



Province of
British Columbia

NEWS RELEASE

MINISTRY OF FORESTS AND LANDS
HON. DAVE PARKER, MINISTER

FOR RELEASE 11 A.M.
TUESDAY, SEPTEMBER 15, 1987

1987:90

MAJOR SHIFT IN FOREST POLICY FOR BRITISH COLUMBIA

Major changes in the way British Columbia manages, charges for and renews its forests were announced by Forests and Lands Minister Dave Parker today.

Stumpage and other forest charges are going up.

On the basis of the changes, the province will seek elimination of the 15-per-cent federal softwood lumber export tax applied to B.C.

The combined result will be a net increase in forest revenues of \$100 million annually.

The costs and responsibility for ensuring that forests are replaced will shift, by legislation, from the government to the companies harvesting timber.

Along with increased responsibility for replacing forests, more tenure security will be provided to companies with long-term rights and commitments, "to create a positive environment for investment in the forest industry," said Parker.

"We want to ensure a fair dollar return to the people from British Columbia's major public resource and, at the same time, establish a fair and equitable pricing system for timber, sensitive to market fluctuations, production costs and the value of products produced," he said.

"We have a strong, innovative forest industry in our province," he added, "and we have a tremendous forest resource.

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"These changes will ensure a progressive and equitable balance between present and future needs of the province and the forest industry.

"We want a fair return to the Crown for the forest resource as well as maintaining a healthy forest industry."

"We also have to maintain and improve employment," he said.

In response to world market conditions, the forest industry has increased its efficiency and thus thousands of jobs have been lost in the past few years, Parker said.

"These changes will help to restore employment in the forest sector."

More jobs for British Columbians will come from the labor intensive forestry work required to replace forests, initiatives in wood marketing, forest research, and increasing the amount of wood processing and manufacturing of value-added products within the province," said Parker.

The minister said the changes are the result of several ministry reviews and input from numerous individuals and groups over the past few months.

Details of the new forest management policy changes, including the new pricing system, will be available from Ministry of Forests and Lands offices throughout the province.

NOTE: SIDEBAR ATTACHED

Contact: Ben Marr
Deputy Minister
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SIDEBAR

The main changes are:

- * A new pricing system for timber in the province will be implemented as of October 1, 1987.
- * The costs and responsibility for ensuring forests are replaced will shift, by legislation, from the government to the companies harvesting timber.
- * Along with increased responsibility for replacing forests, more tenure security will be available to companies with long-term rights and commitments to create a positive environment for investment in the forest industry.
- * More wood will be made available for competition on the open market and for smaller operators.
- * More jobs for British Columbians will be created through initiatives in wood marketing, forest product research, forest renewal activities, and by increasing timber processing and the manufacture of value-added products within the province.
- * Effective immediately, no new commitments will be made under Section 88 of the Forest Act, which allowed companies to obtain a standard credit to stumpage accounts in exchange for doing basic silviculture, and building roads and bridges.

HIGHLIGHTS
NEW DIRECTIONS FOR FOREST POLICY IN BRITISH COLUMBIA
SEPTEMBER, 1987

TIMBER PRICING / CROWN REVENUES

- * A Comparative Value System will replace the Rothery System for pricing timber in the province.
- * The new system will ensure that charges are applied fairly to those harvesting the timber. It will take into account production costs and the value of the products produced. Prices will be adjusted quarterly, based on an independent index, to respond to market conditions. The current system does not adequately allow for differences in the quality of wood. This presents particular problems to those paying for lower quality wood.
- * Based on 1986 forest industry sales of \$9.3 billion, estimated direct provincial revenue from all sources, including stumpage, currently represents 6.2 per cent of gross forest product sales, or \$580 million.
- * The revised pricing structure will raise the percentage to 7.3 per cent or \$680 million at current volumes and prices. Of that \$680 million, \$547 million will be derived from non-competitive stumpage payments. In the current fiscal year, stumpage is estimated at \$138 million.
- * The province is seeking elimination of the federal softwood lumber export tax.
- * A minimum revenue base has been established to ensure that the amount charged is not less than the provincial government's costs of forest management.

- * Periodic reviews of the pricing system will maintain a healthy, viable forest industry and a continuing fair share of value to British Columbians for their timber resource.
- * The ministry will put in place a neutral method of measuring wood, such as an independent private scaling institute.

