

New Democrats

NEWS RELEASE

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Subject: KEEP OUR PUBLIC FORESTS PUBLIC - WILLIAMS

Victoria -- New Democrat economic development critic Bob Williams says it's time the B.C. government reversed the current pattern of corporate concentration in our forest industry that's seen up to 80% of our annual cut controlled by the big companies.

In a speech to the Truck Loggers Association, Williams pointed to a thesis done at UVIC which indicates the four largest companies on the coast controlled 57% of the total forestry cut and, when corporate linkages were taken into account, the big four or five companies dominated 82% of the TFL cut province-wide. That's a dramatic increase, Williams says, from the 1976 report of the Pearse Royal Commission, which indicated the four largest companies on the coast controlled 27% of the cut.

"The name of the game is all too clear - it's capture or be captured," said Williams (Vancouver East).

"Most of the creative energy of our forest companies has gone into grabbing more and more of the public lands."

Williams also says B.C. has the ability to increase the volume of wood available for wealth creation by 50%. That increase, he says, would equal \$5 billion annually.

"Too much management talent has gone into maintaining scams such as chip pricing, subsidies, low stumpage, and currying favour with the government. They should be concentrating on reducing waste levels, improving their marketing, and managing the forests more efficiently."

"If you think a 50% increase in wealth in the forest industry is unrealistic, maybe you should look at the Scandinavians. They turn out four times more wealth out of an acre of forest land than we do."

Williams adds that while the government has proposed some improvements in forest policies, such as a 5% reallocation of the overall cut for competitive bidding, there has been no action.

"I suggest there's a battle going on in the back rooms like we've never seen before. Now that the big boys control the candy store, they don't want even 5% of it out of their grasp."

"We have to put up one hell of a fight over the expansion of the tree farm licenses, which is the biggest privatization scam of all, and make sure that our public lands and public resources are kept in public hands."

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Contact: Bob Williams, MLA 387-5513



January 13, 1988
Bob Williams, MLA
Vancouver East
Economic Development Critic

Let's Keep Our Public Forests Public

Speech to the 45th Annual Truck Loggers Association Convention

I'm pleased to be here at the 45th annual Truck Loggers Convention especially when the theme is in the public interest.

I'm sure old timers like Gordon Gibson would be damned pleased to see that was the subject of the meeting.

In a sense the economic history of this province is now in the balance. We are in a watershed period ... having moved from an industry that was truly entrepreneurial toward one that is quite the opposite, concentrating on the expansion of its land monopoly.

The challenge we in British Columbia have is to reach back to our enterprising beginnings and reverse the pattern of corporate concentration that has accelerated in the past decade.

Over a decade ago, Peter Pearse, the last Royal Commissioner we had on this subject, basically said he was scared as hell about the level of corporate concentration at that time. Rightly so -- but as Ma Murray would say, it's a damsite worse, just ten years later.

When Pearse looked at this problem on the coast the four largest companies controlled 27% of the annual cut.

Bill Wagner just published his thesis at U Vic and found that the four largest on the coast controlled 57% of the total cut, and eight controlled 83% of the cut. A dramatic increase in concentration indeed.

But Wagner takes another step and argues that if you consider the various corporate linkages there's a pattern of the big 4 or 5 dominating 85% of the TFL cut province wide.

The name of the game is all too clear -- it's capture or be captured -- it's corporate corpulence, as Wagner says ... and most of the creative energy of our forest companies has gone into grabbing more and more of the public lands.

That's small wonder when the payoff has been so good ... the landlord (you and I) has been charging no rent ... or little rent for the trees. That's been documented by David Haley earlier and more recently by Richard Schwindt, John Richards and Tom Gunton of Simon Fraser University, who estimate a two billion shortfall annually. I suggested one billion this spring -- Jack Kempf subsequently agreed. We were both conservative; the majors had been taking us for a bigger ride than we realized. And Jack Puusepp of Pemberton, Houston, Willoughby has some even bigger numbers in his cash flow projections for the coming year.

There has been a high price attached to this corporate concentration:

1. There has been a high price for the public in the lack of revenue
2. There has been an incredibly high price the public has suffered in the form of waste.

That story didn't get any publicity until it was reported in the Globe and Mail last month. 27% waste on the MB show in the Queen Charlotte Islands! As the Toronto journalist Christie McLaren said:

"Imagine 320,000 pickup trucks full of fire wood stretched bumper to bumper on the Trans-Canada Highway from Vancouver through Calgary, into Saskatchewan ..."

