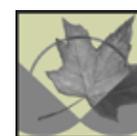

RESTORING THE PUBLIC GOOD ON PRIVATE FORESTLANDS

By Ben Parfitt



JULY 2008



CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

A RESOURCE ECONOMICS PROJECT REPORT

RESTORING THE PUBLIC GOOD ON PRIVATE FORESTLANDS

By Ben Parfitt

July 2008

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ABOUT THE AUTHOR

Ben Parfitt is a resource policy analyst with the Canadian Centre for Policy Alternatives – BC Office. He is a long-time writer on natural resources, co-author with Michael M’Gonigle of *Forestopia: A Practical Guide to the New Forest Economy*, and author of *Forest Follies: Adventures and Misadventures in the Great Canadian Forest*. His most recent CCPA report is *Foot Off the Gas: Regulating BC’s Oil and Gas Industry as if the Environment Mattered* (September 2007). In June 2007, his report *Over-Cutting and Waste in BC’s Interior: A Call to Rethink BC’s Pine Beetle Logging Strategy* was co-published by the CCPA, BC Federation of Labour, BC Government and Service Employees’ Union, Communications Energy and Paperworkers Union, ForestEthics, Pulp, Paper and Woodworkers of Canada, Sierra Club of BC, Sierra Legal Defence Fund (now Ecojustice), United Steelworkers District 3 – Western Canada, Valhalla Wilderness Society and Western Canada Wilderness Committee.

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CCPA
CANADIAN CENTRE
for POLICY ALTERNATIVES
BC Office

www.policyalternatives.ca

CCPA BC Office
1400 – 207 West Hastings St.
Vancouver, BC V6B 1H7
tel: 604-801-5121
ccpabc@policyalternatives.ca

CCPA National Office
410 – 75 Albert St.
Ottawa, Ontario K1P 5E7
tel: 613-563-1341
ccpa@policyalternatives.ca

Contents

- Summary.....4**

- Introduction.....8**
 - Box: The Vulnerable Fir Forest 9*

- The Big 3 (or is that The Big 2?)11**

- The Big 3’s Tree Take: Cut Fast.....13**
 - Box: Fir Forests as Carbon Sinks 15*

- The Big 3 Eye Real Estate Opportunities.....17**
 - Box: Having its Cake and Eating it Too..... 19*

- Private Land: Counting the Advantages.....21**

- Private Forestland Reform Proposals25**
 - Municipal or Regional Government26
 - Provincial Government27
 - Federal Government.....31

- Conclusion32**

- Notes.....33**

- References.....34**

Summary

Private forestlands are a small but highly significant component of British Columbia's land base. Located primarily on southeast Vancouver Island (but with significant pockets on the mainland coast and in BC's interior), they are famed for their fertile soils, temperate climate and globally rare Douglas fir forests.

Three companies – TimberWest, Island Timberlands and Western Forest Products – account for 80 per cent of logging in such forests. However, because the Big 3 private forestland owners do not all publish their logging data, it is difficult for the public to know what occurs on those lands and whether it is in the public interest.

This report presents five years worth of previously unreported data on what the Big 3 have logged. It also presents information on a growing portfolio of lands that the three major private forestland owners have indicated they wish to sell for housing and commercial developments, a move that threatens to drastically erode the managed forestland base in the province.

The research finds that:

- Logging, in some cases, is more than twice what forest industry auditors say can be sustained and is a threat to the environment and economy alike.
- Trees are getting logged at younger and younger ages.
- In key cases, logging rates increased dramatically after forest companies successfully petitioned the provincial government to allow them to pull their private holdings out of their tree farm licences or TFLs. When the private lands were bundled with public lands in TFLs, all lands were subject to regulations that aimed to ensure sustainable management.



- Douglas fir logging, in particular, is occurring at a near liquidation pace, with one company's entire "merchantable" stock slated for depletion in 25 years.
- Usable wood waste on lands logged by the three largest private forestland owners is unknown. However, a reasonable estimate is that it amounted to 2.36 million cubic metres between 2003 and 2007 or 472,000 cubic metres per year.
- Delivered to coastal mills, 472,000 cubic metres of additional logs would generate another 320 jobs in BC.
- Raw log exports from BC's coast – 62 per cent of which come from private forestlands governed by federal government rules – averaged 4 million cubic metres per year in the past five years.
- Had exported logs instead been milled domestically, another 2,800 manufacturing jobs per year would have been generated in BC.
- Tens of thousands of hectares of private forestland are being readied for sale as real estate developments or other "higher and better uses."
- In one case, Greater Victoria residents paid the province's biggest private land logger, TimberWest, nearly \$60 million in 2007 for lands that had been or were slated to be logged, in order to protect local water supplies.

The permanent conversion of forestlands to real estate developments, in particular, has resulted in a surge of public opposition that cuts across many lines and includes woodworkers, environmental activists, rural residents, municipal and regional government representatives, outdoor recreation enthusiasts and First Nations.

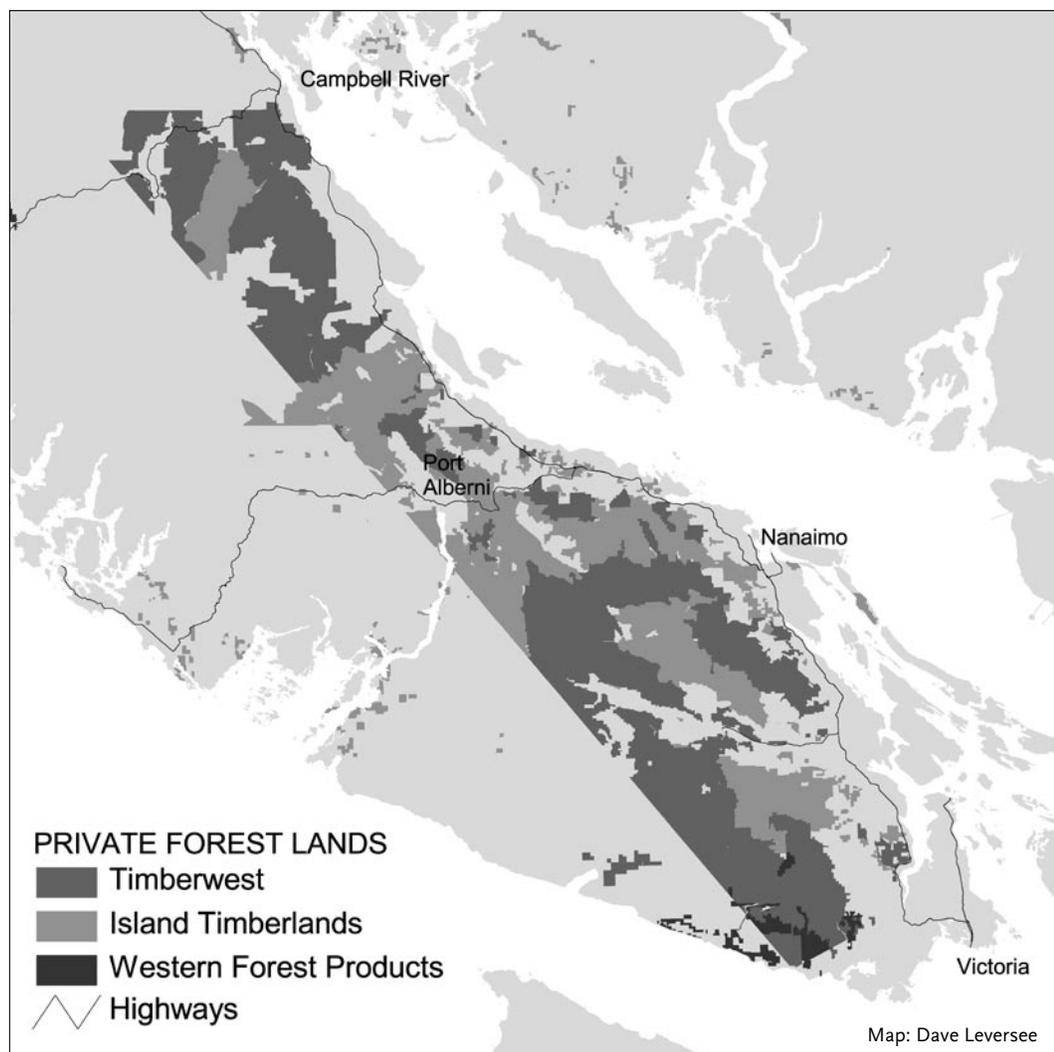
Photographs published with this report provide graphic evidence of the wood left behind following logging activities on private lands.

