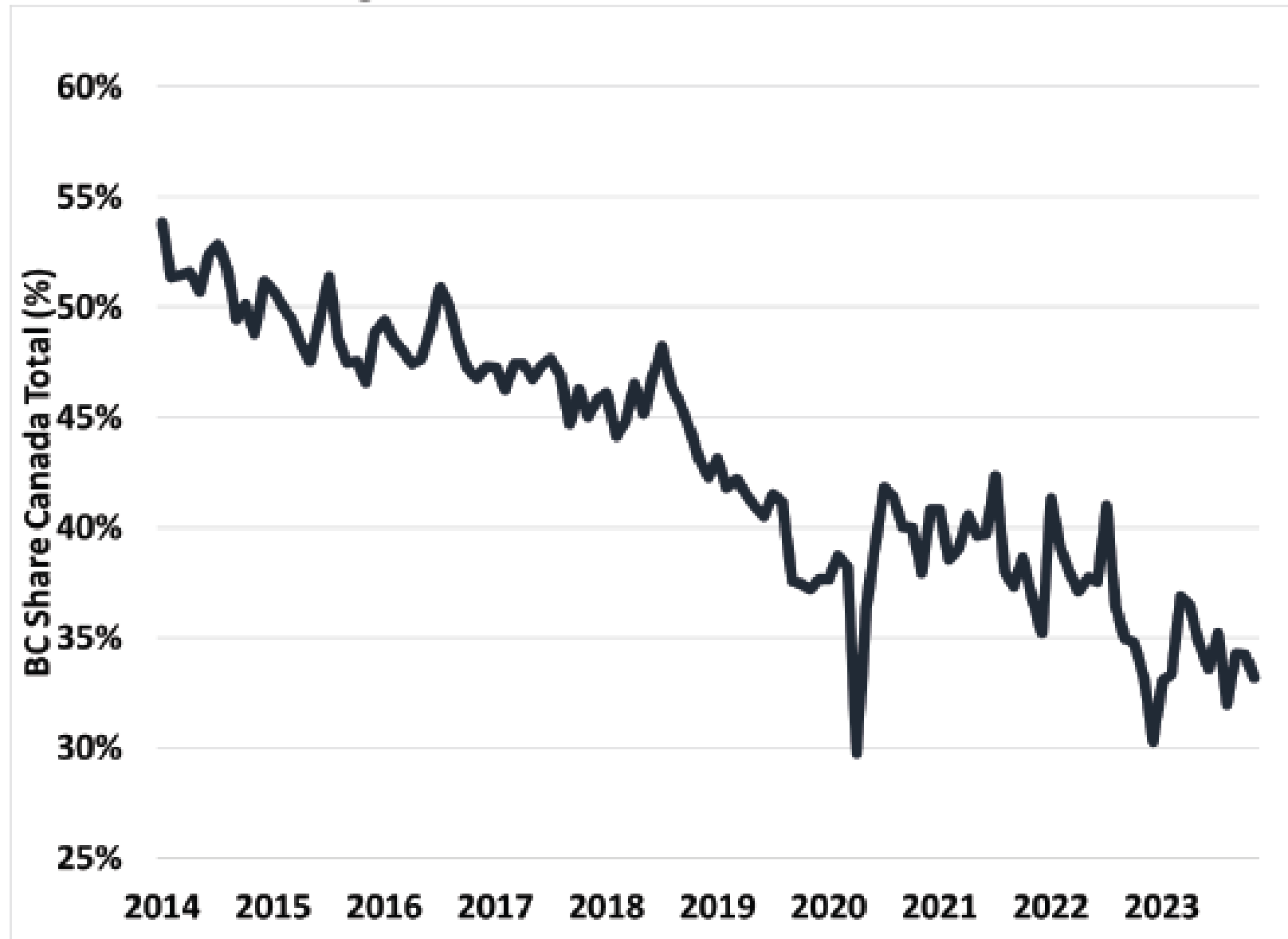


Figure 3. Employment