

Economic Zoning in BC for Diverse Forest Values

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"A Wealth of Opportunities: Value Focused Forestry in British Columbia"

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Outline

1. Forest policy and economic zoning.
2. Competitive position of BC's regions.
3. Zoning for taking advantage of regional strengths.

The case for economic zoning.

- Wood manufacturing widely distributed in BC.
- Industry's ties to regions are changing.
- Competitive advantages have been lost.
- Economic zoning can assist diversification.

Early forest policy helped regions grow.

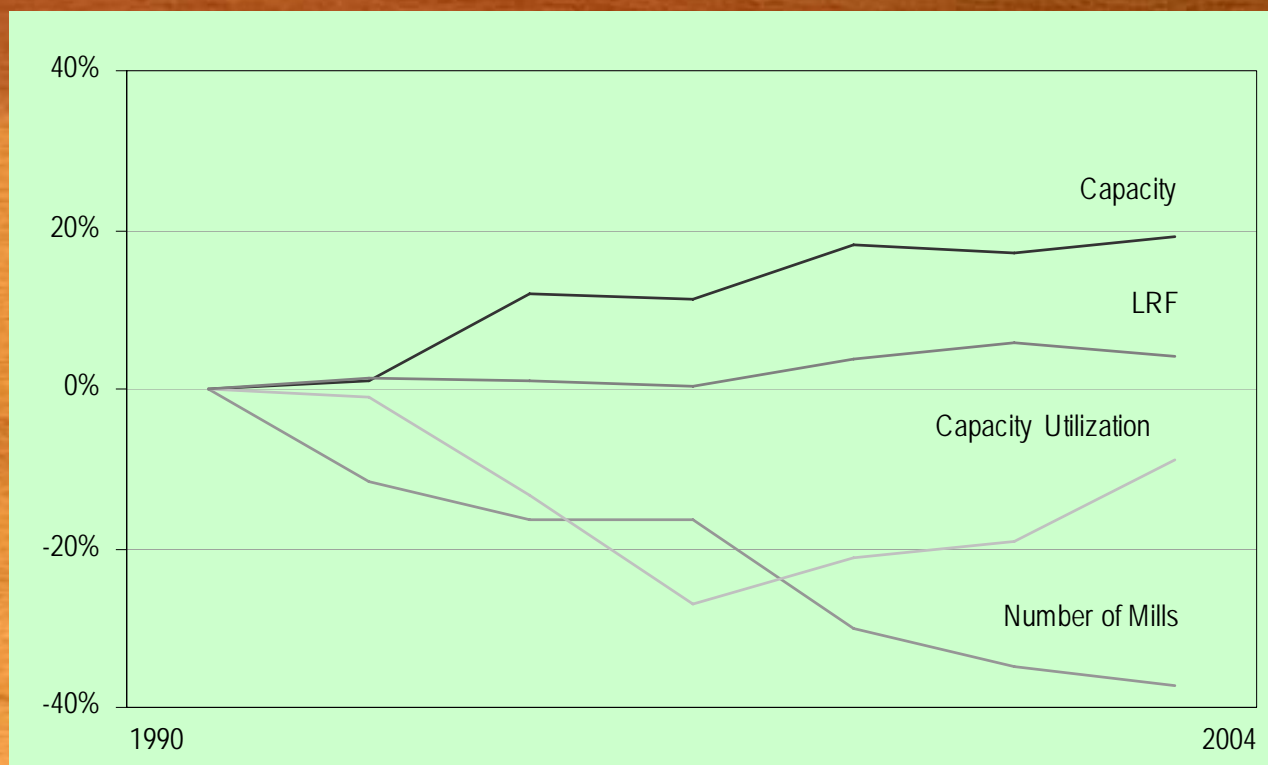
- The post-war forest boom benefited regions.
- Competitive advantage: high quality, accessible timber supply.
- Govt twinned regional & industry development.
- Forest policy favoured local production.

But industry conditions began to change.

- The price premium for wood products was disappearing.
- Industry was maturing.
- By the 1980s many regional economic indicators were in decline on the Coast.
- By the 1990s industry was showing signs of distress.

The Coastal regions suffered most...