ISLAND TIMBERLANDS
LOGGING NEAR THE TOP
OF "THE HUMP" IN THE
PORT ALBERNI VALLEY.
GARTH LENZ PHOTO

A recent proposed sale by Western Forest Products of lands near the community of Sooke resulted in packed public meetings in opposition to the sale. The sale itself was made possible by an earlier provincial government decision to allow Western to pull its private forestlands out of a bundled package of public and private lands. When bundled, the lands were deemed managed forestlands and because forestry and not land development was the approved land usage, Western received generous tax breaks. Once the province agreed to Western's request to pull the private lands out, however, the door was open for their potential sale. The province's controversial approval of Western's request to remove the private lands triggered an investigation by BC's Auditor General, the outcome of which is forthcoming.

This report concludes that the public interest is ill served when private forestlands are unsustainably logged or when they are permanently converted to non-forestry purposes. Since it is contrary to the public interest, changes to regulations governing those lands must be enacted – and soon – to ensure that private forestlands are retained as forestlands and not converted to other uses.

Such a move is not without precedent. More than 30 years ago, British Columbia set out to protect the province's farmland base through the creation of the Agricultural Land Reserve



(ALR) and an independent body to oversee it – the Agricultural Land Commission. The move was made out of recognition that the province had only a finite amount of farmland and in particular prime farmland, which constituted less than 1 per cent of BC’s total land base. The public interest in maintaining farmland was deemed a higher priority than the rights of farmland owners to readily convert such lands to other uses.

The creation of the ALR provides ample precedent for all three levels of government to collectively work to ensure that managed forests and forest conservation are the primary uses of private forestlands in BC, something that one of BC’s prominent environmental organizations, the Western Canada Wilderness Committee, and unionized woodworkers represented by the United Steelworkers have publicly called for. No level of government should be swayed by suggestions that such a move would constitute an undue infringement on the rights of BC’s biggest private forestland owners. For one thing, forest companies logging trees on publicly-owned lands pay timber-cutting or stumpage fees to the provincial government. Companies logging private forestlands pay no such fees, which makes forestry activities on those lands comparably more financially attractive. Also, companies owning private forestlands did, for decades, financially benefit from access to public timber when they agreed to bundle their private holdings with new public holdings and manage the collective lands exclusively for forestry purposes. The same companies also benefited enormously over decades because privately-managed forestlands are assessed at lower property tax rates (particularly in years when logging does not occur) than are lands used for residential, commercial or industrial purposes. These arrangements were of such long standing that as recently as 2003 the Capital Regional District, in releasing its Regional Growth Strategy, identified private forestlands as development-free zones.¹

To counteract unsustainable trends on private forestland and to ensure that the public interest is upheld, all three levels of government must act. It is incumbent on the more senior levels of government, in particular, to do so in ways that are respectful of municipal and regional governments, which stand to be disproportionately affected in the event that housing developments and related infrastructure replace forestlands. Zoning changes by municipal governments, log export restrictions by the federal government, and tax and regulatory changes by the province are all needed to ensure that private interests do not trump the public interest on private forestlands.

This report concludes that the public interest is ill served when private forestlands are unsustainably logged or when they are permanently converted to non-forestry purposes. Changes to regulations governing those lands must be enacted to ensure that private forestlands are retained as forestlands and not converted to other uses.

Introduction

Private forestlands constitute roughly 6 per cent of the provincial land base. Over the century since industrial logging began on BC's coast, some of the largest and most valuable softwood trees found anywhere in the world came from private lands, and the companies that logged them reaped disproportionate benefits because fewer costs and regulations applied on private versus public lands.

Logging costs on private lands are significantly lower than on public lands because on public lands companies pay the provincial government royalties – stumpage – for each tree they cut down. Stumpage fees do not apply on private lands. This is not the only financial advantage companies logging private forestlands enjoy over those logging Crown lands. Private forestland owners face few restrictions on log exports. They are also not legally obliged to reforest what they log. And they can, if they choose, leave perfectly usable logs behind at harvesting sites without incurring financial penalty. The inverse is true for companies logging public forestlands. All of which would seem to work in favour of those companies with significant private forest holdings putting down roots in BC.

Yet the opposite is the case. Today, private forests are logged at unsustainable rates and at accelerating costs to the environment. Logging activities have been linked to heavily damaged streams and rivers with resultant fisheries and biodiversity losses (see *The Vulnerable Fir Forest* on page 9). Meanwhile, many coastal mills that made lumber and value-added wood products lie shuttered. Raw logs leave private forestlands for export by the drove – a situation that may worsen as further mills close. Compounding economic losses, the wasting of usable wood at private forestry operations is likely high. But how high remains unknown, because private forestland owners are not required to report such waste, nor are wood waste levels

The Vulnerable Fir Forest

Older Coastal Douglas fir forests are extremely rare. According to one provincial government report on threatened or endangered ecosystems in British Columbia, as little as one half of 1 per cent of old-growth fir forest remains on south Vancouver Island and the adjacent mainland coastal plain.² This amounts to just 1,100 hectares of land. But the land is divided into numerous small parcels, only some of which are protected in parks.

Only 5 per cent of all Coastal Douglas fir forests are protected, a low for the province and one matched in only two other forest zones, the Interior Douglas fir zone and the Ponderosa pine zone. All three zones, according to BC's Ministry of Forests, are among the warmest and driest regions in a generally wet and cool BC, making them ideally suited to human settlement. And it is settlement, the ministry maintains, that explains why only a "limited opportunity" exists to further conserve forests in those zones.³

What the same report, *The State of British Columbia's Forests*, fails to point out is that the "limited availability" of conservation opportunities may be more strongly correlated with land ownership patterns outside of cities and towns.

In the case of southeast Vancouver Island, extensive tracts of forestland within the Coastal Douglas Fir zone are found at the edge of human settlements and well beyond. Municipalities, however, do not own such lands. Rather, forest companies do. Consequently, it is company ownership rather than human settlement that explains why more of these lands are not conserved and why so little of today's fir forests contain trees of 250 years in age and older.

Fir trees are one of the most commercially prized tree species on the west coast and have been intensively logged for well over a century. Increasingly, today's fir logging occurs in second-growth, or the forest that colonized lands after the original old-growth forest was cleared away.

Accelerating loss of biodiversity occurs as forests are logged on shorter rotations (a rotation is the time between when one tree is logged and the one replacing it is). It is well understood, for example, that lichen are more abundant and diverse in older versus younger forests.⁴

On Vancouver Island, in particular, links between logging and losses in biological diversity are often noted in declines in fish habitat in rivers and streams. One of the big concerns on southern Vancouver Island, where the bulk of private forestlands are found, is the "chronic sedimentation" or movement of silt and debris that flows into streams following logging and its effects on local fish stocks, including endangered steelhead.⁵ According to an exhaustive study of imperilled steelhead populations, logging related habitat damage was noted in numerous rivers and streams on southern Vancouver Island including: Quondam River, Oyster River, Puntledge River, Trent River, Tsable River, Little Qualicum River, French Creek, Englishman River, Nanaimo River, Chemainus River, Cowichan River and Koksilah River.