in B.C. Forestry Industries, 2001-2023

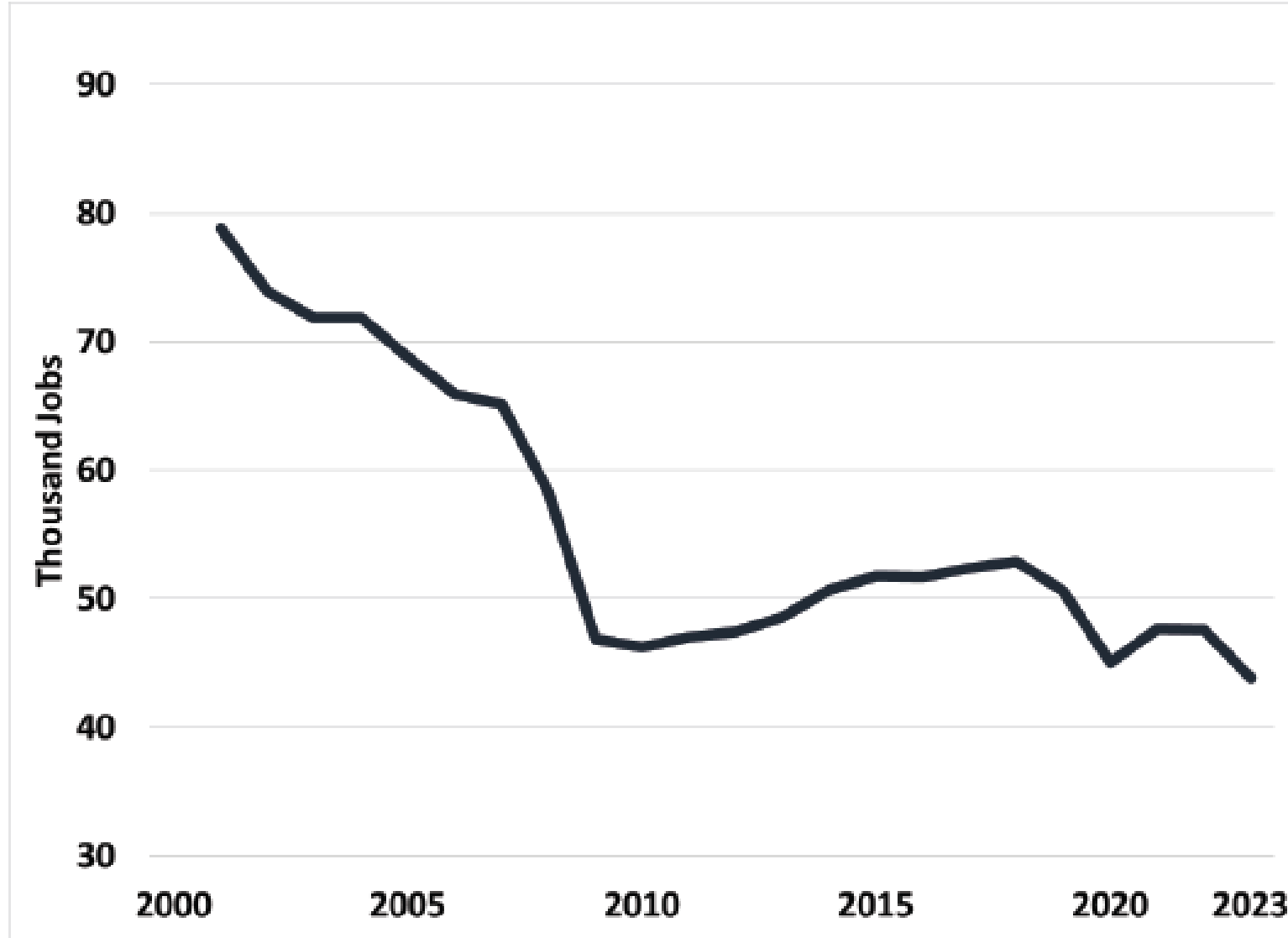