Figure 1: Percent Change in Mill Activities, Coastal Industry, 1990 - 2004

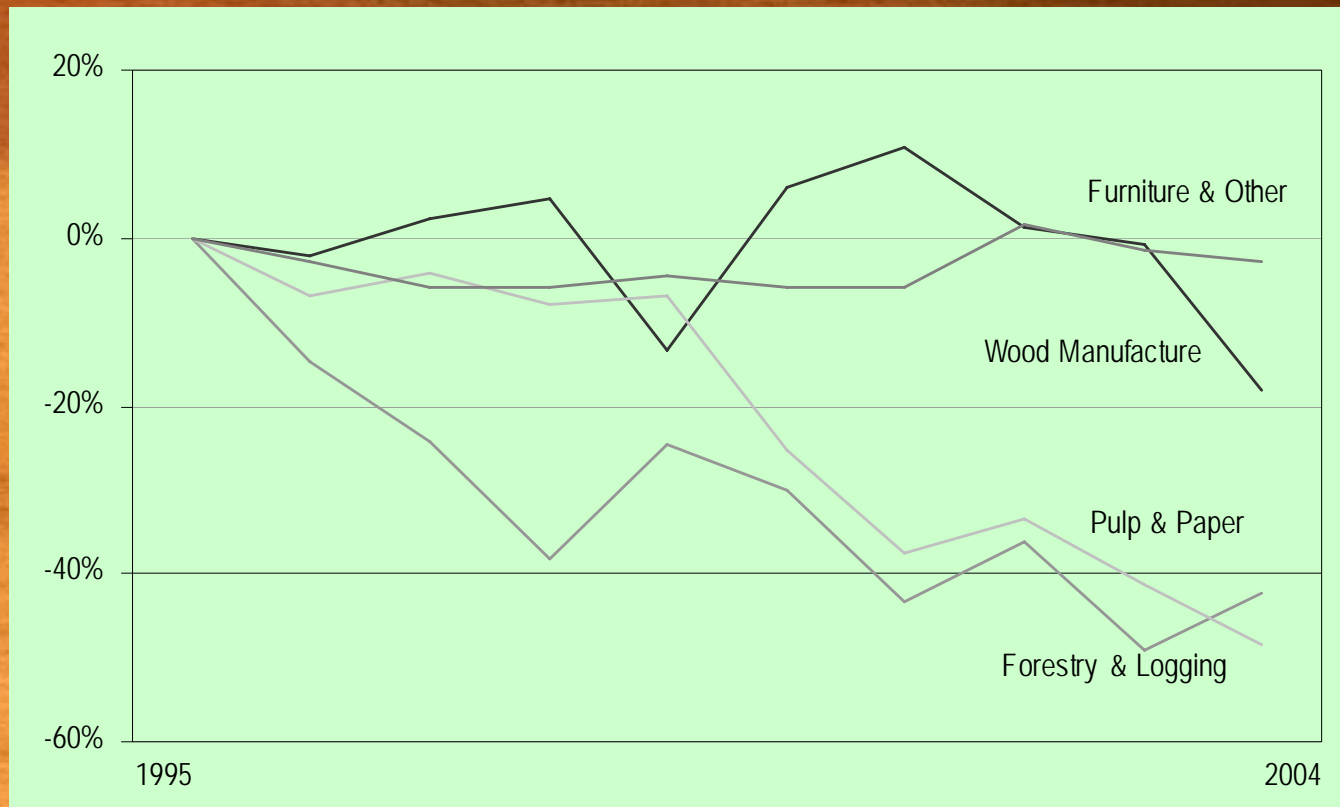


Source: Ministry of Forests

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... especially employment.