Over the century since industrial logging began on BC's coast, some of the largest and most valuable softwood trees found anywhere in the world came from private lands, and the companies that logged them reaped disproportionate benefits because fewer costs and regulations applied on private versus public lands.

monitored as they sometimes are on public lands. Meanwhile, prime tracts of private forestland are readied for sale, as company shareholders slash jobs and prepare to turn coastal forests into waterfront housing developments. The sale of such lands only worsens the unsustainable nature of the logging activities described elsewhere in this report by shrinking the overall land base available for forestry purposes.

This research presents new information on the extent of private land logging in coastal forests over the past five years. Present trends are unsustainable, a detriment to the environment and economy alike, and demand creative policy interventions by the provincial and federal governments.

The wasting of usable wood at private forestry operations is likely high. But how high remains unknown, because private forestland owners are not required to report such waste, nor are wood waste levels monitored as they sometimes are on public lands.

ISLAND TIMBERLANDS
LOGGING AT CHINA CREEK
NEAR MUSEUM MAIN,
PORT ALBERNI VALLEY.
GARTH LENZ PHOTO



The Big 3

(or is that The Big 2?)

Three companies together account for 80 per cent of all private land logging in BC. They are TimberWest, Island Timberlands and Western Forest Products. The bulk of these lands are located on southeast Vancouver Island. Many of them were originally Crown lands deeded to private interests to build what became known as the Esquimalt-Nanaimo Railway or E&N Railway.

Before examining what each of those companies logged in recent years, some context is provided to show how the coastal forest industry evolved and how three major private forestland owners on the coast came to control what they currently do.

Historically, forest companies operating on BC's coast managed both their private forestlands and Crown forestlands for their timber assets. Much of the timber these companies logged was destined for mills they owned. As we will see, this is less and less the case. Today, private forestlands are almost completely decoupled from public holdings, with the major private forestland holders focused almost exclusively on log export markets and selling prime tracts of coastal forestland for real estate development. Gone is the notion that private timber, along with public timber, should be moved through coastal mills for the benefit of local communities.

Timber West's private forestlands were at one time owned by BC Forest Products, which in the 1980s was purchased by New Zealand-based Fletcher Challenge. At that time, the preferred approach of the larger forestry firms was to own "integrated" operations – mill portfolios that included lumber as well as pulp and paper operations. This shielded companies from swings in commodity prices. Lumber markets might be depressed, but pulp prices were up, or the inverse.

Today, private forestlands are focused almost exclusively on log export markets and selling prime tracts of coastal forestland for real estate development. Gone is the notion that private timber, along with public timber, should be moved through coastal mills for the benefit of local communities.

As the '80s gave way to the '90s, however, large firms found themselves saddled with debt, rising costs, increased public consternation over environmentally destructive logging methods, and numerous demands for investments at aging mills. Shareholders drove the break-up of company holdings into discreet units that were then sold. In Fletcher Challenge's case, its timber and sawmill holdings were split from its pulp and paper mills in 1993, with TimberWest Forest Limited taking control of the woodlands and sawmills. Four years later, in 1997, TimberWest firmly established itself as BC's preeminent private forestland owner when it purchased Pacific Forest Products Limited.⁶ Since then, TimberWest has closed its Vancouver Island mills at Youbou⁷ on Lake Cowichan and Elk Falls⁸ in Campbell river to become a pure log marketer and exporter.

Changes in forest company ownership and changes in focus will, in the absence of government regulation, likely lead to increased logging of private forestlands, more raw log exports from those lands, and accelerated sales of private forestlands for purposes other than forestry.

Multinational Weyerhaeuser, which purchased the assets of BC forestry giant MacMillan Bloedel in the 1990s, followed a similar trajectory. In May 2005, it sold its BC coastal forestry operations to Brascan Corp. for \$1.2 billion (in November of that year, the company name changed from Brascan to Brookfield Asset Management). Brascan/Brookfield then split the assets in two. Cascadia Forest Products took ownership of five sawmills and public forest tenures with a combined annual log harvest of 3.6 million cubic metres. Island Timberlands assumed control of 265,000 hectares of private forestland. Forest industry analysts presciently viewed the swift hiving off of the valuable private assets as a precursor to a dramatic "restructuring" of the coastal forest industry, one that would have consequences for Cascadia and others.⁹ That was because the old Weyerhaeuser mills had benefited from a feedstock that included both private and public timber, and the private component was now gone.

Western Forest Products, the last of the Big 3, would later buy Cascadia for US \$221 million.¹⁰ Complicating matters, Brookfield is also a major player in WFP. It owns 100 per cent of Tricap Management Ltd., which in turn owns 70 per cent of WFP.¹¹ This followed Tricap's purchase in May 2006 of 53.6 million additional common shares of WFP.¹² So, in a very real way, the Big 3 private forestland owners might better be considered the Big 2.

But even by the time of the Cascadia purchase in November 2005, the writing was already on the wall that some of Weyerhaeuser's old mills would be closed. Workers at the Island Phoenix sawmill in Nanaimo, for example, had been laid off since September.

In December, shortly after WFP's purchase of Cascadia, word came that Island Phoenix would remain closed at a permanent loss of 170 mill jobs. The gap between WFP's purchase price for Cascadia and Brascan's purchase price for Weyerhaeuser's coastal assets (close to \$1 billion), speaks volumes about the value of the private holdings.

Changes in forest company ownership and changes in focus will, in the absence of government regulation, likely lead to increased logging of private forestlands, more raw log exports from those lands, and accelerated sales of private forestlands for purposes other than forestry – topics which we now address.

The Big 3's Tree Take: Cut Fast

Private forestland owners must tell the province what they log, but the data is not readily available. Using a provincial database,¹³ this report presents previously unpublished numbers on what the Big 3 have logged, including commercially prized Douglas fir. TimberWest's volumes are higher than those reported by the other two companies. Island Timberlands is close behind and is steadily increasing its share, while WFP is a distant but significant third.

Because private forestlands are not subject to review by provincial government foresters, we must rely on published information from the major private forestland loggers themselves to provide context to the numbers. According to TimberWest and its auditor, KPMG, the company has steadily increased its logging of second-growth trees as less and less old-growth forest remains and more second-growth timber grows in. In 2005, second-growth trees – the bulk of which were fir – accounted for two thirds of TimberWest's log harvest.¹⁴ Just two years later, the second-growth harvest had jumped to nearly 80 per cent of the total.¹⁵

In 2006, TimberWest CEO Paul McElligott told institutional investors at a conference in Whistler that his company's "sustainable" rate of cut on private lands was 2.5 million cubic metres per year.¹⁶

But KPMG, which assesses TimberWest's logging and reforestation performance as part of the company's commitment to third party certification under the forest industry-driven Sustainable

Using a provincial database, this report presents previously unpublished numbers on what the Big 3 have logged, including commercially prized Douglas fir.

Forestry Initiative program, questions whether such a high number can be maintained. In May 2006, KPMG’s auditors noted that TimberWest claimed it was “possible” to log 2.5 million cubic metres of timber per year for 45 years. However, KPMG said, TimberWest’s own modelling showed there was “significant variability” beyond that point. So much so, KPMG said, that going forward TimberWest’s private lands might yield just 1.1 million cubic metres per year and perhaps, with the right investments, a harvest level of 2.2 million.¹⁷ As the data presented here demonstrates, TimberWest’s five-year logging average of 2.58 million cubic metres runs well ahead of 2.2 million and far, far ahead of the 1.1 million cubic metres that its auditor says may be sustainable in the long run.

