

CITY OF TERRACE  
FORESTRY TASK FORCE  
IMPLEMENTATION  
COMMITTEE



FINAL REPORT

FEBRUARY 2004

# TABLE OF CONTENTS

	<u>PAGE</u>
<b>Executive Summary</b> .....	1
<b>Introduction</b> .....	1
<b>Purpose</b> .....	2
<b>Forestry Task Force Implementation Committee</b> .....	2
<b>Methodology of Recommendation Development</b> .....	2
<b>Recommendations</b> .....	3
A. Northwest Solutions Initiative .....	4
B. Timber Harvesting Landbase and Forest Resource .....	4
C. Access to Forest Resources and Diversification .....	5
D. Infrastructure .....	8
E. Attracting Investors/Providing Incentives .....	9
F. Personnel, Training and Skills .....	11
G. Community Interaction with Forest Industry Organizations .....	11
<b>Conclusion</b> .....	12
<b>Appendix #1</b>	
SUMMARY OF “COMMUNITIES IN CRISIS” CONFERENCE .....	14
<b>Appendix #2</b>	
FORESTRY TASK FORCE IMPLEMENTATION COMMITTEE MEMBERSHIP .....	20
<b>Appendix #3</b>	
FORESTRY TASK FORCE IMPLEMENTATION COMMITTEE GOAL STATEMENT .....	21
<b>Appendix #4</b>	
ACTION PLANS	
A. Northwest Solutions Initiative	
1. Northwest Solutions Initiative .....	26
2. Log Exports .....	28

## TABLE OF CONTENTS (CONT'D)

PAGE

### Appendix #4 (cont'd)

#### ACTION PLANS

B.	Timber Harvesting Landbase and Forest Resource	
1.	Timber Inventory.....	30
2.	Deciduous Management.....	32
C.	Access to Forest Resources and Diversification	
1.	Timber Sales Disposals.....	34
2.	Low Grade Fibre Strategy – Expert Study of Potential Use and Manufacture.....	35
	Schedule “1” – Uses and Users of Low Grade Fibre.....	37
3.	Cogeneration.....	40
4.	Community Forest.....	41
5.	Access to Tenures and Market Log Supply.....	43
6.	Information Network Development.....	46
7.	Niche Market and Value-Added Product Manufacture.....	47
D.	Infrastructure	
1.	Container Port.....	48
2.	Road Infrastructure Development.....	50
3.	Low Cost Power.....	52
E.	Attracting Investors/Providing Incentives	
1.	Identify Industrial Property with Infrastructure for “Small Operators”....	53
2.	Tax Incentives for New Forestry Related Companies.....	56
3.	Assist Developers/Investors with Economic Enterprise.....	57
4.	Government Liaison for New Development.....	59
5.	Market Based Pricing System Evaluation.....	61
6.	Stumpage – Timber Quality.....	62
7.	Stumpage – Small Sawlogs.....	64
F.	Personnel, Training and Skills	
1.	Silviculture Workforce.....	66

## TABLE OF CONTENTS (CONT'D)

PAGE

### Appendix #5

#### FOREST INDUSTRY FACTS AND FIGURES

A.	Replaceable and Non-Replaceable Forest Licences – Kalum Forest District, January 2004 - Allowable Annual Cut.....	68
B.	Summary of Billed Volume and Undercut Major Tenures – Kalum Forest District .....	69
C.	Summary of Stumpage Billing Northern Forest Districts – July 1, 2002 – September 30, 2002 .....	70
D.	Provincial Volume Billed, 1991-2002 .....	71

# **FORESTRY TASK FORCE IMPLEMENTATION COMMITTEE**

## **FINAL REPORT TO CITY COUNCIL**

### **EXECUTIVE SUMMARY**

The Forestry Task Force Implementation Committee was appointed by the City of Terrace Council from a list of volunteers attending the “Communities in Crisis” Conference held in the fall of 2003. The Committee was tasked with developing the results of this Conference and providing an advisory report. This report provides the City of Terrace Council with a prioritized set of recommendations regarding the considered interests of Council on forest industry related matters. The recommendations that have been developed are intended to assist the City to:

- ◆ Stimulate short-term activity and employment opportunities;
- ◆ Promote local and regional infrastructure development and maximize the benefits to Terrace of a regional container port;
- ◆ Identify uses and users of the regional fibre inventory and diversify the forest industry;
- ◆ Attract and assist business through the provision of relevant and low cost services, and assist with developing markets and marketing capacity;
- ◆ Promote the forest economy and sustainable access to timber that is fairly valued; and
- ◆ Achieve a consistent level of annual harvest in support of local and regional employment.

The role that City Council will play is to work with other levels of Government, particularly the Ministry of Forests, and further promote the forest economy of the Northwest. Terrace Economic Development Authority’s role will be to assist in bringing possible stakeholders together and by facilitating relevant seminars and studies. The City of Terrace Council is urged to establish a monitoring team with regard to this report in order to assist with implementation and evaluation of the recommendations.

### **INTRODUCTION**

This report from the Forestry Task Force Implementation Committee is provided to the City of Terrace Council as a prioritized set of recommendations with regard to the considered interests of Council on forest industry related matters. The forest industry is a major contributor to the economy of Terrace and is the key economic driver for many surrounding communities. This report is intended to provide the City of Terrace Council with a strategic direction to promote for our community with respect to forestry. The Forestry Task Force Implementation Committee (the “Committee”) was appointed by City Council following the “Communities in Crisis” Conference conducted in the fall of 2003, and was tasked with developing this report, for completion by end February. This report presents the results of the Committee’s work, as well as the industry’s timeframes for the recommended actions. It is expected that Council will fully consider this report and establish a course of action regarding key recommendations.

## **PURPOSE**

The purpose of this report from the Committee is to convey advice to the City of Terrace Council with regards to forest industry related matters. Objectives and recommendations are provided that are intended to reflect the interests of the City of Terrace Council. The recommendations resulting from the “Communities in Crisis” Conference, held September 15<sup>th</sup> and 16<sup>th</sup>, 2003, have been reviewed and fully considered by the Committee. These conference proceedings, as compiled in a summary form and provided to the Committee, are provided as Appendix #1 of this report. From this information, the Committee has further developed and prioritized a set of recommendations with regard to key issues, as described within this report. An ‘Action Plan’ format has been established that details objectives for each recommendation and outlines the implementation timeframes, participants required, and considered indicators of success (see Appendix #4).

## **FORESTRY IMPLEMENTATION TASK FORCE COMMITTEE**

The Committee is comprised of members that have been appointed by the City of Terrace Council, including one appointed Chair, a Council liaison, and City staff representation. Membership was selected from a listing of local individuals that volunteered for the Committee, as invited by the City of Terrace following the “Communities in Crisis” Conference. The Committee membership is listed in Appendix #2 of this report.

The Committee met on a regular basis from November through February, generally Monday evenings for a 2-hour period. A total of 17 meetings were conducted, of which several meetings included guests that were invited in order to seek additional background or perspective on issues that arose during committee deliberations. Guests included stakeholders from the small sawmill sector, local value-added manufacturing, contractors, First Nations, marketers and licensees, as well as representatives from parties that may have responsibility for implementation of the Committee recommendations (MOF, BC Timber Sales, MLA, and Terrace Economic Development Authority). Limitations on Committee time and resources precluded more extensive input, which would have been desirable, but a balance was necessary between additional input and the schedule for the Committee output report.

## **METHODOLOGY OF RECOMMENDATION DEVELOPMENT**

The Committee recognizes the critical importance of the forest industry to the City of Terrace. The forest industry is a major contributor to the economy of Terrace and is the key economic driver for many surrounding communities. This report is intended to provide the City of Terrace Council with a strategic direction to promote forestry related matters affecting our community. The foundation of this report is the consideration of a vision for the future of the forest industry in Terrace and the surrounding region. By comparing this vision against the existing status of the local forest industry, a strategic direction may be identified and recommendations developed to achieve progress towards the desired objectives.

From this concept, a ‘goal statement’ was developed that is intended to identify the broad components and goals considered necessary for a healthy, sustainable community economy. This then provides a context, framework, and rationale for the development of recommendations and a means by which to evaluate recommendation objectives. The goal statement as prepared is contained for reference in Appendix #3 of this report. The goal statement outlines 7 broad components that the Committee considers as basic elements of importance to the forest industry. These broad components are as follows:

- ◆ Timber Harvesting Landbase and Forest Resource
- ◆ Access to Forest Resources
- ◆ Infrastructure
- ◆ Attracting Investors / Providing Incentives
- ◆ Diversity of Economic Activity
- ◆ Personnel, Training and Skills
- ◆ Community Interaction with Forest Industry Organizations

These broad components are not meant to be exclusive, and in fact, are considered inter-related. They are considered useful to characterize the essence of the recommendations and provide some structure for purposes of this report, and most of the recommendations developed by the Committee have been categorized on this basis. The themes of Access to Forest Resources and Diversity of Economic Activity have been considered together for purposes of presenting related recommendations. An additional category has been noted in support of the considered need to initiate a regionally focused review of forest policies, tailored to the resource and operating conditions of the Northwest.

## **RECOMMENDATIONS**

The recommendations that follow are the result of the Committee’s combined efforts and are intended to fulfill the purpose of this Forestry Task Force Committee report. Each recommendation was developed in the format of an Action Plan that details supporting objectives or goals and provides a supporting background discussion. Implementation responsibility and timeframes are suggested and indicators of success are provided in order to allow for monitoring of progress upon implementation of the recommendation(s). The Action Plan for each recommendation may be found in Appendix #4. Recommendations considered higher in relative priority for implementing are noted as such in the listings that follow, and in the Action Plans of Appendix #4. All recommendations are considered relevant to the current needs of the local forest industry and could be considered for immediate implementation.