That's the amount of waste MB is responsible for annually. That's a national scandal -- not just provincial.

That's profligate waste on a biblical scale -- for the forests of the Queen Charlottes are part of the capital of this planet.

Is it any wonder that Adam Zimmerman couldn't make this conference to answer for this scandal?

His pathetic response on CBC was that "it was old news." It may be at M & B. And then he had the gall to say that it was reporters from the Eastern press who were the problem. This is the same man who's on the Board of Southam who produce the Vancouver Sun. My colleague Dan Miller, the MLA from the Charlottes, tried to interest the Sun in the story last summer and was told "it wasn't a story." It became a four-part major story in the Globe. The Sun, I'm afraid, printed one after-the-fact story with the company position and the Province, had it even printed one, might just have had a headline such as "WOOD NO GOOD."

But the waste is there. CILA have made the case for the Interior as well.

There is profligate waste, indeed, but there has also been a loss to the public, and the contractors in inadequate scaling (to be kind). Others might say cheating. In that regard the Shoal Island case is now well documented.

No one, though, has dealt with one of the underlying problems related to waste ... and that is the underpricing of chips in the province; this underpricing of chips creates huge economic distortions and is a big part of the reason the waste levels are so high.

As Sten Nilsson of the Royal Academy in Stockholm found out in his studies here -- we are the only jurisdiction in the world that does not have a chip price that is equal to the cost of bringing round wood pulp logs from the forest. Until those two prices are equal, we will continue to have waste and the integrated companies will continue to take advantage of the independent operators (and the public).

Why would a company buy a pulp log that they pay two times the price for when they can get chips at half the cost? They won't. We must move chip prices up if we are ever to begin to deal with the waste question. The integrated (joint pulp and sawmill) companies are making more than at any time in their history ... that is related to a booming market and unrealistic chip prices.

But corporate concentration has been costly in other ways as well. It's been costly in that it has eliminated too much of the real entrepreneurship in the industry. Too much management talent has gone into maintaining these scams; chip pricing, subsidies, low stumpage, and currying favour with the government instead of concentrating on new value-added products, new market niches, or sharper marketing -- and beginning to take on the Scandinavians or our other competitors. The effort has not been in wealth creation but in these other areas, such as land grabbing which is clearly not in the public interest.

Just think about it ... if we eliminated the waste levels in the forest ... or even cut them in half.

A 25% increase in raw materials in the MB case ... or 13% if it were cut in half. A 13% increase in the value of forest products produced in the province would be 1.3 billion dollars. A 25% increase would be 2.5 billion dollars.

Then, if you threw in intensive management of the forest ... which we do not do now ... say like proper, regular thinning, the impact on the provincial economy would be marvelous. In a speech to this group a couple of years ago, Ian Mahood indicated that the Scandinavians get 35% of their annual cut from commercial thinnings. Imagine, a 35% increase in wood supply just by thinning.

Every household gardener knows that if you thin carrots you get a bigger and better crop ... and you get the thinnings too! But the Adam Zimmermans of this world don't seem to understand that in the never-never land of the executive jet.

Tom Wright (an early Dean of Forestry at UBC) documents -- in the latest Trucklogger magazine -- that in a woodlot on the Sunshine Coast, they have taken off about 30% of the total cut in thinnings, and of course got a more productive main crop as well.

We might reasonably work toward a 50% increase in the volume of wood available for wealth creation in this province instead of being lost in waste, being burned, or not being grown because we don't manage the forests as well as the average household gardener.

A 50% increase in wealth creation would equal \$5 billion annually in BC.

How many trips abroad to bring new industry to BC could ever equal what these changes would bring about in our economy? Bill Bennett, hang your head in shame -- save us from any more northeast coal projects.

The answers to wealth creation (and jobs) is in our own backyard -- in the forests of BC -- if only these major corporations pursued the real opportunities that are out there.

If you think a 50% increase in wealth in the forest industry is unrealistic, maybe you should look at the Scandinavians ... they turn out four times more wealth out of an acre of forest land than we do. If we equalled them there would be no unemployment in British Columbia

It's ironic ... H. R. MacMillan, the province's first chief forester, predicted all this ... he avoided running for the spoils in the form of land grabbing TFLs because he said they weren't needed if there were genuine competitive market conditions prevailing. When it was clear genuine competition was going to disappear he joined the land rush too.