As for Island Timberlands, its owner Brookfield Infrastructure Partners L.P., reported to shareholders in December 2007 that the company’s private forestlands in BC contained 58 million

Table 1: TimberWest Private Land Logging 2003–2007

Year	Total private land logging (millions of cubic metres)	Douglas fir component (millions of cubic metres)
2003	2.31	1.32 (57%)
2004	2.75	1.68 (61%)
2005	2.89	1.82 (63%)
2006	2.61	1.89 (72%)
2007	2.36	1.73 (73%)
Total	12.92	8.44 (65%)
Average	2.58	1.68 (65%)

Source: BC Harvest Billing System, www.for.gov.bc.ca/hva/hbs/index.htm.

Table 2: Island Timberlands Private Land Logging 2003–2007

Year	Total private land logging (millions of cubic metres)	Douglas fir component (millions of cubic metres)
2003	1.52	.968 (64%)
2004	1.92	1.08 (56%)
2005	2.05	1.15 (56%)
2006	2.08	1.20 (58%)
2007	2.21	1.25 (57%)
Total	9.78	5.65 (58%)
Average	1.95	1.13 (58%)

Source: BC Harvest Billing System, www.for.gov.bc.ca/hva/hbs/index.htm.

Table 3: Western Forest Products Private Land Logging 2003–2007

Year	Total private land logging (millions of cubic metres)	Douglas fir component (millions of cubic metres)
2003	192,644	24,414 (13%)
2004	386,651	38,218 (10%)
2005	325,631	54,961 (17%)
2006	201,536	32,684 (16%)
2007	326,749	84,830 (26%)
Total	1.43 million	235,107 (16%)
Average	286,000	47,021 (16%)

Source: BC Harvest Billing System, www.for.gov.bc.ca/hva/hbs/index.htm.

cubic metres of “merchantable” timber, of which approximately 28 million cubic metres was Douglas fir. The prospectus went on to say that a long-run sustained yield or long-term log harvest on its private forestlands in BC would be 1.8 million cubic metres annually.¹⁸

When such numbers are viewed against what has actually been logged on those lands over the past five years, it appears that all merchantable timber could be cleared in 30 years, and that all remaining, merchantable Douglas fir could be completely logged in 25 years – far sooner than a new crop of timber can be grown. Such time frames show that a seismic shift is underway in terms of how the coastal forest resource is viewed, at least by shareholders at TimberWest and Island Timberlands.

The received wisdom once was that old-growth forests would be cleared of their merchantable trees over a century or more and that new generations of trees would be more or less cropped continuously every 80 or so years.¹⁹ The 80-year “rotation” between tree crops appears to be a myth. Today’s private land timber barons have halved that number or better. Trees are logged at younger and younger ages to fund shareholder profit. The very idea of managing forests for maximum value over long time frames is dropping faster than a stone through water. This

Trees are logged at younger and younger ages to fund shareholder profit. The very idea of managing forests for maximum value over long time frames is dropping faster than a stone through water.

Fir Forests as Carbon Sinks

Field studies on carbon uptake and carbon release from Douglas fir forests on Vancouver Island have been in place since 1997 and are ongoing.

As a result, scientists know that forest age plays a key role in determining whether forests are CO₂ sources or CO₂ sinks.

Logging activities, in particular, result in CO₂ releases. The outflow of carbon dioxide, moreover, continues for some time following logging because of generally high decomposition rates in logging blocks. This is only offset over time as trees and vegetation rebound on harvested areas and begin to store sufficiently large amounts of carbon once again.

In a 2006 report in the journal *Agricultural and Forest Meteorology*, a team of scientists from the University of British Columbia and the Canadian Forest Service reported that a logged area of Vancouver Island Douglas fir-dominated forest was a “large source” of CO₂ emissions.²⁰ The same study reported that a similar and nearby fir forest was still a “moderate” CO₂ source 14 years after logging, while yet another fir-dominated forest was on the positive side of the CO₂ ledger, but only moderately so 53 years after logging had occurred and when the older trees had reached a size where they were really beginning to shade the once exposed ground.

The observation that 50-plus year forests are only beginning to come into their own as CO₂ sinks is, in light of contemporary efforts to reduce global greenhouse gas emissions, of note. A recent report has suggested that when old-growth coastal forests dominated by fir and hemlock are logged, the total carbon storage of the forest is reduced for at least 250 years.²¹

Under current logging operations in coastal BC, companies are harvesting second-growth and third-growth fir trees before they even reach age 50.

is a particular concern at a time of heightened awareness over the harmful effects of global warming and efforts by BC and other jurisdictions to lower CO₂ emissions, as forests, and older forests in particular, are major storehouses of carbon (see *Fir Forests as Carbon Sinks*).

The picture at Western Forest Products is harder to decipher, mostly because the company has nowhere near as much private forestland as its two counterparts. It has the distinction, however, of having the largest share of logging rights on public or Crown lands of any company operating on BC's coast, and directly controlling about half of the annual log harvest on those lands.

The company is, however, debt ridden (\$135 million as of May 2008 following a debt restructuring²²) and there is rampant speculation that other mills in its portfolio may be vulnerable to closure. Lately, it has emerged that one way the company plans to pay down debt is by selling portions of its private forestlands – something that Island Timberlands and TimberWest also intend to do, although in their cases debt is not an issue. A second way WFP may pay down debt is by targeting the most commercially prized trees on its private lands for logging. Last year, for example, logging of Douglas fir on WFP's private lands hit 85,000 cubic metres – a two-and-a-half-fold increase over the previous year, and the highest level recorded, by far, over the five years examined in this report.

It is no coincidence that both of these developments occurred in 2007. In January of that year, the province announced it had granted WFP's request to delete 28,000 hectares of private land from its three coastal tree farm licences or TFLs, primarily on southern Vancouver Island.²³ The decision, as earlier noted, triggered widespread opposition. Unease over the removal of the lands from the TFL was particularly acute in First Nations communities because in most cases the province has failed to resolve outstanding aboriginal land claims. Alienating private forestlands by potentially selling them to a number of small landowners further complicates resolution of such claims.

TFLs are area-based forest tenures awarded to companies by the provincial government. In years gone by, major private forestland owners agreed to roll their private forestlands into the TFLs, which encompassed large tracts of Crown or public forestland. In exchange for agreeing to manage the combined lands – public and private – as forestlands, the companies received generous tax breaks because the private lands were no longer valued or taxed as lands that housing, commercial or industrial developments could be situated on. There was an implicit agreement that the new holders of Crown timber were in the forestry as opposed to land speculation business. Once removed from TFLs, private forestlands are no longer subject to various forestry regulations. The end result is that logging rates on private lands tend to shoot up once they are removed from TFLs. In Island Timberlands case, logging rates in 2005 – the first full year after private forestlands were removed from the company's TFLs – were 35 per cent higher than in 2003. Significantly, exporting raw logs from private forestlands is also much easier than it is from public lands. As a result, we can expect WFP's logging rates on private lands to increase in response to new export opportunities.²⁴ We can also expect a good chunk of those lands to be advertised for sale to developers, something that was not allowed when the private lands were bundled with the public lands and managed as one unit.

Once removed from TFLs, private forestlands are no longer subject to various forestry regulations. Significantly, exporting raw logs from private forestlands is much easier than it is from public lands. As a result, we can expect WFP's logging rates on private lands to increase in response to new export opportunities.

The Big 3 Eye Real Estate Opportunities

For more than a century the lands currently owned by the Big 3 were valued primarily for their unsurpassed wealth of old-growth fir, cedar, spruce and hemlock trees. Few places boasted trees of such size and quality. Back in the early decades of the last century, it seemed incomprehensible that so much biological capital could ever be spent. But by the 1950s or so, the end was in sight. The companies that owned the lands needed more timber and the province soon provided it in the form of long-term access to Crown or public forestlands. Those licences came to be known as tree farm licences or TFLs.

British Columbians and the companies alike benefited from the new access. Increased logging of public forests meant the province collected more revenues in the form of stumpage or timber-cutting fees. The money helped pay for public works and social programs. The province also got more in personal and corporate taxes as new mills were opened in Vancouver Island communities. The mills materialized because the province required the companies to build them as a condition of their new licence agreements – a policy known as appurtenancy.