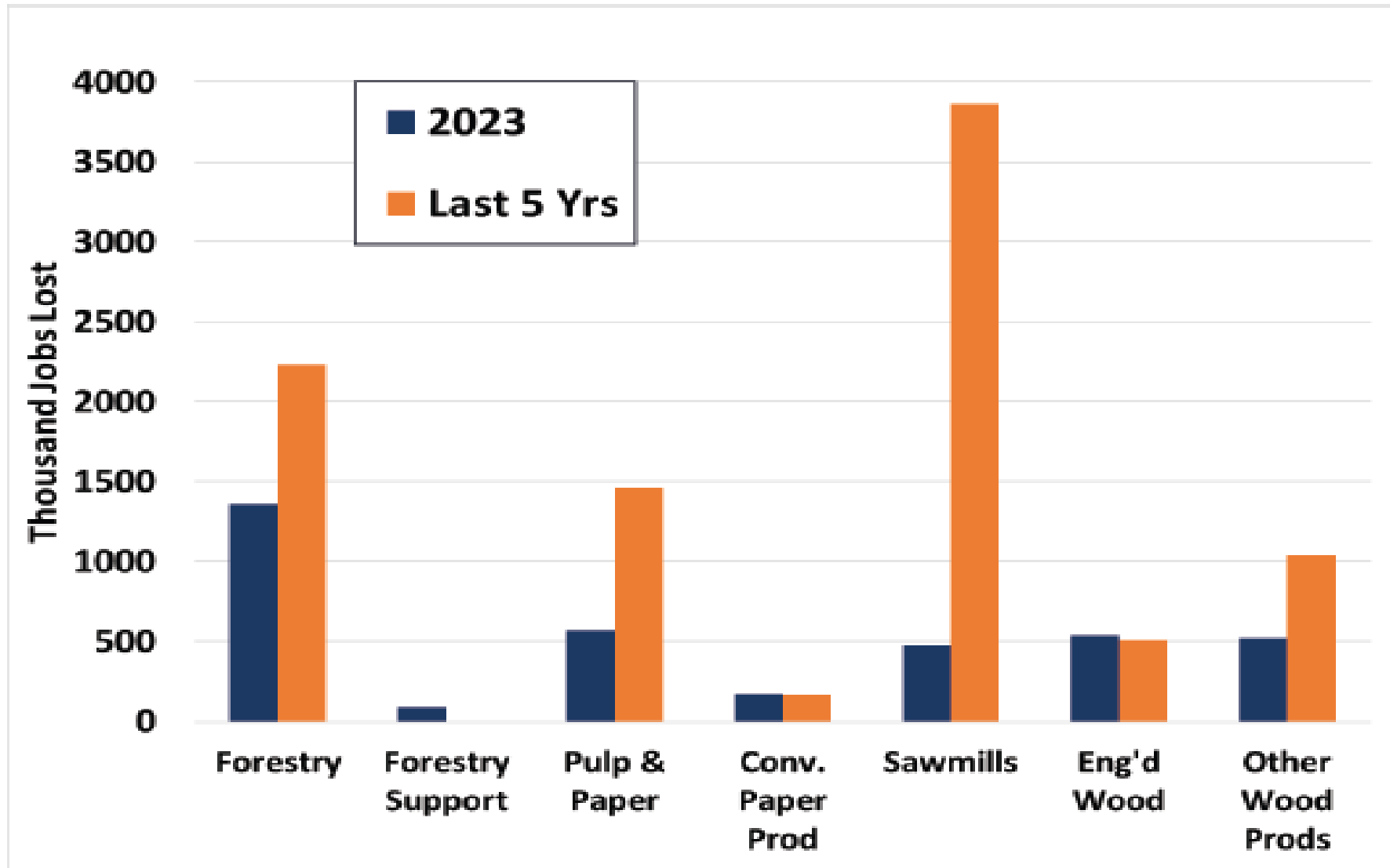