Central to many of these recommendations is the need to recognize the specific challenges and opportunities inherent in the forest resources of the Northwest. Northwest forests support a predominance of old-growth hemlock and balsam timber. This timber can be very large and of high quality, but it also frequently contains extensive decay. This great range in

timber quality presents a challenge in that a diversity of uses for the fibre must be found that are consistent with the inherent value of the timber. The Northwest is also at a critical juncture with regard to the forest economy. Historically, forest use has been in the more accessible landbase and these areas now support advancing second growth timber that will provide opportunity for a vibrant future forest economy. Current forest use, though, is challenged to operating increasingly on a more remote and rugged landbase. Road development and maintenance costs are high, and operating conditions are difficult. Strategies are urgently required that will provide for a bridging of the forest economy from the current difficult conditions through to the future. The following recommendation is considered to be essential to this need, and is judged as the first priority for implementation.

#### **A. RECOMMENDATIONS – NORTHWEST SOLUTIONS INITIATIVE**

1. As a top priority, the City of Terrace must lobby the Provincial Government to recognize the need for and immediately establish an initiative designed to develop strategies and forest policies that specifically address the challenges and opportunities of the Northwest region. As a starting point, it is recommended that the Provincial Government review the Cheston Report (Forest Industry Strategy Northwest British Columbia) and adopt or update recommendations and strategies that will improve the performance and competitiveness of the Northwest industry;
2. As a high priority, it is recommended that the City of Terrace lobby the Forest Minister and the MLA to extend the current Order in Council (O.I.C.) #121. Extend the O.I.C. for another 3-year term, to be reviewed at the end of 2 years. The review would focus on the economic health of the Northwest communities and to what extent log exports should be increased, decreased, or maintained at the current level for another term. Improved administrative flexibility for the O.I.C. is also recommended regarding the time frame applied to the 35% threshold.

#### **B. RECOMMENDATIONS – TIMBER HARVESTING LANDBASE AND FOREST RESOURCE**

In order to have a healthy, sustainable, and industrial forest economy there must be a defined timber harvesting landbase supporting the forest resource. The basic attributes of the timber harvesting landbase are that it is ecologically operable and sustainable, and economically operable in most market conditions. It is also recognized that a resource inventory is required in order to provide resource information relevant to potential business investment that will benefit our community. For the timber resource, there should be an inventory that is readily available to potential economic development investors.



Recommendations considered relevant to the theme of ‘Timber Harvesting Landbase and Forest Resource’ are summarized following. A fuller discussion of each recommendation may be found in Appendix #4.B., which presents each recommendation in the format of an Action Plan, detailing supporting objectives and/or goals, background, implementation timeframes and indicators of success.

1. It is recommended that the City of Terrace lobby the Ministry of Forests (MOF), the Ministry of Sustainable Resource Management (MSRM), Terrace Economic Development Authority and the MLA to improve upon the available information regarding the timber profile in the Northwest. The intent is to develop an information package that accurately describes the present and future timber profile of the Northwest, and that is readily available to potential investors in order to promote the forest economy. City Council is to put a proposal to MSRM and/or the Municipal Finance Authority to fund the study and to develop an action plan to acquire or improve upon the information as desired;
2. It is recommended that the City of Terrace lobby the Ministry of Forests to establish deciduous management strategies for TSA’s within the Kalum and Skeena – Stikine Forest Districts (Kalum, Nass, Cranberry, Kispiox, Bulkley, Cassiar). Deciduous management strategies are necessary in order to establish silvicultural stocking standards, regimes and practices that will promote the sustainable use of the deciduous forest resource and that recognize the costs and values of managing for deciduous or mixed-wood versus coniferous timber. In the short-term, deciduous Timber Sale opportunities are to be identified and advertised for award, consistent with the development of longer-term deciduous management and resource use objectives.

### **C. RECOMMENDATIONS - ACCESS TO FOREST RESOURCES AND DIVERSIFICATION**

Access to forest resources is required in order to facilitate a timber harvesting and manufacturing economy. Access to timber on Crown lands is regulated by the Ministry of Forests and administrated through a system of tenures, wherein harvesting rights are conveyed for a defined period and for a specified amount, or volume, of timber. Goals respecting access to timber that are considered important by the Committee are as follows:

- ◆ To provide or promote the establishment of variety of sizes and types of forest tenures in order to provide access to the timber resource for a variety of types and sizes of timber harvesting and manufacturing businesses; and
- ◆ To provide or promote the establishment of infrastructure (e.g. log sort and sale yards) and incentives that will facilitate the opportunity for log and lumber purchases from tenured operators and private properties to provide purchase access to timber for businesses that require timber resources for their manufacturing operations.

Diversity within the local and regional economy is also essential to the stability and health of the community. In order to reduce reliance for employment and the taxation base on large forest industry corporations, it is essential that a diversity of business enterprises be developed throughout the region.

Recommendations considered relevant to the theme of ‘Access to Forest Resources and Diversification’ are summarized following. A fuller discussion of each recommendation may be found in Appendix #4.C., which presents each recommendation in the format of an Action Plan, detailing supporting objectives and/or goals, background, implementation timeframes and indicators of success.

1. As a high priority, it is recommended that the City of Terrace lobby the Ministry of Forests to promptly advertise and award significant Timber Sale volumes through BCTS. These Timber Sales should consider the immediate market opportunities that are available in the short-term, e.g.: within an economic radius of ports, log yards or mills;
2. As a high priority, it is recommended that the City of Terrace, possibly through Terrace Economic Development Authority (TEDA), conduct, promote or facilitate an expert overview study of the industrial potential for use or manufacture of Northwest region low grade fibre. This study would be intended to attract investors towards establishing such manufacturing facilities in the area. Potential stakeholders and study participants/funding sources are to be identified and may include government or government agencies, forest licensees, First Nations, utilities and existing major industries;
3. As a high priority, it is recommended that the City of Terrace promote cogeneration opportunities by consulting with existing energy producers and potential cogeneration operators such as BC Hydro, PNG, Alcan, and Eurocan to assess the feasibility of establishing a viable cogeneration facility in the Terrace area. Special consideration should be given to facilities that utilize low-grade wood fibre, and wood waste materials. The City should also investigate opportunities and the feasibility of incorporating a cogeneration operation with a regional landfill operation;
4. As a high priority, it is recommended that the Provincial Government approve an application for a Community Forest Agreement for the City of Terrace. The Forestry Task Force Implementation Committee strongly endorses the concept of and application for a City of Terrace Community Forest Agreement;

- C. 5. a. As a high priority, it is recommended that the City of Terrace lobby the Provincial Government to make available, on a continuing basis through time, a variety of types and sizes of forest tenures. The forest tenures should include a range of types of tenure such as Timber Sales, Woodlot Licenses, Community Forest Licenses, First Nations Forest Resource Agreements, etc., and should include short and long-term tenures, and non-renewable and renewable tenures. The forest tenures should include a range of sizes of tenure or volume of cut, from small-scale timber sales 500m<sup>3</sup> – 1000m<sup>3</sup>, ranging upwards to timber sales or quotas of several thousand cubic metres per year;
- b. It is recommended that the City of Terrace lobby the Major Licensees and the B.C. Timber Sales Program to voluntarily commit to dedicating a small percentage of their annual harvest to be made available for sale through a competitive auction on an open log market basis. The intent is to provide on a continuing basis an available log supply to manufacturing facilities that have no long-term tenured timber supply;
- c. It is recommended that the City of Terrace dedicate a percentage of the Community Forest area and/or a percentage of the Community Forest annual cut, to be made available for operation by small-scale operators (% of Community Forest area) or for sale on an open log market basis (% of Community Forest cut). The intent is to provide on a continuing basis opportunities to access an available log supply to small scale manufacturing facilities that have no long-term tenured timber supply. Logs for sale would be made available at market price, to ensure that the City of Terrace would not suffer an economic loss from the sale;
6. a. It is recommended that the City of Terrace facilitate, through TEDA or through City Administration, workshops, tours, and presentations, which will provide forest products marketing information for local manufacturers. The City will encourage those individuals or businesses to communicate on market opportunities and trends;
- b. It is recommended that the City of Terrace Council lobby the appropriate provincial ministries to place a higher priority on the development of new markets for Northwest forest products, and the facilitation of marketing networks that will enable market loggers and mill operators to gain overseas markets and added value from the fibre of the Northwest.
- c. In the short-term, it is recommended that the City, through TEDA, maintain active collaboration with Export Prince George, to monitor market opportunities for Northwest producers. In the longer term, the City should seek to establish forest products export marketing capacity within TEDA;

- C. 7. It is recommended that the City of Terrace support the establishment and development of forest industry businesses that manufacture products for niche or value-added markets. This may be achieved through direct means, such as the establishment of a community log yard that will sell the desired timber profile, or through indirect means, such as support for timber awards from the Ministry of Forests, or the facilitation of value-added seminars.

#### D. RECOMMENDATIONS - INFRASTRUCTURE

Infrastructure is required to facilitate the planning, development, manufacturing, transport, and marketing of forestry operations and forest products, and to support the silviculture operations that establish, tend and develop the next forest crop. The Committee considers it important as a goal to provide, assist or promote the establishment and maintenance of all forms of infrastructure required to facilitate the development and operation of sustainable economic activities within and adjacent to the community.

Recommendations considered relevant to the theme of 'Infrastructure' are summarized following. A fuller discussion of each recommendation may be found in Appendix #4.D., which presents each recommendation in the format of an Action Plan, detailing supporting objectives and/or goals, background, implementation timeframes and indicators of success.