For the companies the benefits were obvious: exclusive access to new supplies of extremely valuable timber and low taxes on their “rolled in” private forestlands. The companies did, it must be said, agree to meet all relevant forestry regulations on both the public *and* private components of their timber portfolios. But this wasn’t particularly onerous because with the

private lands depleted of much of their old-growth timber, there were few costs to incur. More and more, it was the old-growth forests on public lands where the companies concentrated their efforts, oftentimes with disastrous environmental results. Meanwhile, the logged tracts of private forest began a recovery as the second-growth trees grew.

Today, the situation on private lands is vastly different. Having successfully petitioned the province to allow them to remove their private lands from their TFLs, private landowners are aggressively stripping their lands of second-growth trees. But there is another reason for pulling the private lands out of the TFLs. The timber companies can then hive portions of them off to sell as real estate, a so-called “higher and better use” of the lands.

Higher and better use (or HBU) is music to shareholders’ ears but a betrayal of the public trust. Forest-sector workers, conservationists, municipal and regional government officials and elected leaders, outdoor recreation enthusiasts, rural residents, First Nations and others were all led to believe that such lands were to be managed sustainably now and in future years as forestlands.

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The breadth of opposition to the permanent conversion of forestlands to real estate was most recently highlighted in January 2007, when the Ministry of Forests gave WFP permission to remove 28,283 hectares of managed private forestlands from its three TFLs on Vancouver Island.²⁵ In the months that followed, large tracts of forestland within sight of Juan de Fuca Strait near the community of Sooke went up for sale. By October of that year, WFP confirmed widespread rumours that it had a prospective buyer for 2,550 hectares of those lands. The company reported at the time that the lands were considered part of its “non-core assets” and that those assets, if sold, could generate \$150 million to \$180 million.²⁶

The prospect of sprawling housing developments on WFP’s private forestlands prompted widespread public protest and triggered an inquiry by BC’s Auditor General. This followed an appeal by the Sea-to-Sea Greenbelt Society which was prepared by the University of Victoria’s environmental law clinic (see *Having its Cake and Eating it Too* on page 19).²⁷ It also prompted the Capitol Regional District to vote in support of a down-zoning, which would drastically restrict how many houses could be built on WFP private forestlands were they sold to a developer.²⁸ On July 16, 2008 the Auditor General released its report, which sharply criticized the government for approving the removal of the private lands “without sufficient regard for the public interest.”²⁹ Among other things, the AG’s office chastised the government for failing to consult with key interest groups, including the CRD.

WFP intentions, however, pale in comparison to those of TimberWest and Island Timberlands. In releasing its fourth quarter results for 2007, TimberWest reported that of its approximately 322,000 hectares of private forestland, up to 54,136 hectares (134,000 acres) are more suited for other uses.³⁰ If all these lands were sold, it would reduce TimberWest’s private forestland base by 17 per cent.

How this would affect the company’s sustainable logging rates moving forward is unclear, but it would seem to reinforce the assertion of its auditor, KPMG, that in future years logging rates will have to decline relative to today’s rates for the simple reason that the land base will be unable to accommodate the present-day harvest.

Having its Cake and Eating it Too

Western Forest Products is the latest company to receive permission from the BC government to remove or delete its private forestlands from forest tenures known as Tree Farm Licences or TFLs.

TFLs are a common form of forest tenure, and have been in place in BC for decades. They are area-based and generally take in large tracts of Crown or public forest. Holders of TFLs are granted exclusive access to timber, which provides them a great deal of certainty when devising their business plans. It is generally accepted that long-term, area-based tenures make it much easier for companies to attract investment capital and/or build or upgrade new mills.

In decades past, companies with significant tracts of private forestland elected to roll the private lands into what became TFLs and to manage the combined lands for forestry purposes. It is significant that the combining of the private and public land components occurred roughly a half century ago – a time when the old-growth forest resource on much of the private forestland base was largely exhausted. Thus, the province’s decision to open up public lands to industrial logging interests was both timely and advantageous for the companies concerned.

TFLs are known as “evergreen” licences, in that they are routinely renewed. However, they do regularly come up for renewal, at which time the province can elect to cancel or reassign them. It is this power that was the focus of an appeal to the provincial Auditor General by the Environmental Law Clinic at the University of Victoria on behalf of the Sea-to-Sea Greenbelt Society. The Auditor General was asked and later agreed to review the Minister of Forests’ approval of WFP’s request to delete its private forestlands from its TFLs.

The law clinic argued that the Minister of Forests “may have had a legal obligation to at least consider cancelling” the Crown portions of WFP’s TFLs in the event that it allowed the company to remove its private forestlands from those tenures.³¹

The clinic further noted that under BC’s Forest Act, the minister has the power to cancel licence agreements in the event that the corporate control of the licence holder changes, something that happened when Tricap Management Ltd’s purchase of millions of WFP shares in May 2006, well before the minister’s January 2007 decision allowing WFP to delete its private lands from its TFLs.

The reason for allowing the minister to have such powers is that changes in company ownership may be accompanied by significant changes in company direction, which may negatively affect the public interest, the law clinic letter said. In the case of WFP, the change in company ownership resulted in the company moving aggressively to sell highly productive private timberlands for coastal real estate developments, a move that sharply contrasted with the company’s previous business focus, which was forestry.

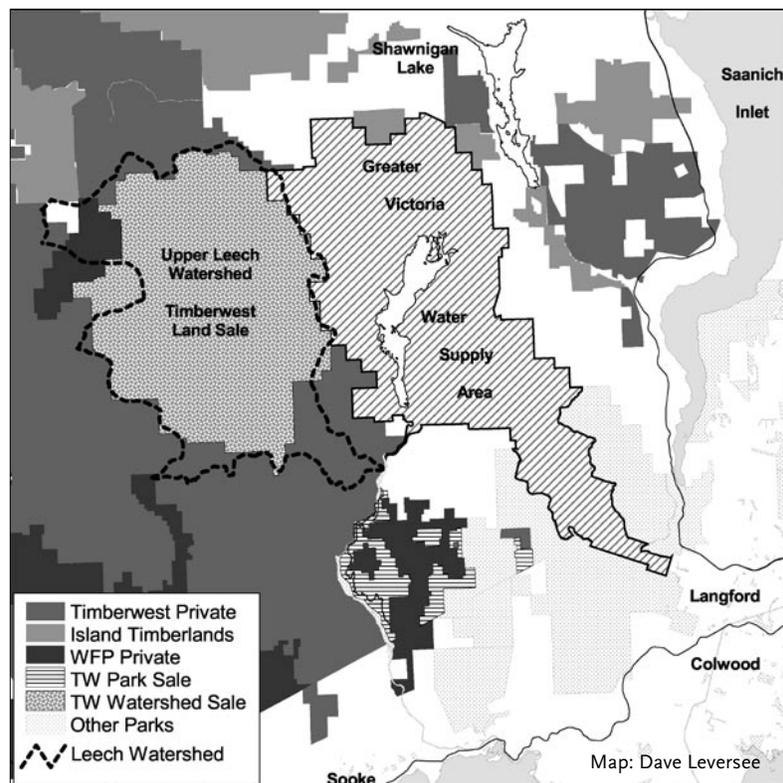
By allowing WFP to delete its private forestlands without taking all or a portion of the company’s Crown forest holdings back, the clinic alleged that the forests minister was letting WFP “have its cake and eat it too.”

Island Timberlands also has a significant amount of its private forestlands in BC earmarked for real estate development. In a report to its shareholders, Island Timberlands' parent company – Brookfield Infrastructure Partners – lists its private timber holdings in BC as 634,000 acres (256,136 hectares) and of those lands it says that 33,625 acres (13,584 hectares) are suitable for higher and better uses.