Figure 2: Percent Change in Labour Force, Coastal Region, 1995 - 2004

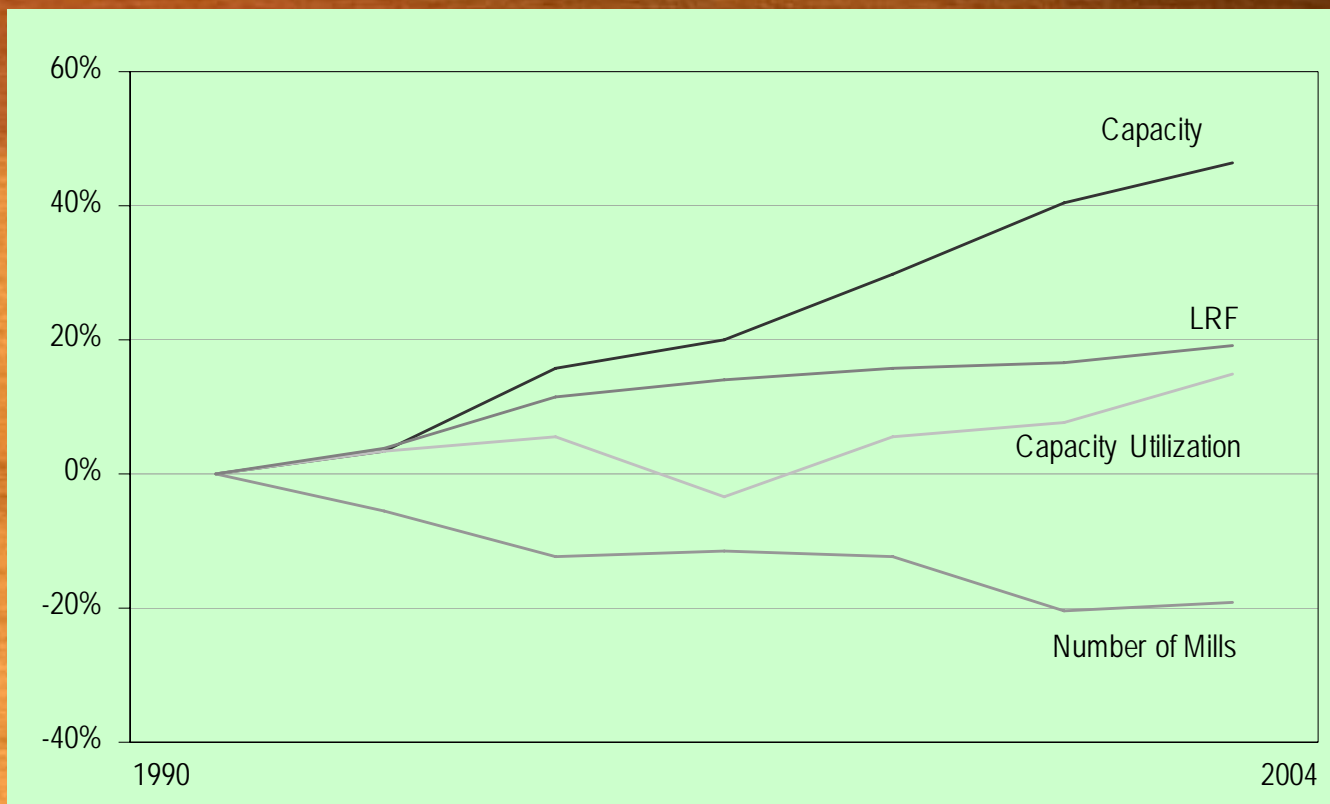


Source: Statistics Canada

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Interior regions fared better.