Figure 4. Forestry Job Losses by Sector, 2018-2023



Recent B.C. Forest Industry Closures

Canfor: Permanent closure of pulp and paper 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 sawmill in Powell River (2023)

Ledcor: Permanent closure of Coquitlam sawmill (2023)

Sinclair: Permanent shift reduction at Tolko 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.

13

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

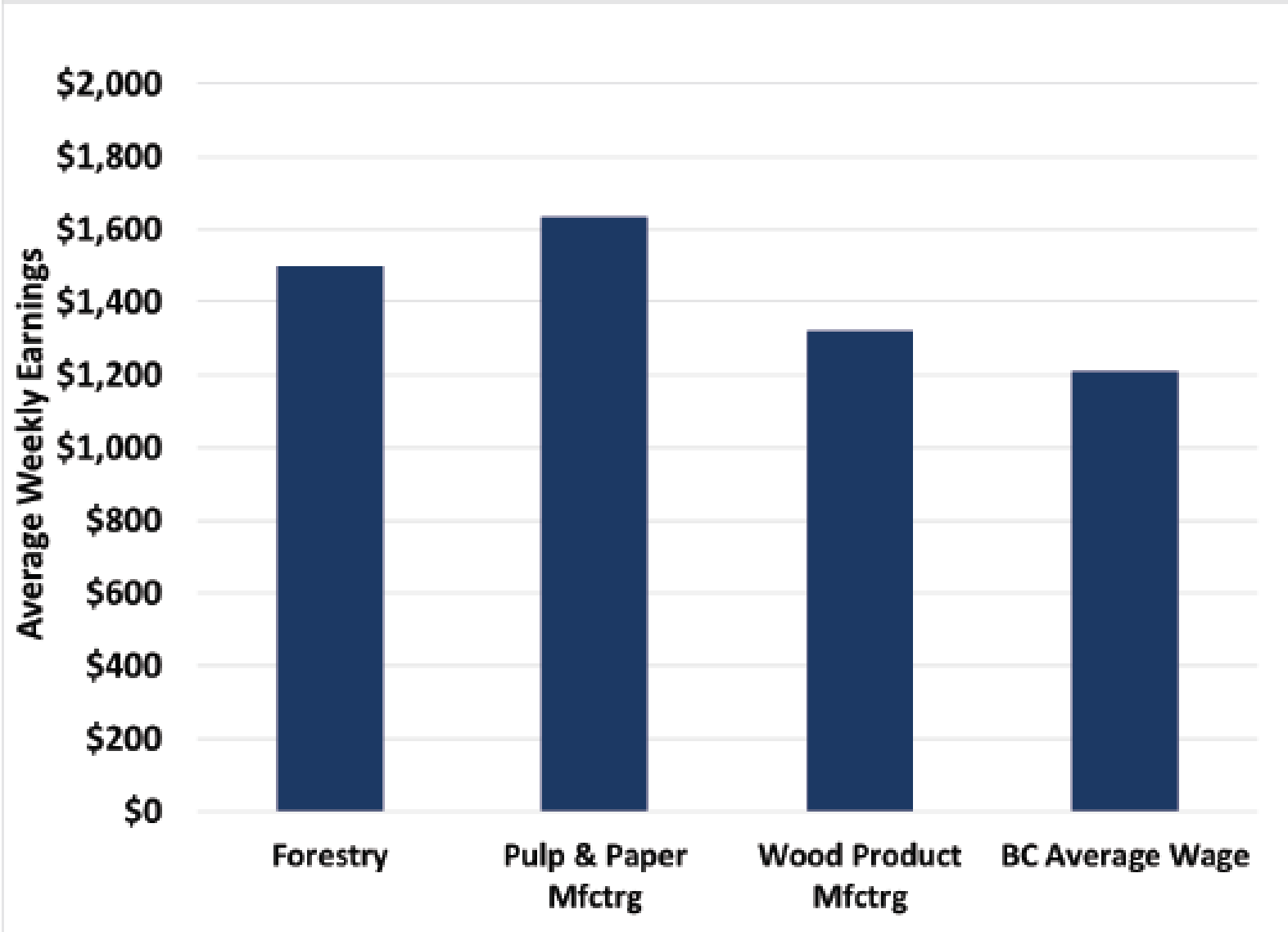


Table 1
Economic Footprint of B.C. Forest Industries
2023

	Employment	Total Wages (\$bil)	Value-Added (\$2017 bil)	Exports (\$bil)
Forestry & Support Ser- vices	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.

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
Indirect	10,000
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.

Why Care? Forestry Can't be Ignored

- The industry is still a vital pillar of a regionally and sectorally diverse provincial economy.
 - Urban & tech industries can't do it all.
- Especially important (economically, socially, and politically) in remote and regional communities.
- Forest products will continue to be used in the future economy (including in new applications).
- B.C. deserves, and *needs*, a fair share of that work.



Part II: Workers & Communities

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Supporting Workers and Communities

- Workers and communities are struggling, and effective government policy and action is required
- We offer full support for Indigenous reconciliation and UNDRIP
- Sustainable forestry management essential – but costs should not be borne by workers and communities without proper support
- Existing provincial adjustment programs are not adequate
- Need for an integrated and properly resourced **Forestry Adjustment Board (FAB)**



Early retirement, training, and data

- To include early retirement in development proper adjustment plan, the FAB and stakeholders need access to:
 - existing pension plans, funded ratios, solvency ratios, income levels; and
 - all other income supports available.
- To include training, FAB and stakeholders need to have good data:
 - Forestry jobs at risk vs other employment in region; income levels of jobs vs regional incomes; job potential from value added production
 - Job multipliers, economic impacts of creating/losing jobs
 - Employment levels and job opportunities within reasonable commute of communities at risk

Upskilling and retraining

- A critical part of the sector strategy involves encouraging value added production that maximizes jobs and incomes from stable, sustainable supply of fibre
- Identify potential for value added forestry production in each region
- Evaluate skills required for conversion and offer training
- For workers that need new careers, look for innovative new ways to identify pathways to new occupations
- Funding available for developing new pathways, for re-training and for relocation