1. As a high priority, it is recommended that City Council continue to support the implementation of a container port in Prince Rupert, as well as support the development of complementary businesses in the Terrace area. TEDA should attempt to work with the Prince Rupert Port Authority through the selection process of a terminal operator. TEDA should investigate business opportunities in the Terrace area related to the container business, i.e.: a container stuffing facility for logs, value added wood products, etc. City Council should facilitate a forum by which local businesses understand the opportunities available to them in the construction of the container port. City Council should facilitate a forum by which local entrepreneurs learn of the increased opportunities a container port holds for value added forest products;
2. As a high priority, it is recommended that City Council work with TEDA/Regional District/Provincial Government Ministries/Northwest Corridor Development Corporation to promote local and regional infrastructure development for the Northwest. Common opportunities between the forest industry and other resource industries should be identified and pursued in order to share costs, e.g.: Stewart – Omineca Resource Road. Existing highways that have significant development potential should be upgraded to promote economic development (e.g.: Hwy. 37 North upgrade to promote resource industry use, tourism, etc.). Existing mainline roads that are currently under maintenance obligation of the forest industry, yet are subject to significant public use and reliance, should become publicly maintained, e.g.: Cranberry Forest Service Road;

3. It is recommended that TEDA should investigate the opportunity for energy producers to provide low-cost power to industries in the Terrace area.

#### **E. RECOMMENDATIONS - ATTRACTING INVESTORS/PROVIDING INCENTIVES**

Incentives to establish, invest in, or develop economic activity within the community are required to attract business investment from outside and from within the community, and to assist in maintenance, development, and expansion of existing community businesses. The Committee considers it important as a goal to formulate and provide or promote incentives to industry to invest and establish or expand businesses within the community.

Recommendations considered relevant to the theme of 'Attracting Investors / Providing Incentives' are summarized following. A fuller discussion of each recommendation may be found in Appendix #4.E., which presents each recommendation in the format of an Action Plan, detailing supporting objectives and/or goals, background, implementation timeframes and indicators of success.

1. a. As a high priority, it is recommended that, within Municipal boundaries, the City of Terrace identify potential industrial sites that are developed with electrical power, water and sewer services, and make these sites available for small scale industrial activities. Encourage through incentives the establishment of several small manufacturing plants on such sites to develop efficient use of the site and to develop synergies of operations through establishment of cooperative and complementary small businesses. Assessment of potential sites would include evaluation of the suitability of the Kalum Lake Drive solid waste dump site for such a site;
- b. It is recommended that outside of Municipal boundaries, the City of Terrace assist owners of small manufacturing enterprises to secure a Crown lease that would provide a common mill site for establishment of cooperative and complimentary small businesses;
- c. It is recommended that the City of Terrace encourage the small mill operators of the community to form an association in order to provide a united and cohesive representation to City Council, to the Provincial Government, and to the large licensees. This would provide the association of small mill operators with greater planning and lobbying power and would facilitate greater efficiencies for City Council, Provincial Government and large licensees, in discussions, negotiations, and cooperative planning with the small mill operators;

- E. 2. As a high priority, it is recommended that the City of Terrace examine the Municipal tax structure with the intent to establish:
- a. A Municipal tax-free-zone that could allow industry to establish with no requirement to pay taxes for a period of time; and
  - b. A Municipal tax rate that would provide incentives for new industry investment, and in expansion, maintenance, and continued operation of existing industry.
3. As a high priority, it is recommended that the City of Terrace promote, facilitate, and engage in pro-active liaison, consultation, and negotiations between potential investors and various levels of Government, large and small forest industry organizations, and community stakeholders. This is intended to assist potential investors with development of desired economic enterprises within and adjacent to the community;
4. It is recommended that a single representative within the Municipal Government be designated to be the contact person for liaison with potential forest industry developers for new forestry development. It is also recommended that a single representative within the Kalum District Ministry of Forests be designated to be the contact person for liaison with potential forest industry developers for new forestry development;
5. It is recommended that the City of Terrace, working in conjunction with local stakeholders, continue to monitor and evaluate the new market based timber pricing system (MPS) to ensure that the system fairly values operating profiles. In the event that the system is deemed to be unfairly representing stand values, then the City of Terrace should lobby the government to undertake an independent review of the timber pricing process in the Northwest, and implement changes required to reflect fair stand values;
6. It is recommended that the City of Terrace lobby the Provincial Government to recognize that the timber quality and operating conditions of the region are distinctly unique relative to the rest of the Province, and require a valuation of stumpage that reflects these characteristics;
7. It is recommended that the City of Terrace lobby the Provincial Government to recognize that small hemlock and balsam sawlogs (10cm to 30cm top diameter) have a lower value to sawmills than the larger logs, and establish valuations of stumpage that reflects the lower value of these small logs.

**F. RECOMMENDATIONS - PERSONNEL, TRAINING AND SKILLS**

Essential to the successful operation of all forms of economic enterprise is a skilled, trained labour force. In order to maintain a diversity of businesses, it is necessary that the community support a population with diverse skills and training. Conversely, in order to maintain a workforce of trained and skilled personnel, a community must develop sustainable economic activity to provide sustainable employment. Without skilled employees, economic ventures will fail; without steady employment, skilled personnel will leave the community for employment elsewhere. The Committee considers it important as a goal to promote, encourage and assist in the development of a diversity of sustainable economic enterprises within the community that will provide opportunities for employment of an educated and trained workforce and contribute to community stability and economic health.

Recommendations considered relevant to the theme of 'Personnel, Training and Skills' are summarized following. A fuller discussion of each recommendation may be found in Appendix #4.F., which presents each recommendation in the format of an Action Plan, detailing supporting objectives and/or goals, background, implementation timeframes and indicators of success.

1. It is recommended that the City of Terrace pursue funding opportunities from the Federal and Provincial Governments to immediately establish incremental silviculture programs in the Northwest that will provide silvicultural work opportunities to an otherwise idled labour force. Human Resources Development Canada may assist with training and job placement for unemployed workers that could find employment in the contract silviculture sector. Further to this, the Forest Investment Account (FIA) funding allocation mechanism should be revised such that the exceptional industry circumstance in the Northwest does not unduly limit available funding. Additional FIA funding should be secured to ensure appropriate levels of long-term investments are made in the Northwest forest resource.

**G. RECOMMENDATIONS - COMMUNITY INTERACTION WITH FOREST INDUSTRY ORGANIZATIONS**

Proactive liaison and consultation between the City of Terrace, community members, and the large and small forest industry businesses is necessary. This will ensure that there is mutual understanding of community and industry requirements and problems, and mutual co-operation in finding solutions to those problems. It is essential that Municipal Governments, community members, and business enterprises within and adjacent to the community recognize that they are all integral parts of the community and must work co-operatively to ensure both community and industrial stability. Education of all parties is essential to understand the social, environmental, and economic requirements of the other parties.

- G. 1. It is recommended that the City of Terrace consider development of a goal or Mission Statement, stating its objectives regarding the community and in relation to forestry. It is further recommended that the City of Terrace establish a monitoring team with regards to this Forestry Task Force Report, to advise Council and assist with implementation and evaluation of favored recommendations.

## **CONCLUSION**

This report from the Forestry Task Force Implementation Committee is provided to the City of Terrace Council as a prioritized set of recommendations with regards to the considered interests of Council on forest industry related matters. For purposes of this report, the Committee identified broad components that serve to provide a context and framework for the recommendations. These components have been used to categorize the set of recommendations into groupings, and the recommendation objectives or goals are generally consistent with one or more of these themes, as follows:

- ◆ Northwest Solutions Initiative
- ◆ Timber Harvesting Landbase and Forest Resource
- ◆ Access to Forest Resources and Diversification
- ◆ Infrastructure
- ◆ Attracting Investors / Providing Incentives
- ◆ Personnel, Training and Skills
- ◆ Community Interaction with Forest Industry Organizations

The Committee considers it imperative that the City of Terrace promote the need for recognition by the Provincial Government of the benefits of a regional initiative to review, establish, and implement policies that will better reflect the challenges and opportunities of the Northwest. There is an urgent need to stimulate activity in the forest industry of the Northwest in the short-term, due to the significant imbalance between the current level of regional harvest and historic levels. There is a critical need to evaluate the potential and sustainable uses for Northwest fibre and to develop market opportunities and promote local manufacturing. Diversity within the local and regional economy is to be promoted through broader participation in the allocation of timber and through the award of a variety of types and sizes of forest tenures and timber sales. Active and competitive local log markets should be encouraged ensuring opportunities for access to timber for operators that may not have the capacity or desire for tenures or timber sales.

The City can facilitate seminars or workshops on forest products manufacturing, marketing, and the opportunities that will be provided by the container port development in Prince Rupert. City Council can work with other levels of government to further promote infrastructure development in the Northwest. The Terrace Economic Development Authority (TEDA) can assist with bringing possible stakeholders together to pursue and evaluate development proposals of broad interest. The City can also promote local manufacturing through the provision of suitably serviced industrial sites, perhaps encouraging clustering of related businesses to enhance economic synergies. Municipal tax incentives could be considered that would serve to attract new business and broaden the taxation base.



The Committee has suggested a number of parties that could participate in the implementation of the recommendations of this report. In addition to the City and TEDA, the Ministry of Forests/BC Timber Sales can play a key role, as can other areas of government. Other stakeholders and participants in recommended actions would also include existing industries, forest licensees, and First Nations.

The Forestry Task Force Implementation Committee has worked hard to develop the recommendations presented in this report. Our efforts are intended to reflect the best interests of the City of Terrace Council and the community. The City of Terrace Council is urged to establish a monitoring team with regards to this report in order to assist Council with implementation and evaluation of the recommendations.

# APPENDIX #1

## SUMMARY OF “COMMUNITIES IN CRISIS” CONFERENCE

## **APPENDIX #1**

### **SUMMARY OF “COMMUNITIES IN CRISIS” CONFERENCE**

On September 15<sup>th</sup> and 16<sup>th</sup>, 2003, the City of Terrace hosted a “Communities in Crisis” Forum. This 2-day workshop was geared towards addressing the fallout in our once-vibrant forest economy in the Skeena Region. With financial assistance from 16/37 Community Futures Development Corporation and the Municipal Finance Authority of B.C., 50 people were in attendance. The mix included elected officials from Terrace, New Hazelton, Hazelton and Stewart, as well as First Nations, the Ministry of Forests, various Forestry Consultants and the Northwest Community College.