How much company shareholders would benefit from the sale of all designated HBU lands is unclear. But one substantial sale in August 2007 offers an indication. That was when TimberWest sold more than 9,700 hectares of HBU lands to the Capitol Regional District and the Land Conservancy of British Columbia. The bulk of those lands – 8,791 hectares in the Leech River watershed – were purchased by the CRD at a cost of \$58.9 million or \$6,700 per hectare. The purchase was done to protect a “future water source” for Greater Victoria. Local residents will cover the purchase cost through special levies on their water bills. The remaining lands, purchased by the Conservancy at a cost of \$5.8 million or \$6,223 per hectare, went to create new parkland in the so-called Sea-to-Sea Green Blue Belt, a linear band of parks stretching between Sooke and the Saanich Peninsula and including lands in the Sooke Potholes region, which is renowned for its cliffs and water pools.³² Of course, per hectare prices for lands intended for housing and commercial developments would be much higher, suggesting that HBU translates into LOD (Lots of Dough) for the Big 3, in the hundreds of millions of dollars, if all such lands are sold. It is also a strong indication that shareholder pressure to be cash rich in the short term is the overriding objective as opposed to making investments in sustainable forestry, and upgraded or new mills that would deliver returns, but only in the longer term.

Meanwhile, private forestlands not earmarked for sale for real estate continue to generate other financial benefits to their owners, but at increased cost to the public.

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Private Land: Counting the Advantages

In a presentation to investors at a conference in Whistler in February 2006, TimberWest CEO Paul McElligott noted how private forestland owners held several “advantages” over their counterparts on public lands. Private landowners enjoyed “less prescriptive” regulations, he said, code for relaxed environmental rules. They also had a greater ability to export logs from those lands. Both of these things meant “enhanced” revenues, McElligott said.³³

One of the more contentious issues occurring on private forestlands, a phenomenon tied to escalating logging rates, is the usable logs that are left behind at logging sites. Photographs published with this report provide graphic evidence of the wood left behind following logging activities on private lands. But putting numbers to the waste is not easy. Private landowners, unlike their public counterparts, are not required to report such data. An estimate is, however, possible by taking wood waste as a percentage of the total log harvest on public lands and applying the same ratio to the private land log harvest.

Some private landowners may respond that this approach overestimates their waste because their logging costs are lower. For example, they pay no stumpage. Hence, there is an incentive to transport more marginal logs out of the bush. Critics may counter, however, that because private companies pay no penalty for usable logs left on the ground (a penalty their public counterparts pay), they are free to take the best logs and leave the rest behind. Therefore, waste levels on private lands may exceed those on Crown lands. Perhaps to clear the air private forestland owners should permit such an audit. In the meantime, an estimate must suffice.

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A reasonable starting point for such an estimate is to assume parity between private and public lands. Once this is done, employment numbers published by BC Stats are used to estimate the number of jobs that would have been generated had the wasted logs been processed instead.³⁴ Similarly, wasted logs release CO₂, in some cases slowly, in other cases more rapidly, depending on site-specific conditions (how dry or wet the logging site is) or whether the wasted logs are burned or left to rot and decay. The release rate of CO₂ would be far slower and hence far more manageable if so-called “waste” is turned instead into solid wood products such as lumber. Lumber framing in a house may have a shelf life of a century or more, during which time all of the stored carbon that the lumber contains is locked in place. Thus, there are both economic *and* environmental plusses to putting the trees we log to use.

The most controversial aspect of private land logging, however, relates to raw log exports. Every log exported represents lost jobs in BC, a reality that further harms rural communities already hard-hit by the closure of numerous mills.

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Arriving at figures for how many log exports are attributable to the Big 3 is made difficult by the fact that WFP and Island Timberlands are relative newcomers to the private land logging business and because the provincial and federal governments do not report log exports by company. TimberWest, which bills itself as in the business of log production and marketing, does, however, report regularly to its shareholders on export volumes. The figures in the following three tables provide detail on the three major markets for the company’s logs and also hint at what may lie ahead both for TimberWest and the others in the Big 3.

As TimberWest’s log production and sales information illustrates, export markets are extremely lucrative. While total log exports to Asian and US markets were by volume just 74 per cent of

Table 4: The Big 3 – Private Land Log Waste, Jobs Foregone, CO₂ Emissions 2003-2007

Logs wasted	Mill jobs foregone	CO ₂ emissions
2.36 million m ³ (472,000 m ³ per year)	320 per year	2.17 million tonnes (from five year’s wood waste)

Sources: Author’s estimate based on analysis of BC Harvest Billing System. For log waste figures, the HBS database was used to access data on logging volumes and usable log waste on *public* lands. A ratio of wood waste to timber logged on public land was then applied to the timber logged on private lands. For jobs foregone, BC Stats employment figures for the forest industry were used. These figures were then compared with Harvest Billing System data and a ratio of jobs to timber harvested over the five-year period was derived. For CO₂ emissions, the following calculation from the Canadian Forest Service is used: Multiply wood volume by .5 to arrive at weight. Multiply weight by .5 to arrive at carbon content. Multiply weight by 3.667 to convert carbon content to CO₂.

Table 5: Log Exports from BC (Private and Public) 2003-2007

Fiscal year	Volume exported (millions of cubic metres)	Jobs foregone
2002/2003	3.83	2,568
2003/2004	3.24	2,877
2004/2005	3.77	2,440
2005/2006	5.04	3,335
2006/2007	4.12	2,953
Average	4.00	2,835

Sources: BC Ministry of Forests Annual Service Plan reports for 2002/03, 2003/04, 2004/05, 2005/06 and 2006/07. Projected job losses are the author’s estimate based on BC Stats data on forest product manufacturing jobs. A ratio of jobs to timber harvested is used to estimate the jobs foregone from exported logs.

what TimberWest sold domestically, the total value of those exports exceeded domestic sales by 7 per cent, with prices paid in Asian markets well exceeding those in BC. It is difficult on the basis of raw aggregated data on log volumes to know, however, just what these figures tell us.

First, there are nagging questions about how healthy and functioning is the “open” log market in BC. Do all potential domestic log buyers have access to sales? Do the limitations on *some* log exports cause price distortions? Second, the higher value of log exports may simply be a function of the company channelling the highest quality logs onto the export market. It could also be a function of lower operating costs in other jurisdictions or that other jurisdictions have made investments in new mills that are capable of processing logs at lower costs and therefore can afford to pay more for the logs going into those mills. Third, TimberWest was itself a major purchaser of the logs it produced and sold on the domestic market because during this period it operated a sawmill at Elk Falls in Campbell River with an annual lumber production of 118 million board

Table 6: TimberWest Log Volumes by Sales Destination 2003–2007

Year	Domestic	Asia	US	Combined export
	cubic metres			
2003	2,082,700	692,200	613,800	1,306,000
2004	2,099,900	694,400	457,800	1,152,200
2005	1,965,800	853,300	795,700	1,649,000
2006	1,609,500	985,200	492,500	1,477,700
2007	1,417,800	734,500	488,900	1,223,400
Total	9,175,700	3,959,600	2,848,700	6,808,300

Sources: TimberWest 4th Quarter Interim Reports for 2004, 2006 and 2007.

Table 7: TimberWest Log Sale Values by Destination 2003–2007

Year	Domestic	Asia	US	Combined export
	millions			
2003	\$178.4	\$106.6	\$55.1	\$161.7
2004	\$181.6	\$109.3	\$46.7	\$156.0
2005	\$141.4	\$115.0	\$71.5	\$186.5
2006	\$127.8	\$127.6	\$47.8	\$175.4
2007	\$122.1	\$82.4	\$41.9	\$124.3
Total	\$751.3	\$540.9	\$263.0	\$803.9

Sources: TimberWest 4th Quarter Interim Reports for 2004, 2006 and 2007.

