

# BC's Tenure System in a World Context



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**“Creating New Opportunities: Forest Tenure & Land Management in BC”**



# FOREST SECTOR MILL CLOSURES

SEPT 1, 2004 – March 31, 2006

Pulp	9
Paper and Paperboard	13
Newsprint	4
Lumber	22
Board	3





October 11, 2006:

Domtar announces indefinite closure of four sawmills

Matagami

Val d'Or sawmills

Lebel-sur-Quévillon

The Nairn Centre

Approximately 950 employees affected by the closures.



## Creating New Opportunities: Forest Tenure and Management in BC

Several Provinces have set up task forces to assess the problems facing the forest industry and make recommendations:

- ❖ British Columbia Competition Council
- ❖ Ontario Minister's Council on Forest Industry Competition
- ❖ Alberta Forest Industry Competitiveness Project



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Each of these inquiries cites the provincial forest tenure system as a root cause of the forest industry's problems and sees

## **tenure reforms**

as important components of forest sector restructuring.





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Why are Crown forest tenures such powerful instruments of public policy?





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By legally establishing the rights that are granted through Crown forest tenures and the various conditions that must be met in order to exercise these rights governments can guide the behavior of tenure holders towards what they perceive as socially desirable goals.





## Creating New Opportunities: Forest Tenure and Management in BC

The history of forest policy in the Canadian provinces since confederation has largely been a story of crown forest tenures evolving to accommodate changing public attitudes towards forest resources and to meet increasing demands placed upon them.







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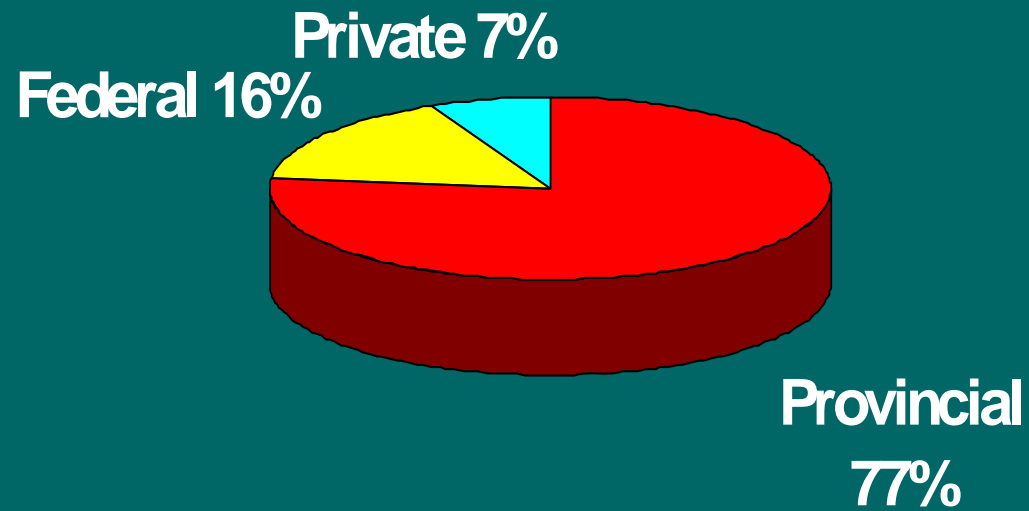
# Some Features of Canada's Crown Forest Tenure Systems





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# Ownership of Canada's Productive Forestland



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### Public Forestland Ownership by Country

Country	Public Land %	Country	Public Land %
Australia	72	Brazil	77
Chile	24	Finland	32
France	26	Germany	53
Japan	42	N Z	63
Portugal	7	Sweden	20
UK	34	USA	38
<b>Canada</b>	<b>93</b>	<b>BC</b>	<b>96</b>





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In most developed countries public lands are managed directly by a public agency (e.g. USFS); or a public corporation (Australia, Germany).