The Workshop focused on encouraging the community to come forward with ideas that could change, revitalize or improve on the forestry sector in the Northwest. It was a combination of public presentations and breakout groups designed to encourage input. Various sectors of the forest industry were dealt with, including harvesting, milling, salvaging, remanufacturing and “out of the box” ideas. In the end, a number of recommendations were presented and summarized in this report. They are listed in the following action plan and were presented by the groups to the Assistant Deputy Minister, Bob Friesen, who was in attendance on behalf of the Ministry.

The City of Terrace is committed to seeing these recommendations through, and is in the process of forming an implementation committee to perform this task. The Committee will be a diverse representation of individuals, enthusiastic and knowledgeable, who will monitor the progress of the recommendations. This report is a summary of those recommendations.

## COMMUNITIES IN CRISIS CONFERENCE ACTION PLAN

<b>HARVESTING</b>	
<b>PRIORITIES</b>	<b>COMMENTS</b>
<b>1. Access to timber; making wood available in a timely manner</b>	<p><u>Long-term:</u></p> <ul style="list-style-type: none"> <li>➤ Representative in location, quality, value (12+ months) – government and MoF</li> <li>➤ Flexible</li> <li>➤ Encourage diversity in manufacturing (cogen) – community, industrial, investment, bureaucracy, containerization</li> <li>➤ Include hardwoods in timber supply – address through undercut in short term</li> </ul> <p><u>Short Term:</u></p> <ul style="list-style-type: none"> <li>➤ Within 3-12 months, make timber available – government and MoF</li> <li>➤ Reduce stumpage rates</li> <li>➤ 500,000 m<sup>3</sup> wood to be made available</li> </ul>
<b>2. Establish a distinct Skeena Economic Zone</b>	<ul style="list-style-type: none"> <li>➤ Policy: within 90 days, government to establish a task force</li> <li>➤ Political: community and provincial, ongoing</li> <li>➤ Municipal tax free zone – implement within 60 days (link to diversity in manufacturing)</li> <li>➤ Provide flexibility in forest practices – bring FRPA into force, fall session 2003</li> <li>➤ Remove disincentives – pulpwood/small wood – government, within 60 days</li> </ul>
<b>3. Develop a reliable pulp / chip outlet</b>	<p><u>Long-term:</u></p> <ul style="list-style-type: none"> <li>➤ Cogen – 3 levels of government and business (same for all below)</li> <li>➤ Strandboard plant and other uses for by-product chips</li> <li>➤ Pulp mill start-up</li> <li>➤ Lack of infrastructure chip/pulp export (barge loading, whole log chipping, railcars)</li> </ul> <p><u>Short term:</u></p> <ul style="list-style-type: none"> <li>○ Within 3 – 12 months, make timber available – government and MoF</li> <li>○ Reduce stumpage costs</li> <li>○ 500,000 m<sup>3</sup> wood made available</li> </ul>

<b>MILLING</b>	
<b>PRIORITIES</b>	<b>COMMENTS</b>
<b>1. Fibre supply</b>	<ul style="list-style-type: none"> <li>➤ Need a study to identify opportunities and markets</li> <li>➤ Analyze existing inventory (what are the uses?)</li> <li>➤ Identify from analysis the “economic sustainability”</li> <li>➤ Funding: province, municipalities, private sector, venture capital</li> <li>➤ Performed by: consultants, ministry (start locally for input)</li> <li>➤ When: Now – this is the first step</li> </ul>
<b>2. Access to markets (i.e., physical infrastructure – containerization)</b>	<ul style="list-style-type: none"> <li>➤ Develop access to markets strategy</li> <li>➤ Markets team (where geographically, determine access “challenges”)</li> <li>➤ Utilize results of current inventory/fibre supply study</li> <li>➤ Funding: TBA</li> <li>➤ Performed by: City, Regional District, markets team</li> <li>➤ When: ongoing (to fit with fibre supply study)</li> </ul>
<b>3. Lack of incentives</b>	<ul style="list-style-type: none"> <li>➤ Review current environment, re: incentives to attract mills, utilize lower quality logs, process into secondary products and reliable log supply</li> <li>➤ Support the concept of the Skeena Zone via lobbying of government representatives</li> <li>➤ Funding: to be determined – large costs not expected</li> <li>➤ Performed by: lobby group (local government representatives, industry)</li> <li>➤ When: Now (UBCM)</li> </ul>
<b>4. Reliable log supply</b>	<ul style="list-style-type: none"> <li>➤ Identify needs of each industry</li> <li>➤ Design system to ensure supply of logs is reliable to all mills regardless of industry/size</li> <li>➤ Funding: City, Regional District, Forest Service – small cost expected</li> <li>➤ Performed by: City, Regional District, Forest Service, small industry</li> <li>➤ When: after identification of markets</li> </ul>
<b>5. Settle softwood lumber dispute</b>	<ul style="list-style-type: none"> <li>➤ Reinforce need with higher levels of government “the need to settle”</li> <li>➤ Establish lobby group</li> <li>➤ Performed by: City, Regional District, MLA's, Joanne Monaghan (FCM)</li> <li>➤ When: at every opportunity</li> </ul>

<b>REMANUFACTURING</b>	
<b>PRIORITIES</b>	<b>COMMENTS</b>
<b>1. Transportation</b>	<ul style="list-style-type: none"> <li>➤ Require cooperation of all levels of government and industry (CN, trucking)</li> <li>➤ Require government funding to build infrastructure (long term investment)</li> <li>➤ Construction of container port in Prince Rupert (owned and operated by stakeholders)</li> <li>➤ Put past analysis into action</li> <li>➤ Infrastructure needed to start ASAP</li> <li>➤ Lobby government and industry</li> </ul>
<b>2. Long term supply of timber (maybe ten years)</b>	<ul style="list-style-type: none"> <li>➤ Provide opportunities for small operators/mills for longer term timber supply</li> <li>➤ Change the stumpage system which will allow for the removal of low quality timber and promote future long term high quality timber</li> <li>➤ Require breakdown mills or supply at resources</li> <li>➤ Work with First Nations</li> </ul>
<b>3. Investors and capital (need the above two items first)</b>	<ul style="list-style-type: none"> <li>➤ Require tenure (long term wood supply); market; product</li> <li>➤ Business plan development – require support</li> <li>➤ Delivery infrastructure – container port</li> <li>➤ Develop partnerships with First Nations, government, other industries</li> <li>➤ Government needs to provide incentives for small mills and the forest industry to boost confidence in the forest sector (i.e., WOF's for the local area)</li> <li>➤ Require bank cooperation – possibly government can apply leverage</li> <li>➤ Partner with other industries (i.e., shipping, oil and gas) sharing resources</li> </ul>
<b>4. Access to market</b>	<ul style="list-style-type: none"> <li>➤ Require a container port</li> <li>➤ Develop a market by developing a product</li> <li>➤ Work with government, industry in developing relations with China, Japan, etc.</li> <li>➤ Work with other countries to determine product to produce based on local resources and foreign demand</li> <li>➤ Require participation of local/provincial government and industry, and foreign (market) government and industry</li> <li>➤ Awareness of cultural differences</li> </ul>
<b>5. Matching product with timber profile</b>	<ul style="list-style-type: none"> <li>➤ Change tenure and legislation to increase access to specialty woods (i.e., alder, birch, poplar)</li> <li>➤ Require timber analysis which includes deciduous</li> <li>➤ Increase investment in stand management for deciduous and specialty woods</li> </ul>

<b>SALVAGING</b>	
<b>PRIORITIES</b>	<b>COMMENTS</b>
<b>1. Acknowledge salvage program is important policy to Northwest</b>	<ul style="list-style-type: none"> <li>➤ Responsible: MoF administers at district level; major licensees are major players</li> <li>➤ When: Immediately</li> </ul>
<b>2. Removing regulatory barriers</b>	<ul style="list-style-type: none"> <li>➤ Create provision for salvage volume to be credited to undercut (5 yr)</li> <li>➤ Increase professional reliance opportunities for planning</li> <li>➤ DM authority to set maximum salvage parameters</li> <li>➤ Responsible: Policy development in MoF – branch</li> <li>➤ When: Immediately</li> </ul>
<b>3. Access to salvage volume on major license land</b>	<ul style="list-style-type: none"> <li>➤ Incentives need to be developed to encourage major licensees to open up access to salvage and expedite salvage operations</li> <li>➤ Who: MoF</li> <li>➤ When: Now</li> </ul>
<b>4. Question competitive approach</b>	<ul style="list-style-type: none"> <li>➤ Develop a policy concerning when to use competitive sales based upon professional reliance considering economics, forest health, and reasonable expectation of profit</li> <li>➤ Who: DM decision</li> <li>➤ When: Now</li> </ul>

<b>THINKING OUTSIDE THE BOX</b>	
<b>PRIORITIES</b>	<b>COMMENTS</b>
<b>1. Do we need a pulp mill?</b>	<ul style="list-style-type: none"> <li>➤ Government study to look at alternative products and markets from the hemlock pulp logs/timber profile (i.e.: FERIC study looking at combining hemlock fibre with hemp)</li> <li>➤ Funding: MLA, FERIC, federal Kyoto funding, Venture Capital (special tax considerations for RSP's)</li> <li>➤ Compile existing studies</li> </ul>
<b>2. Identify the Northwest as a specific economic zone (for specified term of 15 to 20 years)</b>	<ul style="list-style-type: none"> <li>➤ Outline the scope/dependence on hemlock</li> <li>➤ Educate/appeal to our MLA</li> <li>➤ Draw comparisons to other regional issues (i.e., mountain pine beetle)</li> <li>➤ Look at long term return vs. short term return</li> <li>➤ Credit for negative stumpage               <ul style="list-style-type: none"> <li>○ Incentive to replace a decadent forest with a managed second growth forest</li> </ul> </li> <li>➤ Infrastructure deficient</li> </ul>
<b>3. Film Industry</b>	<ul style="list-style-type: none"> <li>➤ Marketing products from the Northwest, infrastructure (Prince Rupert Container Port) and access to the resource</li> <li>➤ Northwest Film Commission</li> <li>➤ Liaison with marketing advisory board</li> <li>➤ Promoting hemlock for cost effective set design</li> <li>➤ Provide scholarship for local students to attend film school</li> </ul>
<b>4. "Adopt a Tree"</b>	<ul style="list-style-type: none"> <li>➤ Sell standing timber to groups opposed to logging; pay loggers not to log               <ul style="list-style-type: none"> <li>○ Northwest has uneconomic stocks not suitable for commercial production. These trees should be offered to the public with the money to come back to the municipalities/BCMFA</li> </ul> </li> </ul>
<b>5. Develop a market advisory board that will monitor potential markets for products from the Northwest</b>	<ul style="list-style-type: none"> <li>➤ Identify any current marketing boards that exist and promote a Northwest liaison</li> <li>➤ Focus on value added opportunities</li> <li>➤ Coordinate harvest in the Northwest</li> <li>➤ Work with EDO's</li> </ul>