Table 8: TimberWest Average Log Prices by Destination 2003–2007

Year	Domestic	Asia	US
	per cubic metre		
2003	\$85.65	\$154.00	\$89.76
2004	\$86.48	\$157.40	\$102.01
2005	\$71.93	\$134.77	\$89.85
2006	\$79.40	\$129.51	\$97.05
2007	\$86.11	\$112.18	\$85.70
Average	\$81.91	\$137.57	\$92.87

Sources: TimberWest 4th Quarter Interim Reports for 2004, 2006 and 2007.

feet. To produce that much lumber, the mill needs about 518,000 cubic metres of logs per year. The relative value of the logs run through that mill, versus logs earmarked for export, may be quite different, resulting in price distortions between the domestic and export markets.

One thing is for certain, however. TimberWest is out of the business of processing logs in British Columbia. In May, it closed its Elk Falls mill at a loss of 257 jobs.³⁵ The closure completed the company's longstanding strategy of becoming a pure log marketer, and will in all likelihood put further upward pressure on raw log exports for the simple reason that its only mill is gone and that many other BC coastal mills are no longer operating.

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Private Forestland Reform Proposals

As the figures published in this report attest, logging trends and proposed land use changes on private forestlands are not encouraging. The Big 3 are logging more trees, exporting more logs and readying to sell more forestland for real estate than ever before. As this plays out against a backdrop of ever diminishing old-growth forest, both on private and public lands, and a continuing and devastating loss of forest industry jobs, particularly at coastal mills, feelings of concern are morphing into outright panic and a sense of pending crisis.

The result is the emergence of a loose but broad coalition of loggers, mill workers, environmentalists, First Nations, municipal councillors, rural residents and others. Within this coalition, there are differences of opinion over how private forests should be managed and, in particular, where logging should occur and where it should be restricted. But there is broad support for the idea that private forestlands should not be converted to other uses that they were never intended for. Not only does converting forests into blacktop and sprawling suburban developments subvert time-consuming and costly regional planning processes that were conducted in the good faith belief that forestlands were just that, but also it seriously compromises future economic and environmental options including protecting riparian forests, which are instrumental in conserving water supplies and fisheries resources.

In the case of WFP's proposed sale to a real estate developer of lands in the Sooke area, this sentiment found its strongest expression in a decision by the Capitol Regional District to down-zone the land, a move that could dramatically lower its sales value by restricting the number of

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houses that can be built on it. When Duncan Kerr, WFP's chief operating officer, first learned of the down-zoning he responded with a thinly veiled threat to escalate logging activities by, in his words, operating "to the capacity of the land," a move he said would make the now forested lands "absolutely look different."³⁶

Threats aside, WFP acknowledged that the CRD's down-zone decision could ultimately scuttle the purchase offer and that there is little the company can do about it. "There is no assurance that this intended transaction will close or that other land sales will be completed, or when they may ultimately be completed."³⁷ In the meantime, however, WFP has attempted to do an end-run around the CRD. Taking advantage of a delay by Municipal Affairs Minister Ida Chong in approving the CRD's down-zoning, the company applied to the provincial Minister of Transportation and Highways (MOTH) to have the old zoning rules applied. MOTH has approval authority for zoning reapplications on unincorporated lands. While MOTH is supposed to be guided in its decisions by local municipal, or regional government zoning bylaws, the question in this case is whether it will feel bound by the zoning rules in place at the time of WFP's application or by the new zoning rules introduced by the CRD.

There is broad support for the idea that private forestlands should not be converted to other uses that they were never intended for.

WFP, no doubt, knows that similar down-zoning decisions affecting private forestlands were made by municipal and regional governments in Saanich and the Gulf Islands. All of which is by way of saying that private property owners, be they owners of large tracts of forestland or individual homeowners or small businesses, are subject to zoning changes. Nothing is guaranteed with private property ownership. And that is how it should be, because without regulation, the public interest would be at risk.

Bearing this in mind, what policy changes should various levels of government – municipal, provincial and federal – implement to protect the public interest?

Municipal or Regional Government

1. Enact new zoning rules to maintain the lowest possible housing densities on forestlands that private landowners may wish to flip for development purposes.

Zoning changes are often hotly debated and contested. When such changes occur they often result in one party claiming that their "rights" will be adversely affected. Hence, zoning changes are emotionally charged and often highly politicized events. In the case of zoning changes governing private forestlands, however, there is generally widespread support for retaining these lands as forests, and with good reason. The history of these lands, after all, is that they originated in a 19th century land-grant from the provincial government to industrialist Robert Dunsmuir to help him to finance construction of a Vancouver Island railroad, a project that was expected to benefit British Columbians generally by ensuring industrial development. (The authority for these lands subsequently transferred to the Dominion government in 1885, which is why today it falls to the federal government, not the province, to set rules governing such things as log exports.) For decades, companies owning private forestland received generous tax breaks for managing them as such. They later rolled some of those lands into newly bestowed public forest tenures (Tree Farm Licences). In so doing, they agreed to manage the private lands to the same standard as public lands and were prevented from hiving off and selling the private

lands. Now the same companies behave as if, all along, they were operating land banks and were free to cash in certain assets without incurring any penalties. Down-zoning is a powerful way to tell the companies that they are mistaken in that belief.

2. Where forestlands *are* sold for development, make it a condition of sale that a percentage of the sold lands must be designated new conservation areas, parkland or community forests.

When municipalities approve new developments, developers are often asked to designate a portion of the lands earmarked for new housing as public parks or green space. A similar approach should be used in the event that forest companies attempt to sell private forestlands. Given the tens of thousands of hectares of forestland the Big 3 indicate they wish to sell, a coordinated effort by regional and municipal governments is required to ensure optimum public returns. A prudent approach would be to strategically protect lands with high public values or lands where development activities will result in unacceptable public costs. Had such a strategy been embraced early on, it is doubtful whether taxpayers in the Capitol Regional District would have been on the hook to pay TimberWest nearly \$60 million to protect future drinking water supplies.

Provincial Government

3. Enact clear rules and regulations on private forestlands that protect the public interest, are of a high environmental standard and enforced by the Ministry of Forests, and are subject to audits by the Forest Practices Board.

Because forest activities have long-term consequences for shared resources – water, air, fish, wildlife, and biological diversity – a clear set of rules that apply equally to private and public forestlands must be in place. This is not currently the case. Private forestland owners are exempt from many basic rules governing logging of public lands, for example rules regarding how many trees can be logged at any one time and wood waste. They are also governed by a separate act, the Private Managed Forest Land Act (which in turn is overseen by an independent agency – the Private Managed Forest Land Council). While the more stringent rules recommended here would result in higher costs, it must be stressed that private forestland owners face considerably lower costs when logging than do their counterparts on public forestlands who pay significant timber-cutting or stumpage fees to the province for each tree they cut down.

4. Define forestry as the primary use of private forestlands and signal to private forestland owners that they will pay steep financial penalties in the form of retroactive taxes in the event that they try to sell forestlands for other purposes.

In the 1970s, the BC government took significant steps to protect the province's small but vitally important agricultural land base by creating the Agricultural Land Reserve and an independent body to oversee it, the Agricultural Land Commission. The move was made out of recognition that there were significant development pressures facing farmlands and that despite its large land area, BC had comparably little land upon which to grow food.

For decades, companies owning private forestland received generous tax breaks for managing them as such. Now the same companies behave as if, all along, they were operating land banks and were free to cash in certain assets without incurring any penalties. Down-zoning is a powerful way to tell the companies that they are mistaken in that belief.

Because private forestlands were for decades managed as such, and because of the important ecological and social services that those lands provide, the provincial government should formally declare them to be part of BC's forestland base.