Figure 3: Percent Change in Mill Activities, Interior Industry, 1990 - 2004

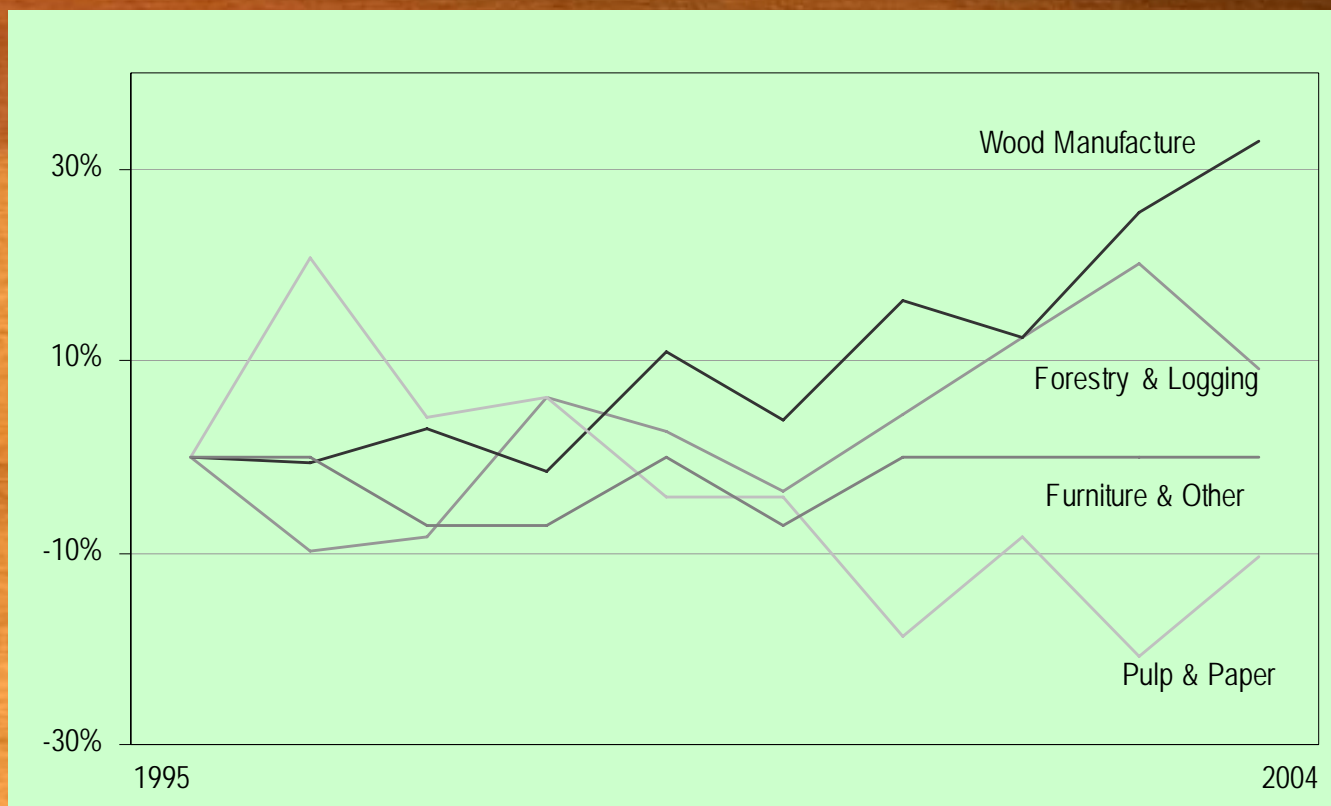


Source: Ministry of Forests

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... especially employment.

Figure 4: Percent Change in Labour Force, Interior Region, 1995 - 2004



Source: Statistics Canada

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Industry conditions are a concern for regions.

- Low concern: declining number of mills, increasing capacities and increasing efficiencies.
- Some concern: industry profitability, loss of markets and increasing competition.
- Major concern: retrenchment into existing product markets.

Govt response to conditions was inevitable.

- Fall 2002 legislative session: 19 Bills amending or creating new forestry legislation.
- Many policies considered anathema gone.
- Economic development policy articulated.

The future is uncertain.

- Coastal industry still considered in crisis.
- Mountain Pine Beetle has stimulated Interior regions but future falldowns are inevitable.
- BC Progress Board:
“... economic, employment and ecological busts (will occur) unless new uses of beetle-kill wood are found and promoted along with economic and ecological diversification.”
- Products and markets not diversified.