# APPENDIX #2

FORESTRY TASK FORCE

IMPLEMENTATION

COMMITTEE

MEMBERSHIP LISTING

**APPENDIX #2****FORESTRY TASK FORCE IMPLEMENTATION****COMMITTEE MEMBERSHIP LISTING**

Council Rep	Stew Christensen
Member	Don Coburn
Member	Brian Downie
Staff Rep	Paul Gipps
Member	Stephen Hales
Member	Rod Meredith
Member	Dave Martin
Member	Fred Philpot
CAO	Ron Poole
Chair	Ian Smith
Ex Officio	Jack Talstra

# APPENDIX #3

FORESTRY TASK FORCE

IMPLEMENTATION

COMMITTEE

GOAL STATEMENT

## **APPENDIX #3**

### **FORESTRY TASK FORCE IMPLEMENTATION COMMITTEE**

#### **GOAL STATEMENT**

#### **COMPONENTS OF A HEALTHY AND SUSTAINABLE COMMUNITY ECONOMY**

Broad components and goals envisioned by the Committee as required for a healthy, sustainable community economy are presented below. It is the opinion of the Committee that the components and associated goals are required to develop and maintain a healthy and sustainable community economy. The components and goals have been presented in order to provide a framework, rationale, and context to the Committee recommendations, and to provide the City of Terrace Council with a strategic direction to promote with respect to forestry related matters that affect the community.

#### **SPECIFIC COMPONENTS AND GOALS**

##### **TIMBER HARVESTING LANDBASE AND FOREST RESOURCE**

In order to have a healthy, sustainable, and industrial forest economy, there must be a defined timber harvesting landbase supporting the forest resource. The basic attributes of the timber harvesting landbase are:

- ◆ Ecologically operable and sustainable;
- ◆ Situated primarily on gentle and moderate terrain, of medium to good growing sites suitable for silvicultural investment through time;
- ◆ Economically operable in most market conditions. Economic operability is based on a combination of timber quality and harvest conditions and will vary with market conditions. The defined timber harvesting landbase should be economically operable throughout most market cycles, not only during peak market conditions, in order to maintain the stability of the forest industry and local community economy.

In order to provide resource information relevant to potential business investment that will benefit our community, a resource inventory is required. For the timber resource, there should be an inventory of the timber harvesting land base that is readily available to potential economic development investors.

**GOALS:**

- ◆ To identify the timber harvesting landbase that meets stated criteria of ecological and economic operability and sustainability;
- ◆ To develop, at a minimum, an inventory of the forest resources on the identified timber harvesting landbase. The inventory will provide data on area, volume and quality of old growth and mature forest, second growth forest, conifer and hardwood species.

**ACCESS TO FOREST RESOURCES**

Access to forest resources is required to facilitate economic activity. In order to support a healthy and sustainable timber harvesting and manufacturing economy, there must be access to timber resources. There are three basic forms of access:

- ◆ Physical access (roads, bridges, foreshore leases, etc.), i.e.: infrastructure;
- ◆ Tenured access, e.g.: Tree Farm Licences, Forest Licences, Timber Sales, Woodlot Licences, etc.;
- ◆ Purchase access; log and lumber purchases from operators holding private property or tenured access.

**GOALS:**

- ◆ To provide or promote the development of the physical infrastructure that will provide access to timber resources within the timber harvesting landbase;
- ◆ To provide or promote the establishment of variety of sizes and types of forest tenures in order to provide access to the timber resource for a variety of types and sizes of timber harvesting and manufacturing businesses;
- ◆ To provide or promote the establishment of infrastructure (e.g.: log sort and sale yards) and incentives that will facilitate the opportunity for log and lumber purchases from tenured operators and private properties to provide purchase access to timber for businesses that require timber resources for their manufacturing operations.

**INFRASTRUCTURE**

Infrastructure is required to facilitate the planning, development, manufacturing, transport and marketing of forestry operations and forest products, and to support the silviculture operations that establish, tend and develop the next forest crop. Infrastructure includes, but is not limited to:

- ◆ Planning infrastructure (strategic and operational plans) such as:
  - Land and Resources Management Plans (LRMP's)
  - Landscape Unit Plans (LUP's)
  - Sustainable Forest Management Plans (SFMP's)
  - Forest Development Plans (FDP's)
  - Silviculture Plans (SP's)
  - Local expertise to prepare the required plans;

- ◆ Transportation infrastructure; roads, railroad, bridges, foreshore leases, shipping ports;
- ◆ Harvesting infrastructure; harvesting equipment, trained personnel, contractors, organizations;
- ◆ Manufacturing infrastructure (mills, factories);
- ◆ Service industries;
- ◆ Utilities;
- ◆ Marketing expertise, providing access and development of markets;
- ◆ Silviculture infrastructure, equipment, personnel, organizations, contractors, and funding of operations.

#### GOALS:

- ◆ To provide, assist or promote the establishment and maintenance of all forms of infrastructure required to facilitate the development and operation of sustainable economic activities within and adjacent to the community.

#### **ATTRACTING INVESTORS / PROVIDING INCENTIVES**

Incentives to establish, invest in, or develop economic activity within the community are required to attract business investment from outside and from within the community, and to assist in maintenance, development, and expansion of existing community businesses. There are many forms of incentives; a listing of examples of potential incentives includes:

- ◆ Provision of developed industrial sites and facilities such as electrical power, water, transportation;
- ◆ Assistance to develop marketing expertise for small businesses;
- ◆ Favorable taxation rates;
- ◆ Favorable raw material purchase prices (e.g.: stumpage rates);
- ◆ Economical electrical power rates;
- ◆ Recognition by the Provincial Government of regional problems (e.g.: Northwest Zone);
- ◆ Potential for sustainability of operations (sustainable access to resources, etc.).

#### GOALS:

- ◆ To formulate and provide or promote incentives to industry to invest and establish or expand businesses within the community.

#### **DIVERSITY OF ECONOMIC ACTIVITY**

Establishment and operation of a diversity of businesses is essential for the economic stability and health of the community. In order to reduce reliance for employment and the taxation base on large forest industry corporations, it is essential that a diversity of business enterprises be developed throughout the region. To contribute to community stability, establishment and operation of a diversity of size and type of businesses is required.

**GOALS:**

- ◆ To promote and assist in the establishment and development of a diversity of types of economic enterprise throughout the region, including businesses within the forest industry and businesses that are not part of the forest industry;
- ◆ To promote and assist in the establishment and development of forest industry enterprises that promote a diversity of sizes and ownership of operations, manufactured products, and sizes and types of forest tenures.

**PERSONNEL, TRAINING AND SKILLS**

Essential to the successful operation of all forms of economic enterprise is a skilled, trained labour force. In order to maintain a diversity of businesses, it is necessary that the community support a population with diverse skills and training. Conversely, in order to maintain a workforce of trained and skilled personnel, a community must develop sustainable economic activity to provide sustainable employment. Without skilled employees, economic ventures will fail; without steady employment, skilled personnel will leave the community for employment elsewhere.

**GOALS:**

- ◆ To promote, encourage and assist in development of a diversity of sustainable economic enterprises within the community that will provide opportunities for employment of an educated and trained workforce and contribute to community stability and economic health.

**COMMUNITY INTERACTION WITH FOREST INDUSTRY ORGANIZATIONS**

Proactive consultation between the City of Terrace, community members, and the large and small forest industry businesses is necessary. This will ensure that the forest industry is concerned with the well being of the community and recognizes community requirements, and that the community understands and is concerned with the forest industry problems and economic requirements. It is essential that Municipal Governments, community members, and business enterprises within and adjacent to the community recognize that they are all integral parts of the community ecosystem and must work co-operatively to ensure both community and industrial stability. Education of all parties is essential to understand the social, environmental, and economic requirements of the other parties.

Education of the general public within the community regarding environmental and social issues, and regarding forest industry economic requirements and the day-to-day operations and requirements contributes greatly to mutual comprehension of problems and agreement on solutions to problems. Small-scale forestry businesses, small forest tenures such as Woodlot Licences, and Community Forests, involve an increased number of citizens in all aspects of forestry, and can contribute greatly to the education of the general public regarding forestry issues and operations.

**GOALS:**

- ◆ To engage in direct, proactive liaison and consultation with forest industry organizations, large and small, to ensure that there is mutual understanding of community and industry requirements and problems, and mutual co-operation in finding solutions to those problems;
- ◆ To promote and assist in education and pro-active liaison and consultation between community stakeholder groups and forest industry organizations, large and small, to contribute to the mutual understanding of community stakeholder groups and industry requirements and problems, and the solutions to those problems.



# APPENDIX #4

## ACTION PLANS

- A. Northwest Solutions Initiative
- B. Timber Harvesting Landbase and Forest Resource
- C. Access to Forest Resources and Diversification
- D. Infrastructure
- E. Attracting Investors/Providing Incentives
- F. Personnel Training and Skills

## **APPENDIX #4.A.**

### **A. 1. NORTHWEST SOLUTIONS INITIATIVE**

#### **OBJECTIVE:**

To establish a regional mandate, led by government, for the purpose of reviewing, revising and implementing forest policies that address forest industry challenges inherent in the forest resources of the Northwest region of British Columbia. Policies are to be established that support economic resource use and improve long-term forest health and future timber resource values.