In the event that holders of private forestlands are successful in selling them for other purposes, the province should consider doing what the State of California has done to protect its farmlands. In California, some 30 million acres of land is identified as agricultural land. In an effort to halt the conversion of farmland to other uses, the state government passed the California Land Conservation Act, commonly referred to as the Williamson Act. Under the Act (1965) and subsequent revisions, farmers can enrol to have their acreage included in the program (farm properties totalling 16 million acres are now enrolled). In doing so, they sign 10-year or 20-year contracts, during which time they agree to no non-farm developments on their land. In return for managing their land as farmland, they pay lower taxes to their local county government. Longer-term contracts carry lower tax rates. In the event a farmer enrolled in the program signals that he or she will pull out, they pay escalating taxes on an annual basis until the contract expires. Furthermore, if they develop the lands *before* their contract expires, they may be liable to penalty payments of up to 25 per cent of the improved sales value of the land and up to 25 per cent of the value of the actual improvements to the land.³⁸ Such improvements include the houses or commercial businesses established on the lands.

Use of these lands for other purposes should generate much higher taxes and the higher taxes should be applied retroactively. It is simply unjustified for landholders to benefit from low forestland taxes when their true intention is to be land developers.

Given that the bulk of private forestlands in BC (those on southern Vancouver Island) originated in a massive grant of public lands and that since the 19th century grant the owners of those lands have benefited from extremely low tax rates, an intervention by the provincial government is entirely justified. Continued use of these lands as managed forests should carry a low tax rate. Their use for other purposes should generate much higher taxes and the higher taxes should be applied retroactively. It is simply unjustified for landholders to benefit from low forestland taxes when their true intention is to be land developers.

5. Require private forestland holders who also have access to public timber to make investments in new mills or risk losing a portion of their public timber holdings.

A recurring problem on BC's coast is a lack of domestic sawmills, particularly new mills to process the coast's most dominant tree species – hemlock. In the absence of local mills and appropriate investments in kiln-drying facilities to make the lumber more attractive to purchasers, companies exporting logs will clamour to export more. Linking access to timber to the building of mills was once a cornerstone of BC forest policy. Under the old model, known as appurtenancy, specific timber allotments were tied to specific mills in specific communities. While that old model may be impractical, ongoing opposition to raw log exports strongly suggests that a new model is needed to stimulate renewed investments. If the only public return from public timber is logging jobs followed by raw log exports, many people question why the timber is logged at all.



Further protection of some lands is desperately needed to conserve rare ecosystems that are under-represented in the province's current system of parks and conservation areas.

OLD-GROWTH LOGGING BY WESTERN FOREST PRODUCTS ON PUBLIC LANDS ON NOOTKA ISLAND. GARTH LENZ PHOTO

6. In the event that private forestlands are sold, require private forestland holders who also have access to public timber to turn a portion of their public holdings back to the province in order to increase forest conservation in key areas.

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about 6 per cent of the island's productive old-growth and second-growth forests are protected. Further protection of some lands is desperately needed to conserve rare ecosystems that are under-represented in the province's current system of parks and conservation areas, and in particular those forests dominated by Douglas fir. Beyond conservation, the province needs to consider whether the relative rarity of southern Vancouver Island's Douglas fir forests requires new logging regulations on private forestlands that ensure protection of forest ecosystems.

7. Stimulate domestic demand for logs by requiring forest tenure holders to channel half of everything they harvest to regional markets where open bids determine the price of logs.

Regional log markets would generate new jobs sorting, grading and readying logs for sale, stimulate regional forest product manufacturing and under-cut allegations that BC log prices are subsidized by creating a transparent means for determining the value of its logs. Market prices for logs would then form the benchmark for stumpages charges by species and grade on all remaining timber.

8. Further strengthen log export policies by ending blanket exemptions for log exports from the northern coastal zone.

Currently, the province allows for up to 35 percent of logs harvested on the northwest coast, the mid-coast, and Haifa Gwaii (the Queen Charlotte Islands) to be exported with very low fees in lieu of manufacturing.

Federal Government

9. Require all logs harvested from private forestlands to be offered for sale to domestic buyers, with sellers having the option to market the logs through regional markets. If no domestic buyer steps forward, log sellers could then turn to export markets but would be required to pay a fee in lieu of domestic log manufacturing.

The federal government is ultimately responsible for setting policies on log exports from the bulk of private forestlands on Vancouver Island. That is because it originally granted those lands to railway interests and others prior to legislative changes in 1906. In the five years covered in this report, log exports from lands under federal jurisdiction constituted on average more than 62 per cent of all shipments. In response to a review of log export policy and mounting calls for action to address a faltering coastal forest industry, the provincial government brought in a new fee-in-lieu structure for log exports under its Crown land jurisdiction. That policy tied the fees to export charges on US-bound BC lumber shipments as a result of the Canada-US Softwood Lumber Agreement.³⁹

At a minimum, a federal fee applied to private lands should be as much as that established by the province.

Conclusion

Logging rates, log export trends and land sales on private forestlands do not bode well. Worse, if new mills are not built to replace some of the many mills that have closed on the coast in the past few years, there will be increased pressure to export more logs, with potentially serious consequences for Vancouver Island's environment and economy alike. It is in everyone's interest – including the major private forestland owners themselves – that forestry operations are conducted in a sustainable manner and that public expectations are reasonably met.

Private forestland owners have reaped enormous financial benefits in the form of lower tax rates and favourable regulations. It is incumbent on all levels of government – municipal, provincial and federal – that reasonable restrictions are placed on those owners when it comes to selling forestlands for other purposes, logging forestlands at unsustainable rates, or selling every stick of timber to out-of-country buyers.

Notes

- 1 Capital Regional District, 2003.
- 2 BC Ministry of Environment, Lands and Parks, 1999.
- 3 BC Ministry of Forests, 2006.
- 4 Arsenal, 1998.
- 5 AF Lill and Associates Limited, 2002.
- 6 For a summary of important dates in TimberWest's corporate history visit www.timberwest.com/compinfo_history.cfm.
- 7 For a history of the Youbou sawmill closure visit the Youbou Timberless Society web site at www.savebcjobs.com.
- 8 TimberWest, 2008a.
- 9 Hamilton, 2005.
- 10 Western Forest Products, 2005.
- 11 Economics and Trade Branch, BC Ministry of Forests, 2008.
- 12 Brookfield Asset Management, 2006.
- 13 The database is maintained by the BC Ministry of Forests and is known as the Harvest Billing System. The database allows for customized searches of logging volumes by species on both public and private lands. On public lands, the database also provides information on stumpage rates paid. To access the database visit www.for.gov.bc.ca/hva/hbs/index.htm.
- 14 KPMG, 2006.
- 15 TimberWest, 2007.
- 16 McElligott, 2006.
- 17 KPMG, 2006.
- 18 Brookfield Infrastructure Partners, 2007.
- 19 M'Gonigle, 1994.
- 20 Humphreys, 2006.
- 21 Wilson, 2008.
- 22 Hamilton, 2008.
- 23 Western Forest Products, 2007a.
- 24 The provincial government, which approved the removal of WFP's private lands for its TFLs in January 2007, stipulated that for three years WFP would not be able to export logs from those lands. Barring any policy changes, that restriction will end in less than two years.
- 25 BC Ministry of Forests, 2007a.
- 26 Western Forest Products, 2007b.
- 27 Kines, 2007.
- 28 *Victoria Times Colonist*, 2007.

- 29 Auditor General of British Columbia, 2008.
- 30 TimberWest, 2008b.
- 31 Environmental Law Clinic, University of Victoria 2008.
- 32 TimberWest, 2007.
- 33 McElligott, 2006.
- 34 BC Stats, 2008.
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NATIONAL OFFICE

410 – 75 Albert Street
Ottawa, Ontario K1P 5E7
tel: 613 563 1341
fax: 613 233 1458
ccpa@policyalternatives.ca

BC OFFICE

1400 – 207 West Hastings Street
Vancouver, BC V6B 1H7
tel: 604 801 5121
fax: 604 801 5122
ccpabc@policyalternatives.ca

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