Canada is unique in delegating the management of most of its public forestland to the private sector by means of long-term licensing agreements –

**“Crown forest tenures”**





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**In Canada government agencies are largely relegated to the roles of regulators and enforcers.**





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The structure of contemporary provincial forest tenure systems in Canada (incl. BC) have their origins in the mid-20th century. Their objectives were threefold:

- ❖ Stimulate economic development by attracting capital investment to harvest and process old-growth timber.
- ❖ Through “sustained yield” stabilize and sustain regional economies in perpetuity.
- ❖ Ensure that forests and all the benefits they provide will be available to future generations



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But public attitudes towards and goals for forests have changed over the last 50 years

- ❖ Late 70s and through the 80s more emphasis placed multiple non-timber forest products
- ❖ 1992 Sustainable Forest management (SFM) became the major focus of forest policies
- ❖ During 90s and into the new millennium increasing concern for broad range of public goods – biodiversity, wildlife habitat, ecosystem integrity, carbon sequestration



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Reactions of governments to these shifting goals:

- ❖ Retain the fundamental features of tenure: yield controls; mill appurtenancy; export controls; non-competitive administered stumpages; controls on divisibility and transferability.
- ❖ Try to reach emerging social and environmental goals through regulations compelling tenure holders to produce an ever increasing range of public goods and environmental services.



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### Trends in governance of Canadian public forests

- ❖ Shift of public responsibilities to the private sector.
- ❖ More reliance on regulations and less on incentives and market forces.
- ❖ An administrative attitude that places low priority on the commercial values of forest land



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Domestic and global environments in which forest industry functions are going through fundamental changes

- ❖ declining supplies of economically accessible timber;
- ❖ declining timber quality;
- ❖ increasing competition from traditional and new suppliers;
- ❖ changing patterns of consumption;
- ❖ rise of China as market and competitive supplier;
- ❖ long-term downward trends in real prices;
- ❖ rising value of Canadian dollar;
- ❖ rising energy costs.





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\$ Some provinces are  
throwing money at the  
problem \$

Quebec: October, 2006 - \$300 million  
bringing total aid package to \$722  
million

Ontario: June, 2005 - \$330 million





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Other provinces – particularly BC - are tweaking existing policies in order to provide a solution to the problem.



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We believe the time has come for major reforms to the tenure system –