#### **RECOMMENDATIONS:**

As a top priority, it is recommended that the City of Terrace lobby the Provincial Government to recognize the need for and immediately establish a 'Northwest Solutions Initiative' in order to develop strategies and forest policies that specifically address the challenges and opportunities of the Northwest region.

As a starting point, it is recommended that the Provincial Government review the Cheston Report (Forest Industry Strategy Northwest British Columbia) and adopt or update recommendations and strategies that improve the performance and competitiveness of the Northwest forest industry.

#### **BACKGROUND:**

The Northwest has different forest operating profiles than those found throughout most of British Columbia. The timber resources consist primarily of lower value Hemlock and Balsam, and contain pulp log components averaging 50%. Development costs are high, due to similar operating conditions to those found on the Coast. As the remaining timber resources are located further up mountain slopes and further away from manufacturing facilities, forest industry costs continue to rise. Recent mill closures and the generally poor performance of the forest industry in the Northwest illustrate the need for specialized forest management strategies and forest policies. The concept of a special zone was initially proposed in the Cheston Report of January 2000 as a mechanism for which to enact regional forest policies, as recommended in the report. The Terrace Forestry Task Force Implementation Committee likewise feels that the identification and establishment of a regional forest industry strategy for the Northwest is an integral first step in implementing many of its recommendations and for addressing regional concerns.

**SUCCESS INDICATOR(S): Short term: 1 – 12 months**

- ◆ The Province recognizes the need for a regional forest industry strategy, e.g.: a 'Northwest Solutions Initiative', and commits to the development of regional forestry policies and management strategies that will address the conditions of the Northwest region of British Columbia.

**SUCCESS INDICATOR(S): Long term 1 – 5+ years**

- ◆ The regional strategy has been established and implemented and Northwest forest policy and management strategies have been adopted to provide for sound forest stewardship and long term economic stability.

## **NORTHWEST SOLUTIONS INITIATIVE**

### **A. 2. LOG EXPORT**

#### **OBJECTIVE:**

To achieve a consistent harvest of the Annual Allowable Cut (AAC) from the Northwest in order to provide harvesting jobs and to maintain a consistent level of harvesting and silviculture employment.

#### **RECOMMENDATION:**

As a high priority, it is recommended that the City of Terrace lobby the Forest Minister and the MLA to extend the current Order in Council (OIC) #121. Extend the OIC for another 3 year term, to be reviewed at the end of 2 years. The review would focus on the economic health of the Northwest communities and to what extent log exports should be increased, decreased, or maintained at the current level for another term.

Improved administrative flexibility for the O.I.C. is also recommended regarding the time frame applied to the 35% threshold.

#### **BACKGROUND:**

The Northwest forest industry has endured a very difficult downturn over the past 3 years. During this time all of the large manufacturing facilities in the region have either shut down or slowed production, virtually eliminating a domestic log market in the Northwest. Harvest levels have been consistently low over this period as a result. This has resulted in very few opportunities for harvesting and silviculture jobs, which in turn has made it very difficult to maintain skilled harvest and silviculture workers and contractors in the area. To assist the forest industry to continue logging, the B.C. Government is allowing forestry operators in the Northwest to export a certain amount of logs without restrictions on grade or the need to advertise the volume for domestic use. Given the lack of manufacturing facilities in the Stewart area, logs from the Stewart area (Nass and Cassiar TSA's) are 100% exportable. In the Terrace area (North Coast, Kalum and Kispiox Districts), export has been made available under the Order in Council (O.I.C.) #121. The O.I.C., which expires at the beginning of 2005, allows log exports up to 35% of the calendar year to date harvest volume on a given license and is subject to payment of a fee in lieu of manufacture.

The 35% restriction of calendar year harvest is difficult for the industry to deal with at times, specifically at the onset of the calendar year. Export volume exceeding 35% of harvest must be held in inventory, resulting in operators having to tie up their investment capital. Additional administrative flexibility in applying the 35% threshold would allow export of logs in a timelier and less restricted fashion while ensuring that exports do not exceed the specified limit.

Log export in the Northwest has allowed some logging activity to occur when otherwise there would have been none. It has also allowed the industry to develop off shore markets for our timber profile. Log exports add value to timber stands as well as additional jobs delivering the wood to ship side. Log export also adds jobs through additional log processing in the woods, additional log scaling, and marine work. Log export is a market stabilizer - if the domestic market is good the amount exported is reduced and if the domestic market is poor the amount exported increases. It also ensures that domestic markets are not able to dictate the value of logs from the region.

The future direction of the forest industry in the Northwest is uncertain. Prince Rupert will have a working container port by the middle of 2005. Export may provide the investor confidence that is required to establish innovative manufacturing facilities suitable for dealing with the low-grade timber profile in the northwest. Currently, investor confidence in the Northwest forest industry is very low as evident with New Skeena's difficulty in raising the funds required to restart their company.

Extending the OIC # 121 for an additional 3 years, with a review after 2 years, will permit some log harvesting to continue while the future direction of the local manufacturing industry becomes more clear. This will provide opportunities for harvesting and silviculture jobs, maintain skilled harvest and silviculture workers and contractors in the area, and provide some economic stability for Northwest communities.

**SUCCESS INDICATOR(S): Short term: 1 – 12 months**

There is an increase in job creation and harvest activity within the licenses of the Northwest that would otherwise not occur without export.

**SUCCESS INDICATOR(S): Long term 1 – 5+ years**

Licensees are once again harvesting the full AAC from the licenses they hold. The needs of local manufacturing facilities are compatible with log exports and the needs of Northwest communities.

## **APPENDIX #4.B**

### **TIMBER HARVESTING LANDBASE AND FOREST RESOURCE**

#### **B. 1. TIMBER INVENTORY**

##### **OBJECTIVE:**

Develop an information package that accurately describes the present and future timber profile of the Northwest that is readily available to potential investors in order to promote the forest economy.

##### **RECOMMENDATION:**

It is recommended that the City of Terrace lobby the Ministry of Forests (MOF), the Ministry of Sustainable Resource Management (MSRM), Terrace Economic Development Authority, and the MLA to improve upon the available information regarding the timber profile in the Northwest. The intent is to develop an information package that accurately describes the present and future timber profile of the Northwest, and that is readily available to potential investors in order to promote the forest economy. City Council is to put a proposal to MSRM and/or the Municipal Finance Authority to fund the study and to develop an action plan to acquire or improve upon the information as desired.

##### **BACKGROUND:**

The Northwest timber profile is greatly varied in terms of species, quality, size and operating conditions. Information regarding the timber characteristics (e.g.: quality, size, operable quantities) is of fundamental importance in order to evaluate the suitability of the profile for economic use. Currently, available timber information does not provide sufficient information to adequately allow evaluation as to the timber suitability for manufacture into specific products. Current information as well as future forecast information is important when marketing Terrace as a location to establish either a primary or secondary manufacturing facility.

##### **SUCCESS INDICATOR(S): Short term: 1 – 12 months**

- ◆ An action plan is developed to acquire or improve upon the necessary information regarding the timber profile (present and future).

**SUCCESS INDICATOR(S): Long term 1 – 5+ years**

- ◆ Terrace Economic Development Authority has accurate forest profile and projection information available that could be used to interest potential manufacturing facilities to locate themselves to the Terrace area.

## **TIMBER HARVESTING LANDBASE AND FOREST RESOURCE**

### **B. 2. DECIDUOUS MANAGEMENT**

#### **OBJECTIVES:**

To promote and assist in the establishment of a diversity of types of forest industry businesses within the Northwest. To broaden the range of values that may be captured from the forest resources.

#### **RECOMMENDATION:**

It is recommended that the City of Terrace lobby the Ministry of Forests to establish deciduous management strategies for TSA's within the Kalum and Skeena – Stikine Forest Districts (Kalum, Nass, Cranberry, Kispiox, Bulkley, Cassiar). Deciduous management strategies are necessary in order to establish silvicultural stocking standards, regimes and practices that will promote the sustainable use of the deciduous forest resource and that recognize the costs and values of managing for deciduous or mixed-wood versus coniferous timber. In the short-term, deciduous Timber Sale opportunities are to be identified and advertised for award, consistent with the development of longer-term deciduous management and resource use objectives.

#### **BACKGROUND:**

There is a significant volume of deciduous timber in the Northwest region that is currently under-utilized. Deciduous timber does not contribute to the currently established AAC's for the TSA's in the Kalum and Bulkley – Stikine Forest Districts. The downward pressure that currently exists on utilization of the coniferous timber resource could be partially offset through active management promoting use of the deciduous timber resource. Active management for deciduous timber production could allow for shortened rotations on a part of the timber harvesting landbase, promoting a more even flow of timber over the long term. Active management for coniferous, deciduous, or mixed wood timber production could reduce silvicultural expenditures by allowing for more reliance on natural restocking and reduced 'brushing'

#### **SUCCESS INDICATOR(S): Short – term: 1 – 12 months**

- ◆ Deciduous resource inventories completed and initial management strategies established. Deciduous Timber Sales awarded that are within the limits of sustainable resource use.



**SUCCESS INDICATOR(S): Long – term: 1 – 5+ years**

- ◆ Deciduous management strategies successfully implemented. Annual harvest (m3) levels consistent with sustainable resource use.

## **APPENDIX #4.C.**

### **ACCESS TO FOREST RESOURCES AND DIVERSIFICATION**

#### **C. 1. TIMBER SALE DISPOSALS**

##### **OBJECTIVE:**

To stimulate activity in the forest industry of the Northwest in the short-term. This is necessary to provide opportunities to maintain and enhance harvesting, marketing and manufacturing operations, pending the required improvement in the general economy of the Northwest industry.

##### **RECOMMENDATION:**

As a high priority, it is recommended that the City of Terrace lobby the Ministry of Forests to promptly advertise and award significant Timber Sale volumes through BCTS. These Timber Sales should consider the immediate market opportunities that are available in the short term, e.g.: within an economic radius of ports, log yards or mills.