He also predicted that the pulp boys -- the paper shufflers as he called them -- would destroy the industry as he knew it. How ironic that the company bearing his name should be responsible for the profligate waste that we are now aware of. He wouldn't be surprised at all with the million dollar ad campaign that his company has underway claiming all is well in the forest.

It is not surprising that in its more corpulent years the bosses of MB would no longer be hustling entrepreneurial, market-oriented foresters, but a judge or a former attorney-general or an American lawyer ... or now, a Toronto based accountant.

In partial recognition of these problems, the government has proposed (September 15, 1987) some modest improvements in policy:

- a 5% reallocation of the overall cut for competitive bidding
- a reversion of 5% of the annual allowable to the Crown at the time of transfer of cutting rights
- a reversion of part the undercut to the Crown in 1 and 5 year cycles
- an independent private scaling institute

and so on.

But even these modest improvements promised four months ago have not been brought forward ... even though there was a fall legislature sitting. Why?

I suggest there's a battle going on in the back rooms like we've never seen before. Now that the big boys control the candy store they don't want even 5% of it out of their grasp. And their main spokesperson now is the guy that used to run the shop in Victoria, when the most profligate waste in this industry took place. The legislation should have been there during the fall session, but the big boys are still battling it out with the bureaucrats and the Minister.

And I'm afraid there's some buckling under on the government's part, even with respect to these small improvements. The latest deal for example, with respect to Port Mellon (CanFor with Oji Paper of Japan as a 50% partner) will not be impacted by the policy statements of September 15th. Even though real ownership of a chunk of the CanFor operation will be in Japan, there will be no 5% reduction in that part of the cutting rights affected. (Indeed, CanFor even extended the candy store mentality by demanding that they get cheap chips from the small unintegrated sawmills!)

So you, and we, are going to have to fight like hell to just get the modest changes and benefits that the government promised on September 15 last.

The Legislative Committee on Forestry is fortunately being reactivated, and every effort must be made through that committee to see to it that contractors are treated decently within the system as it is today -- so that you can survive and flourish and no longer be squeezed incessantly. In addition every effort must be made to see that decent, union wages prevail in the future within this sector of the industry as well ... our industrial future need not, should not, be dependent on low wages for success.

But more than that, there has to be one hell of a fight over the expansion of the tree farm licenses, because in the end -- that will be the death knell of the industry -- as H. R. MacMillan predicted.

The government says they want to increase the TFL tenure to 67% of the AAC from the present 29%. That will make the monopoly game complete.

That will be the biggest privatization scam of all ... for that's what the TFLs represent -- the privatization of the public lands.

But it's worse than the other privatization scams by far - far worse than highways for example - because those deals have to be bid on. These TFLs are not competitively bid at all. So it's privatization, with no payment for the assets transferred. That makes no sense whatsoever.

And if it occurs, the independents will be gone, and the last vestige of real entrepreneurship in this sector will have disappeared. It will be a great loss for the provincial economy with even worse long-term implications.

We must end the transferring of the public lands into hands outside the province who will drain the surpluses, or profits away from BC rather than plowing them back onto wealth creation here at home.

Eric Kierans in his Massey lectures has shown in a poignant way why these surpluses should be used at home to build our future:

"The roots of any community are two - the people and the land. These are the basic factors with capital, knowledge and technology being derived from or through them. If the land is not attractive, or yields but little, few will come or stay. If the land yields much and if this is retained, the community will grow and prosper. If, however, the surpluses are drained away, the community will stagnate in an accelerating dependence.

"Canadian resources policy has been a failure because we have given away the rents from our own resources - given them away for miniscule taxes and the wages of exploitation.

"For Canadians to sell their land and markets out from under their feet is to make themselves, and future generations, colonials and dependents."

It is the irony of the century that in British Columbia, if you want some free enterprise in the forest industry, you're going to have to vote for the Social Democrats.

You in the independent truck logging community must join with us and others in the fight of the century - to keep out public forests public.

The forests are part of our great heritage in BC. We can no longer afford to have them dissipated by the Zimmermans of the world.

At the very least we need another Royal Commission before one more stick of wood is granted in a tree farm licence.

What we need are more truckloggers - citizens - like Ian Mahood who have seen that a government he long supported is destroying an industry.

We need more bulls of the woods like Gordon Gibson Sr. who say it like it is when money talks.

We need more Pat Brennans who speak our language.

We want the best damned forest industry in the world.

And we can get it - so long as the Big Four don't get their way all the time.