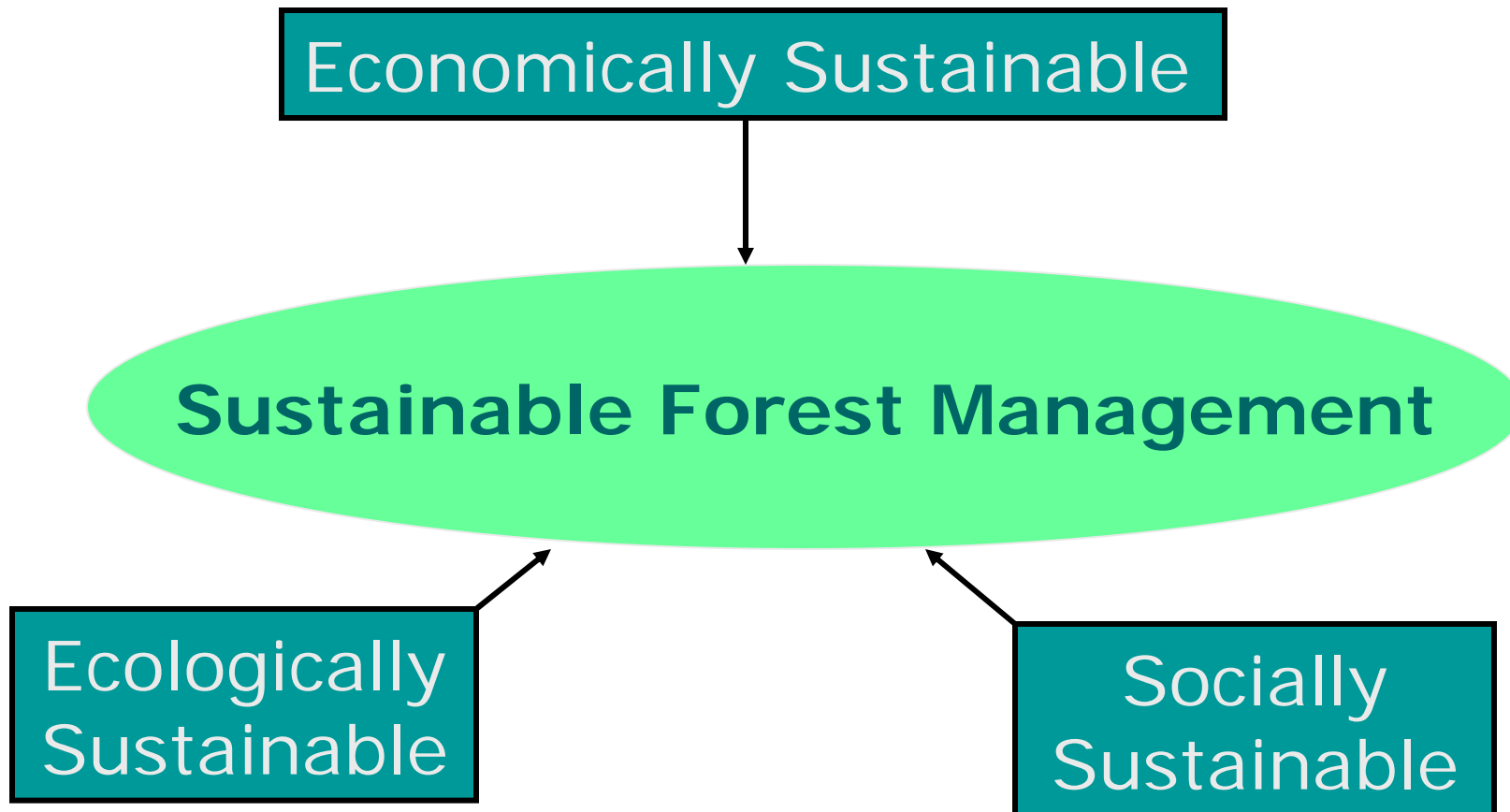
**fundamental  
institutional change**





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## Creating New Opportunities: Forest Tenure and Management in BC

### Essential attributes of a forest tenure system:

- ❖ Social acceptability
- ❖ Flexibility – to allow licensees to make optimum business decisions
- ❖ Transparency
- ❖ Security
- ❖ Diversity - in terms of size and intent
- ❖ Minimum regulatory compliance costs
- ❖ Timber pricing that promotes efficiency and is equitable





## Creating New Opportunities: Forest Tenure and Management in BC

Concern for the impact of forest tenure arrangements on industrial performance is not confined to Canada. Many industrialized countries with sizable industrial forest sectors have embarked on, or accomplished, significant reforms to their tenure systems.

**What can we learn from the experiences of these countries?**







## Alternative approaches to tenure reform:

### ❖ Tweak existing system

Positives: better the devil you know;  
avoid risks and costs associated with  
major institutional change;  
avoid negative political “fall out”

Negatives: overwhelming and pervasive  
government presence

continues;

too much command and control;  
too few market incentives;  
insecurity remains;  
difficult to create efficient and



## Creating New Opportunities: Forest Tenure and Management in BC

- ❖ Corporatization: place portion of public commercial forests under the authority of an autonomous profit maximizing public (Crown) corporation. (introduced in Australia, German, New Zealand, Sweden)

Positives: removes govt from direct management role; encourages efficiency.

Negatives: financial discipline imposed by equity and asset markets is missing;  
ever present shadow of public intervention;  
requires arrangements with First Nations;  
major opposition from NGOs,  
public service unions.



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- ❖ Privatize portion of commercial timberland and/or timber assets (carried out in New Zealand, Sweden and Victoria [Australia])

Positives: encourages efficiency;  
creates security;  
public access and protection of  
social values can be maintained.

Negatives: requires arrangements with First Nations  
massive public opposition ??;  
opposition from NGOs, public  
service unions; some private  
companies.



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## Creating New Opportunities: Forest Tenure and Management in BC

- ❖ Decentralization: devolve control over portion of public forests, including some non-timber products to semi-autonomous regional provincial forests.

Positives: encourage efficient management of total land-base;

recognize regional development objectives, resource endowments and comparative advantages;

extension of current provincial policy trajectory

Negatives: May be difficult to arrive at equitable division of benefits between regions and province at large;

government presence remains dominant.



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