Customized Regional Approach

- The more isolated the town, the greater the challenge
- Maintain basic social supports becomes very challenging as jobs are lost and tax base erodes
- When West Fraser operation closed, town lost jobs = to 17% of population, what would happen if Vancouver lost over 400,000 jobs?
- Communities and workers need funding for local transition teams
- Resources for family counseling, career counseling, skills assessment
- Resources to develop plans for individuals – either new career pathways or early retirement



Part III: A Powerful Sector Strategy

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What IS a Sector Strategy?

- Core idea: Win a bigger share of designated strategically important industries than would result from private business decisions alone.
- Aim: Get more investment, high-wage jobs, technology, innovation, exports.
- Sector strategies (aka “industrial policy”) have always been important in Canadian primary and manufacturing industries.
- Now they are back in fashion in international economic policy.

Forestry Checks all the Boxes

- ☑ Export-orientation.
- ☑ Technology intensity.
- ☑ High productivity and capacity to support good jobs.
- ☑ Strong supply-chain linkages and spin-off effects.



Using
the Full
Toolbox

Using the Full Toolbox

- Capital:
 - Incentives; public & First Nations equity; lower-cost capital; loan guarantees.
- Technology:
 - R&D incentives; link B.C. innovation to forest industry applications.
- Markets and Procurement:
 - Channel public demand to domestic production; develop new markets (e.g. engineered wood) and capacity to supply them.
- Skills and Training:
 - Genuine measures to upskill & transition to new high-tech roles.
- Energy and Infrastructure:
 - Link investments to renewable energy planning; use development approvals to encourage value-added; support projects with transport & energy
- Trade Policy:
 - Level playing field against low-standards imports; discourage low-value exports with tailored fiscal levers.



The Starting Point: Stable, Economic, Sustainable Fibre Supply

- Repeated disasters have reduced fibre supply.
- Fibre supply is the input to all downstream value-added activity.
- Economic challenges are making it worse: harvest regularly falls well below scientifically-determined ACC.
- A stable, economic, and sustainable fibre supply can be mobilized, consistent with other constraints (incl. First Nations sovereignty and legitimate conservation goals).
- But only with strong planning and fiscal supports.

A System of Province-Wide Fibre Supply Planning

- Many strategies can enhance viable fibre supply:
 - Strong requirements on harvesting to use all fibre.
 - Strong requirements on downstream plants to capture and use all waste.
 - Partnerships with First Nations.
 - Fiscal supports to ensure ACC is economically viable (including transportation, variable stumpage / royalty rates).
 - Regulation / integration of private forest lands.
 - Research / innovation to develop alternative fibre sources.
- These must be incorporated into an integrated, reliable fibre supply plan to give certainty to downstream operations.

The Next Step Point: Maximize Value-Added from the Fibre Supply

- Once we know the scientifically-determined, sustainable, and economically viable volume of harvested fibre, then we need an active plan to make the most of that fibre:
- Maximize the value-added activity applied to that fibre:
 - Modern processing and manufacturing.
 - New investment, capital, and technology.
 - Well-paying union jobs.
 - Stronger, stable communities.
- This requires a strong sector strategy.



Elements of a Sector Strategy

- Here are our initial ideas:
 - Public and First Nations equity investments.
 - De-risking downstream investments.
 - Community Benefit Agreements.
 - Integrate value-added investments with renewable energy planning.
 - Discourage low-value exports.
 - Innovative new high-value wood and paper products.
 - Develop new high-value markets.
 - Fair trade in forest products.
- Future Forestry Sector Council can develop more.



Conclusion and Policy Recommendations

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We Will Defeat Defeatism

- So far government has mostly worked to “manage decline”.
- Piecemeal aid packages can be helpful, but they lack an overall plan to keep the sector viable and prosperous.
- B.C. has all the ingredients for continued forestry prosperity:
 - Resources.
 - People.
 - Technology.
 - Capital.
 - Commitment to values (including good jobs & sustainability).
- Political will is what’s required to make this recipe work.



An Agenda for Change

1. Permanent Province-Wide Forestry Sector Council.
2. Province-Wide Plan for Stable, Sustainable, Economic Fibre Supply.
3. Establish a Forestry Adjustment Bureau.
4. Sector Strategy to Maximize Value-Added from Stable Fibre Harvesting.





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