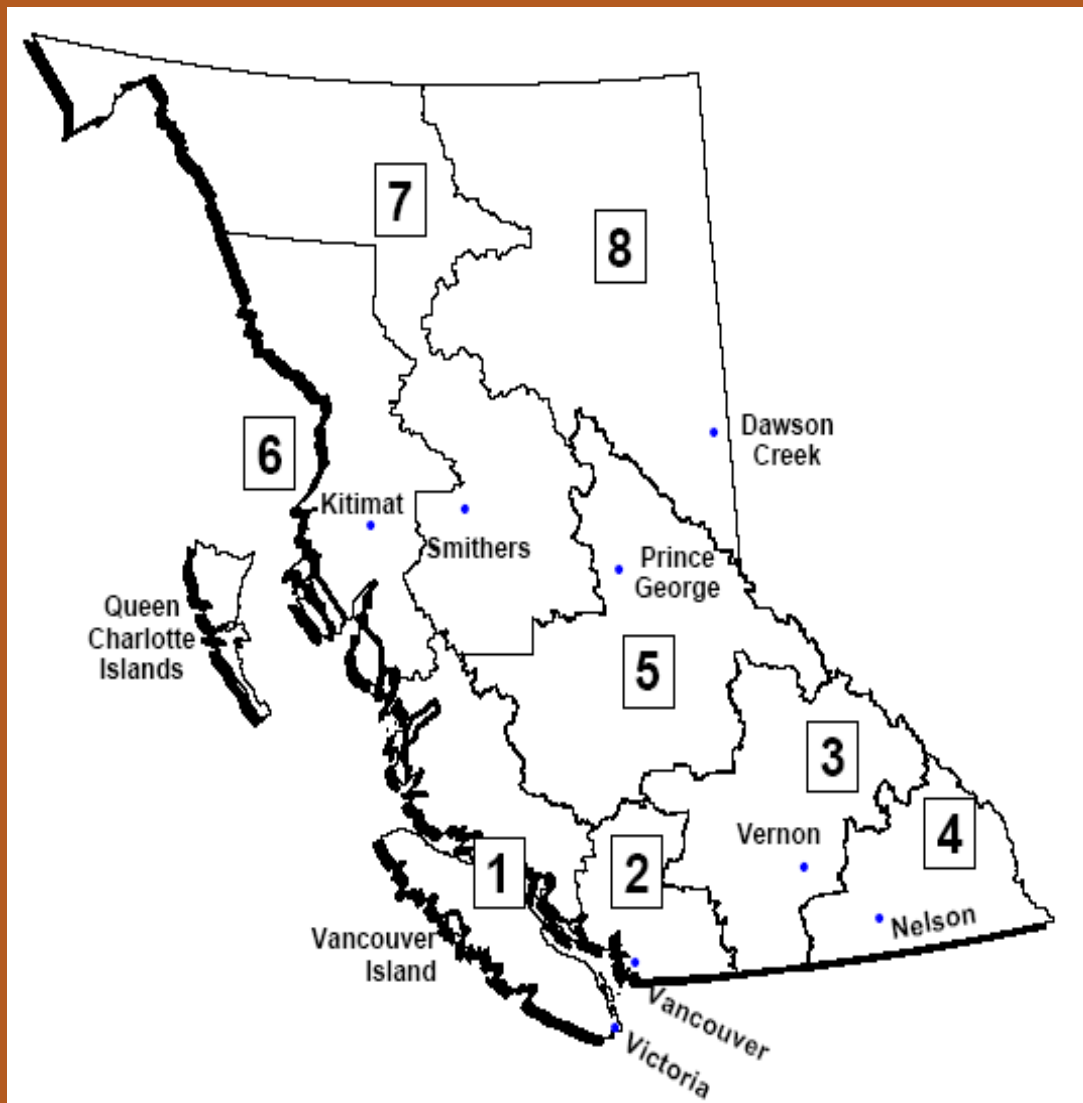
What is hindering increased forest values?

- Provincial regions have competitive strengths.
- Current policy hinders their adaptation in wood manufacturing.
- Forest policy still structured to deliver in-kind rents to the province, if not to regions, as in the past.
- The long-term efficacy of this policy is doubtful.

A different perspective for forest management.

- Provincial regions should be encouraged to assume the viewpoint of the resource owner.
- First Objective: remove focus on rent distribution and in-kind payments.
- Second Objective: maximize rents, flow back some to regions for reinvestment into productive uses (i.e. based on region's competitive advantage, which may include diversification in wood manufacturing).

BC's Eight Development Regions



1. Vancouver Island
2. Southwest
3. Thompson-Okanagan
4. Kootenays
5. Cariboo
6. North Coast
7. Nechako
8. Northeast

Competitive position of regions: Southwest

- Precipitous decline in primary wood manufacture.
- Has majority of value-added facilities.
- Presence of cluster-like conditions: log market, transportation services, skilled labour, management, R&D capacity, institutions, capital (venture and debt), entrepreneurs.

Competitive position of regions: Vancouver Island/Coast

- High cost region, excess capacity, inefficiencies, lost markets.

- But:
 - Valuable species.

 - Highly productive timberlands.

 - Access to coastal harvest.

 - Low cost marine transportation for delivery of inputs and access to Pacific Rim markets.