REPLACING THE FORESTS

- * Effective immediately, no new commitments will be made for the costs of basic silviculture and timber-harvesting roads and bridges, under Section 88 of the Forest Act as a standard credit to stumpage accounts.
- * Industry will assume full costs for basic silviculture, including seed collection, seedling production, site preparation and other cost measures required to replace forests following harvesting on long-term tenures.
- * Changes to the Forest Act will make pre-harvest silvicultural planning mandatory, enforce performance and require audit.
- * On tenures of less than 10 years, and the Small Business Enterprise Program, silvicultural costs will be recovered through timber pricing. Basic silviculture will be conducted by the province by establishing a secure fund for this purpose.
- * The costs of seeds and seedlings will be included as a silviculture cost. Industry will have the option of producing its own seedlings.
- * Industry will be encouraged to invest additional money in conducting more intensive silviculture on long term tenures. The ministry will guarantee that any increase in allowable annual cut from such investments in intensive silviculture will be retained within the long-term tenure. Where the public invests additional money, any increased yield will return to the province.

- * Tree Farm and Forest Licence holders will be responsible for the costs of building and maintaining forest harvesting roads and bridges for their harvesting and silviculture operations.
- * As determined by the province, where additional expenses are incurred on road construction, upgrading or maintenance to meet public needs, the province will pay the additional costs.

COMPETITION AND DIVERSIFICATION

- * The amount of wood currently sold on a competitive basis will be doubled by such means as:
 - Directing a portion of the existing provincial reserve of unallocated allowable annual cut to competitive sales.
 - Transferring five per cent of the allowable annual cut in all replaceable licences, including Tree Farm Licences.
 - Allocating five per cent of the allowable annual cut upon the sale, transfer or assignment of a licence, with the exception of woodlot licences.
 - Recovering up to 10 per cent of the allowable annual cut upon converting tenure to Tree Farm Licence status.
- * Increased allowable annual cut which has not been earned will not necessarily be included as an automatic supplement to existing harvesting rights.
- * To encourage full use of timber, annual undercuts of more than 50 per cent will be resold through competitive sale by the province. A five year undercut of more than five per cent will be immediately returned to the Crown and the allowable annual cut of the licence reduced accordingly.

- * Currently 5.2 million cubic metres, representing less than eight per cent of the annual harvest in the province, are sold competitively.
- * Individuals and companies without long-term replaceable tenures that have allowable annual cuts of more than 10 000 cubic metres will now be eligible to bid on competitive sales.
- * In return for increased commitment, responsibilities and costs, security will be available to industry by increasing the number of Tree Farm Licences from the current level of 29 per cent to a maximum of 67 per cent of the provincial allowable annual cut. Each case will be judged in terms of company performance and public interest.
- * New programs will be introduced to use wood currently not considered merchantable, such as wood from commercial thinning, salvage wood, and species and grades with limited commercial use.
- * The province will establish a more competitive chip market in B.C. by increasing export opportunities and ensuring a fair return to the province.

MARKETING / INCREASED WOOD PROCESSING

- * The province will work to reduce tariff and non-tariff trade barriers.
- * The government and industry will investigate the need to develop an ongoing product and technology research program.
- * A five year cooperative marketing program is being developed by government and industry to expand consumer contacts, identify potential products and markets, and promote the production of value-added products in the province.
- * The province will support initiatives to improve existing wood products research facilities.

- * Expanded manufacturing in the province will be encouraged through competitive sales and tenure policies. A major factor in new applications for Tree Farm Licences will be past performance and commitment to increased wood processing.
- * Fees on log exports have been increased to ensure a fair return to the province and to encourage employment development in B.C..

NOTES FOR

THE HONOURABLE DAVE PARKER

MINISTER OF FORESTS AND LANDS

AT THE NEWS CONFERENCE ON

NEW DIRECTIONS FOR FOREST POLICY IN BRITISH COLUMBIA

TUESDAY, SEPTEMBER 15, 1987

AT 11 A.M.

VANCOUVER TRADE AND CONVENTION CENTRE

VANCOUVER, BRITISH COLUMBIA

SPEAKING NOTES

GOOD MORNING LADIES AND GENTLEMEN.

I AM HERE TO ANNOUNCE MAJOR CHANGES IN THE WAY WE MANAGE, CHARGE FOR, AND RENEW OUR FORESTS IN BRITISH COLUMBIA.

THESE CHANGES WILL BE A LANDMARK IN THE HISTORY OF OUR PROVINCE'S FOREST SECTOR.