##### **BACKGROUND:**

There is a significant imbalance between the current level of regional harvest and the historic level, resulting in significant unemployment. The BCTS Provincial Policy of mirroring BCTS harvest levels and Major Licensee harvest levels must consider the exceptional circumstances in the Northwest where the dominant Major Licensee operations are dormant for reasons other than markets. Although local manufacturing opportunities are limited due to mill closures and curtailments, there are alternative markets for Northwest fibre that are viable to supply in the short term (e.g.: logs close to ports that may supply Southern region mills or export markets). Timber Sales could be released that serve to supply these markets with viable fibre. This would maintain employment opportunities in the harvesting, marketing and manufacturing, and silviculture sectors.

##### **SUCCESS INDICATOR(S): Short-term: 1 – 12 months**

- ◆ Volume of Timber Sales awarded and harvested. Proportion of Timber Sales awarded that are harvested.

## **ACCESS TO FOREST RESOURCES AND DIVERSIFICATION**

### **C. 2. LOW GRADE FIBRE STRATEGY – EXPERT STUDY OF POTENTIAL USE AND MANUFACTURE**

#### **OBJECTIVE:**

To identify potential uses and users of low grade fibre and ascertain conditions that the users would need in order to set up a manufacturing facility in area.

#### **RECOMMENDATIONS:**

As a high priority, it is recommended that the City of Terrace, possibly through Terrace Economic Development Authority, conduct, promote or facilitate an expert overview study of the industrial potential for use or manufacture of Northwest region low grade fibre. This study would be intended to attract investors towards establishing such manufacturing facilities in the area. Potential stakeholders and study participants/funding sources are to be identified and may include government or government agencies, forest licensees, First Nations, utilities and existing major industries.

#### **BACKGROUND:**

A major stumbling block to the use of the Northwest fibre resource is the large volume of low-grade fibre to be used. Until 2001, the majority of this low-grade fibre volume was utilized by the Skeena pulp mill in Prince Rupert. In the event this mill runs again, it will be on a reduced capacity basis. Regional economic activity has been, and will continue to be, negatively affected unless alternative uses for this fibre can be found. The establishment of reliable low-grade fibre use facilities is considered a key component for the viability of forestry operations in the Northwest.

The development of the container port in Prince Rupert will offer a strategic advantage to the Northwest in terms of shipping products competitively to international markets. This, and other regional advantages, needs to be evaluated as part of an effort to develop and establish facilities to manufacture the fibre from the Northwest, including the predominant low-grade fibre.

Some existing and potential users and uses of Northwest fibre are listed and briefly discussed following (Schedule 1), demonstrating the range in products that the recommended study could consider.

**SUCCESS INDICATOR(S): SHORT TERM 1-12 MONTHS**

- ◆ Expert report finished and efforts initiated to attract one or more users of low-grade fibre to the Northwest.

**SUCCESS INDICATORS(S): LONG TERM 1-5+ YEARS**

- ◆ One or more users of low-grade fibre committed to establishing in the Northwest.

## **ACCESS TO FOREST RESOURCES AND DIVERSIFICATION**

### **LOW GRADE FIBRE STRATEGY – EXPERT STUDY OF POTENTIAL USE AND MANUFACTURE**

<b>Schedule 1</b>
-------------------

#### **USES AND USERS OF LOW GRADE FIBRE**

1. Chip Export

- Kaien Island Fibre plant in Prince Rupert recently established for custom sorting and chipping.
- Skeena Sawmills, capable of chip production and has loading facility in Kitimat. Could rely on interior chips and export surplus production.
- New Skeena Forest Products Hazelton whole-log chipper currently inactive.
- By-products of chip manufacture activity would generate hog fuel for pulp mills or co-gen.

2. Pulp Mills

- Eurocan largely uses chips from the interior.
- New Skeena Forest Products Prince Rupert pulp mill is inactive. If re-starting would only be 1000t/day capacity, down from previous 1,600t/day.
- Historically, lower mainland and Ketchikan pulp mills were active buyers of pulp logs. More recently, several coastal pulp mills have been permanently shut down. The market for low grade logs is severely reduced.
- The establishment of several smaller pulp mills in the Northwest is desirable, but unlikely due to highly competitive world markets and our relatively high production costs.

3. Co-gen Plant

- Houston is actively pursuing a co-gen facility.
- Reliant on large volumes of cheap hog fuel.
- Desirable as user of otherwise unusable waste, including regional solid waste. New power source, reduced costs in fibre production, jobs.

#### 4. Oriented Strand-Board Plant

- There are no proposals in the Northwest area.
- Reliant on large volume of low priced chip fibre. Normally relies on aspen, but main criteria is price and constancy of fibre.
- Current timber tenure uncertainty makes it difficult for potential operator to contract long term fibre supply.
- Plant could use waste produced for fuel in plant.
- Likely the optimum location would be in the Bulkley Valley, with aspen drawn from Hazelton to Burns Lake corridor.

#### 5. Pellet Plant

- There are no proposals in the Northwest area. Reliant on multiple major wood manufacturers for bark and sawdust waste with sawmills being optimum source.
- Possible overseas market once container system in place (e.g. Korea, India). Back hauls would be cheap transport. Terrace has cost advantage in getting product to port.

#### 6. Pallet/ Dunnage Manufacture

- Previously one in South Hazelton.
- Reliant on low grade and reject lumber supply from area mills.
- Would produce low levels of hog fuel.
- Light local demand. Alcan is currently bringing stock in from Quebec.
- High potential for Asian market likely, as container port mainly servicing imports from manufacturing countries.
- Also fits with the milling of hardwoods, as low grade hardwoods are desirable for some types of stock.
- Cost advantage in getting containers to port.

#### 7. Fencing Manufacture

- There are no proposals in the Northwest area.
- Previous plant in Smithers failed due to lack of access to fibre at a low cost, despite huge order file. Market was Domtar in Alberta.
- Dependent on low price for small diameter pine and hemlock.
- Fibre available, currently unutilized.
- Asian markets for this type of material?
- Subject to lumber tariffs?

#### 8. Landscape Ties

- There are no proposals in the Northwest area.
- Dependent on low price for fibre. Use almost any species.
- Large volume of hog fuel resulting.
- Fibre available, currently unutilized.
- Likely Asian market for this type of material once container port a reality.
- Both ties and fencing go to treatment plant

#### 9. Bark Mulch

- Easily available fibre.
- Currently all bark mulch sold in stores for gardening appears to come from outside of B.C. - mostly the U.S.
- Would rely on de-barkers in sawmills and chipper plants for bark.
- B.C. market- back-hauls available from major stores to their main warehouses. e.g.: Canadian Tire/ WalMart.
- Worth investigating whether Asian market uses.

#### 10. Charcoal Plant

- Believe plant on Vancouver Island.
- Uses log sort waste and makes charcoal for filtering systems and for waste absorption. Charcoal briquettes for barbequing.
- Asian markets?

#### 11. Hardwood Sawmills

- Several small portable mills cutting minor amounts.
- Majority of wood supply tied up by major licenses and not readily accessible. Much of available hardwood in mixed conifer stands. Cottonwood lumber may be produced for Asian furniture market once container port operational.
- Small furniture manufacturing industry possible once hardwood mills established.
- Need dry-kilning, grading and packaging capability. Currently available but underutilized in Terrace Pre-Cut facility.

#### 12. Wood Oils

- There are no proposals in the Northwest area.

## **ACCESS TO FOREST RESOURCES AND DIVERSIFICATION**

### **C. 3. COGENERATION**

#### **OBJECTIVE:**

Promote and encourage the development of a cogeneration facility that can utilize low-grade fibre, wood waste, or other waste materials.

#### **RECOMMENDATION:**

As a high priority, it is recommended that the City of Terrace promote cogeneration opportunities by consulting with existing energy producers and potential cogen operators such as BC Hydro, PNG, Alcan, and Eurocan to assess the feasibility of establishing a viable cogeneration facility in the Terrace area. Special consideration should be given to facilities that utilize low-grade wood fibre, and wood waste materials. The City should also investigate opportunities and the feasibility of incorporating a cogen operation with a regional landfill operation.

#### **BACKGROUND:**

Harvesting the regions low-grade fibre results in tons of wood waste left unutilized, and saw milling waste burned or disposed of in local landfills. Utilization of this wood waste is presently not occurring however partnering with another source of fuel provider or large energy producer may support a viable cogeneration venture.

#### **SUCCESS INDICATOR(S): Short term: 1 – 12 months**

- ◆ Interested cogen investors recognize potential opportunities, and initiate feasibility studies.

#### **SUCCESS INDICATOR(S): Long term 1 – 5+ years**

- ◆ Cogeneration facility operating in the Terrace area.



## **ACCESS TO FOREST RESOURCES AND DIVERSIFICATION**

### **C. 4. COMMUNITY FOREST**

#### **OBJECTIVE:**

To provide or promote the opportunity for forest industry enterprise to obtain access to a timber resource supply that is sustainable through time.

#### **RECOMMENDATION:**

As a high priority, it is recommended that the Provincial Government approve an application for a Community Forest Agreement for the City of Terrace. The Forestry Task Force Implementation Committee strongly endorses the concept of and application for a City of Terrace Community Forest Agreement

#### **BACKGROUND:**

The intent of the stated objective and recommendation is to contribute toward achievement of the goals of the City of Terrace, including provision of;

- a) Opportunities for smaller operators to access a long term sustainable timber supply, that will provide incentives for investment in new manufacturing facilities or the maintenance and upgrading of existing facilities.
- b) Opportunities for employment of local contractors and community members in forest planning, road construction, harvesting, silviculture, and salvage operations.
- c) Opportunities for forestry related education and skills training through development of a demonstration forest, local school and college programs, involvement and consultation with community stakeholders, etc.; and
- d) Access to forest environment for forest related recreation.