Competitive position of regions: North Coast

- High cost area, poor timber profile, poor markets, uncertainty on the land base.
- Virtual collapse in recent years.
- Large undercuts, idle communities.
- Chronically weak manufacturing sector.
- Cheston: “... not economically viable.”

Competitive position of regions: Nechako

- Low-cost, high sawlog content, SPF, large mill capacities, highly efficient commodity production.
- Forest health: MPB out of control.
- Small communities, limited infrastructure.
- Minimal value-added activity.
- Post beetle adjustments?

Competitive position of regions: Cariboo

- Low-cost, quality timber profile, SPF, large mill capacities, highly efficient commodity production.
- Diversified manufacturing base.
- MPB uplifts: rising employment and dependencies.
- Small value-added sector.
- Post beetle adjustments?

Competitive position of regions: Thompson-Okanagan

- Quality timber, diverse manufacturing base.
- Growing urban centres not forestry-dependent, but peripheral communities suffering.
- Strong cluster of value-added enterprises (log homes, EWP, furniture, mobile homes).
- Attractive QoL, but transportation, land and environmental issues (air and water) are concerns.

Competitive position of regions: Kootenays

- Small harvest, quality timber, industry small-scale and fragmented.
- Small communities, not highly vulnerable, but limited infrastructure.
- Cooperative networks, community forests have potential.

Competitive position of regions: Northeast

- Region is focused on oil & gas, mining.
- Underutilised hardwoods.
- Minimal value-added.
- Barriers: distance to market, lack of services, lack of labour, high development costs.

Should we zone for forestry diversification?

- Yes:
 - ... not in a planning sense, i.e. old-style in-kind rents, but with an economic development mandate.
- Industry has matured, and so have the regions. Each require a new approach.
- Purpose:
 - Allow regions to create a virtuous development cycle by giving them a stake in resource management.

Four zones would emphasize regional advantages and opportunities.

Zone 1: Cariboo/Nechako/Northeast
Region of Excellence in Primary Manufacture.

Zone 2: Vancouver Island Coast
The Species Zone: Maximizing Species' Values.

Zone 3: Southwest/Thompson-Okanagan
Value-added Clustering.

Zone 4: North Coast/Kootenays
Innovations in Community & Cooperative Development.

Cariboo/Nechako/Northeast

Region of Excellence in Primary Manufacture

- Strategic focus: processing and product technologies.
- Planning priorities:
 - Uses of beetle wood.
 - Exploration of new sawmilling models.
 - Adaptive reuse of current capital investments.
 - Silviculture treatments.
 - Exploration of non-timber Crown land uses.

Vancouver Island

Maximizing Species Values

- Strategic focus: timber resource.
- Plan priorities:
 - Separate old growth and second-growth strategies. Facilities?
 - New processing technologies and market development for key species. (hemlock?)
 - Supply chain management - optimizing fibre flow to extract high species value.

Southwest/Thompson-Okanagan Value-added Clustering

- Strategic focus: value-added sector.
- Plan Priorities:
 - Build economic infrastructure.
 - Accessible technology.
 - Adaptable human resources.
 - Available capital.
 - Advanced physical infrastructure.
 - Marketing research and management.

North Coast/Kootenays

Innovations in Community & Cooperative Development

- Strategic focus: communities and land.
- Plan priorities:
 - Direct community participation in management and use of the Crown land base (native and non-native).
 - Log exports to produce cash flow and encourage stewardship.
 - Multiple use tenures to encourage exploration of other commercial values.
 - Certifications: forest and product quality.

Enabling actions by the province.

- Provincial level Forest Strategy.
- Policy:
 - identification of available rents.
 - formulate methods for returning rent to regions in a manner that encourages sustainable capital investment.
 - viable log markets with log prices reflecting international competitive pressures.
 - property rights to ecosystem services.
 - tradeable property rights.
- Study of the value-added sector.

Actions in the regions.

- Identification of regional capacity, funding, resources.
- Regional Economic Development Alliances.
e.g. The Okanagan Partnership.
- Diversification strategies for each of the four zones.

Wrap-up

- Regions need investment capital derived from the forest resource, not simply employment.
- The current path is filled with risk for communities.
- Forest policy reform should enable regions to invest and innovate.
- Only then can economic zoning in the regions enhance the wood manufacturing profile in the province.