BEFORE I OUTLINE THESE CHANGES I WANT TO MAKE SOME KEY POINTS.

FIRST, WE HAVE A TREMENDOUS FOREST RESOURCE.

SECOND, WE HAVE A STRONG AND INNOVATIVE FOREST INDUSTRY.

THIRD, BECAUSE OUR FOREST INDUSTRY, IN RESPONSE TO WORLD MARKET CONDITIONS, WORKED HARD IN THE PAST FEW YEARS TO INCREASE EFFICIENCY, WE HAVE LOST THOUSANDS OF JOBS, PARTLY DUE TO AUTOMATION.

TO RESTORE EMPLOYMENT IN THE FOREST SECTOR AND TO ENSURE THAT BRITISH COLUMBIANS GET A FAIR DOLLAR RETURN FROM OUR FOREST RESOURCE, WE ARE MAKING FUNDAMENTAL CHANGES IN OUR FOREST MANAGEMENT POLICY.

WE HAVE THREE BASIC OBJECTIVES:

FIRST, TO ESTABLISH A FAIR AND EQUITABLE PRICING SYSTEM FOR TIMBER, WHICH WILL BE SENSITIVE TO:

- MARKET FLUCTUATIONS;
- PRODUCTION COSTS; AND,
- THE VALUE OF PRODUCTS PRODUCED.

SPEAKING NOTES

SECOND, FOREST RENEWAL. WE WILL REPLACE THE FORESTS WE HARVEST.

AND THIRD, TO INCREASE THE NUMBER OF JOBS IN THE FOREST SECTOR THROUGH:

- A. LABOR-INTENSIVE FORESTRY WORK TO REPLACE OUR FORESTS; AND,
- B. AN INCREASE IN THE AMOUNT OF WOOD PROCESSING WHICH CAN BE DONE HERE IN OUR PROVINCE.

THE KEY ELEMENTS OF OUR NEW POLICY ARE AS FOLLOWS:
OUR NEW SYSTEM FOR PRICING TIMBER WILL ENSURE THAT CHARGES ARE APPLIED FAIRLY TO THOSE HARVESTING OUR TIMBER AND THEY REFLECT THE TRUE VALUE OF OUR MOST SIGNIFICANT PUBLIC RESOURCE.

THE COST AND RESPONSIBILITY FOR ENSURING THAT OUR HARVESTED LANDS ARE REFORESTED WILL SHIFT FROM THE GOVERNMENT TO THE COMPANIES HARVESTING OUR TIMBER.

THIS WILL BE LEGISLATED AND AUDITED.

TO BALANCE THESE NEW RESPONSIBILITIES, COMPANIES WILL BE GIVEN THE OPPORTUNITY TO ACQUIRE GREATER SECURITY OF TENURE.

WE WILL ALSO DOUBLE THE AMOUNT OF WOOD THAT IS PRESENTLY AVAILABLE FOR COMPETITION ON THE OPEN MARKET, OPENING OPPORTUNITIES FOR THE SMALLER OPERATORS.

SPEAKING NOTES

TO HELP CREATE MORE JOBS, WE ARE GOING TO IMPLEMENT NEW INITIATIVES AND EXPAND EXISTING PROGRAMS IN:

- WOOD MARKETING;
- TIMBER PROCESSING; AND,
- INDUSTRY DIVERSIFICATION.

ALONG WITH THESE INITIATIVES, INDUSTRY'S NEW ROLE WILL CREATE NEW OPPORTUNITIES IN FORESTRY EDUCATION AND FOREST RESEARCH.

BECAUSE OF THESE FUNDAMENTAL SHIFTS IN FOREST MANAGEMENT POLICY, A GREAT DEAL OF WORK REMAINS TO BE DONE.

WE NOW HAVE A FRAMEWORK FOR THOSE REVIEWS OF SPECIFIC FOREST MANAGEMENT ACTIVITIES STILL UNDERWAY AND FOR THE DETAILED PLANNING AND CONSULTATION WHICH WILL TAKE PLACE IN THE COMING MONTHS.

WE ARE CONFIDENT THAT OUR NEW FOREST MANAGEMENT POLICY WILL MEET TODAY'S NEEDS -- FOR THE PROVINCE AND THE FOREST SECTOR.

WE WILL ALSO ENSURE THAT IT CONTINUES TO EVOLVE SO THAT IT CAN MEET THE NEEDS OF FUTURE GENERATIONS OF BRITISH COLUMBIANS.