The recommendation is consistent with the recommendation of Appendix #4.C.5, which calls for the establishment by the Provincial Government of a diversity of types and sizes of forest tenures throughout the Northwest region, including Community Forest Agreements.

#### **SUCCESS INDICATOR(S): SHORT TERM 1 – 12 MONTHS**

- ◆ Approval by the Provincial Government and award to the City of Terrace of the Community Forest Agreement.

**SUCCESS INDICATOR(S): LONG TERM 1 – 5+ YEARS**

- ◆ The City of Terrace Community Forest Agreement is supporting forest industry enterprise to obtain access to a timber resource supply that is sustainable through time.

## **ACCESS TO FOREST RESOURCES AND DIVERSIFICATION**

### **C. 5. ACCESS TO TENURES AND MARKET LOG SUPPLY**

#### **OBJECTIVE:**

To provide or promote the opportunity for forest industry manufacturing enterprises to obtain access to a timber resource supply that is sustainable through time.

This objective is intended to contribute to the achievement of the broad goals for:

- ◆ access to forest resources;
- ◆ incentives; and
- ◆ community interaction with forest industry organizations.

#### **RECOMMENDATIONS:**

- a) As a high priority, it is recommended that the City of Terrace lobby the Provincial Government to make available on a continuing basis through time a variety of types and sizes of forest tenures. The forest tenures should include a range of types of tenure such as Timber Sales, Woodlot Licenses, Community Forest Licenses, First Nation Forest Resource Agreements, etc. and should include short and long term tenures, and non-renewable and renewable tenures. The forest tenures should include a range of sizes of tenure or volume of cut, from small-scale timber sales 500m<sup>3</sup> – 1000m<sup>3</sup>, ranging upwards to timber sales or quotas of several thousand cubic metres per year.
- b) It is recommended that the City of Terrace lobby the Major Licensees and the B.C. Timber Sales Program to voluntarily commit to dedicating a small percentage of their annual harvest to be made available for sale through a competitive auction on an open log market basis. The intent is to provide on a continuing basis an available log supply to manufacturing facilities that have no long-term tenured timber supply. The logs for sale from each licensee would be made available at market price, to ensure that the owners of the logs would not suffer economic loss from the sale. Logs for sale would represent the average sawlog profile from the forest tenure.
- c) It is recommended that the City of Terrace dedicate a percentage of the Community Forest area and/or a percentage of the Community Forest annual cut, to be made available for operation by small scale operators (% of Community Forest area) or for sale on an open log market basis (% of Community Forest cut). The intent is to provide on a continuing basis opportunities to access an available log supply to small scale manufacturing facilities that have no long-term tenured timber supply. Logs for sale would be made available at market price, to ensure that the City of Terrace would not suffer an economic loss from the sale.

**BACKGROUND:**

The present situation in the Terrace – Hazelton area is that the majority of the allowable annual harvest is controlled by two large corporations and the B.C. Timber Sales program. The two corporations are very reluctant to provide ANY of their timber volume to supply any other forest products manufacturing enterprises. B.C. Timber Sales program makes timber available to any business on a competitive bid basis. In actual fact, the majority of the timber is purchased by the two large corporations from the Timber Sale operators. Timber of the highest quality may be sorted and sold on the export market. Low quality timber is sold as pulp quality logs.

In general, the timber sales are relatively large in size (several to many thousands of cubic metres) and must be harvested in a relatively short time span (months to 1-2 years). These sales are too large and must be logged in too short a time frame to be economically or logistically feasible for acquisition and operation by the operators of small scale manufacturing plants within the community.

The net result is that, although there is timber within the area, and some of the timber is available for purchase as large timber sales, there is little timber available:

- ◆ to existing small mill operators; or
- ◆ to potential investors that may be interested in establishing new forest product manufacturing facilities.

There is a significant volume of undercut in the Northwest that has accumulated for several years due to the closure of the Skeena Cellulose mill facilities and the general downturn in the forest industry. This volume represents a significant opportunity to provide a secure supply of timber to new or established forest industry businesses that do not currently own timber. AAC's in the Northwest have historically been fully allocated and there have been very limited opportunities for new or existing forest industry businesses to secure tenures.

The intent of the stated objective and recommendations is to provide incentives for investment in new manufacturing facilities or in maintenance, upgrading, and expansion of existing facilities, through establishment of a mechanism and commitments that will provide opportunities for smaller operators to access a long-term sustainable timber supply. The recommendations outline a concept; details of how the concept would function effectively remain to be worked out between the City of Terrace, Major Licensees, Ministry of Forests, B.C. Timber Sales program, and an association of small manufacturing operators.

**SUCCESS INDICATORS:**

- ◆ Number and timber volumes of forest tenures of varying types and sizes made available by Ministry of Forests;
- ◆ Number and timber volumes of forest tenures accessed by operators of small manufacturing facilities; and

- ◆ Commitments made by Major Licensees, B.C. Timber Sales, and the City of Terrace Community Forest License to dedicate a percentage of annual harvest for competitive sale on an open log market basis.

**RESPONSIBILITY FOR IMPLEMENTATION:**

- ◆ The City of Terrace is responsible for lobbying the Major Licensees and Provincial Government, as recommended.
- ◆ Ministry of Forests is responsible for making available the recommended forest tenures.
- ◆ Major Licensees and the City of Terrace are responsible for making commitments, and to follow through with their commitments, to make available a percentage of their annual cuts for sale on an open log market basis.

**TIME FRAME FOR IMPLEMENTATION:**

These recommendations should be implemented immediately. The intent is that this is a long-term strategy that will evolve and develop over time. However, the need to implement this recommendation immediately is HIGH, as it will require considerable lobbying and planning to make the recommendation functional.

## **ACCESS TO FOREST RESOURCES AND DIVERSIFICATION**

### **C. 6. INFORMATION NETWORK DEVELOPMENT**

#### **OBJECTIVE:**

To develop an information network about overseas markets that could be useful to small mills and market loggers working in the timber profile of the Northwest.

#### **RECOMMENDATIONS:**

- a) It is recommended that the City of Terrace facilitate through Terrace Economic Development Authority (TEDA), or through City Administration, workshops, tours, and presentations which will provide forest products marketing information for local manufacturers. The City will encourage those individuals or businesses to communicate on market opportunities and trends.
- b) It is recommended that the City lobby the appropriate Provincial Ministries to place a higher priority on the development of new markets for Northwest forest products, and the facilitation of marketing networks that will enable market loggers and mill operators to gain overseas markets and added value from the fibre of the Northwest.
- c) It is recommended that, in the short term, the City, through TEDA, maintain active collaboration with Export Prince George, to monitor market opportunities for Northwest producers. In the longer term, the City should seek to establish forest products export marketing capacity within TEDA.

#### **BACKGROUND:**

The timber profile in the Northwest is predominately hemlock balsam and has been marketed through either Vancouver area marketing firms, or log brokers. Individual market loggers and small mill owners have to develop their own market contacts, knowledge of global trends and identify opportunities for their product. The Asian market is likely to be our long-term market due to proximity to the North Coast, and the container capacity that will be available in Prince Rupert in 2005.

An example of the role that TEDA or another Northwest agency might play is the experience of Export Prince George, an agency of Initiatives Prince George. Export Prince George provides assistance to firms wanting to enter export markets to develop export readiness assessments, to develop market entry strategies and to identify risks and how to mitigate those risks. That assistance includes providing market intelligence, facilitating partnering by responding to opportunities for potential delivery or joint venture partners. Export PG identifies initiatives for trade missions and circulates documentation of the results of trade missions.

**SUCCESS INDICATOR(S): Short term: 1 – 12 months**

- ◆ TEDA, and local manufacturers have an opportunity to participate in export Prince George initiatives through information that TEDA distributes to a small millers, market loggers, log broker and forestry consultants distribution list.
- ◆ Working with Roger Harris, MLA, TEDA could provide valuable short term assistance to the City and the MLA's office.

**SUCCESS INDICATOR(S): Long term 1 – 5+ years**

- ◆ TEDA would have organized, or facilitated several seminars, or guest speakers, and possibly a further trade mission to China, and local entrepreneurs would have improved market intelligence to determine the potential for the export of their products.

## **ACCESS TO FOREST RESOURCES AND DIVERSIFICATION**

### **C. 7. NICHE MARKET AND VALUE-ADDED PRODUCT MANUFACTURE**

#### **OBJECTIVE:**

To promote and assist in the establishment of a diversity of types of forest industry businesses within the Northwest.

#### **RECOMMENDATION:**

It is recommended that the City of Terrace support the establishment and development of forest industry businesses that manufacture products for niche or value-added markets. This may be achieved through direct means such as; the establishment of a community log yard that will sell the desired timber profile, or through indirect means such as; support for timber awards from the Ministry of Forests, or the facilitation of value-added seminars.

#### **BACKGROUND:**

Forest industry businesses that produce value-added products or that manufacture products for niche markets are typically less dependent on the scale of operation than producers of commodity products (e.g.: pulp and paper, dimensional lumber). Niche or value-added markets may be less cyclical than commodity markets or may be subject to different market cycles, which diversifies and 'smoothes out the bumps' for the local industry in general.

#### **SUCCESS INDICATOR(S): Short-term: 1 – 12 months and Long-term: 1 – 5 years**

- ◆ Fibre consumption, or output, of niche/value-added products.
- ◆ Total direct employment by niche/value-added producers.



## APPENDIX #4.D.

### INFRASTRUCTURE

#### D. 1. CONTAINER PORT

##### OBJECTIVE:

To maximize the industrial benefit to Terrace of having a container port in Prince Rupert.

##### RECOMMENDATIONS:

As a high priority, it is recommended that City Council continue to support the implementation of a container port in Prince Rupert as well as support the development of complementary businesses in the Terrace area. Letters to Premier Campbell, to David Anderson and to the Ministry of Competition, Science and Enterprise.

It is recommended that TEDA should attempt to work with the Prince Rupert Port Authority through the selection process of a terminal operator.

It is recommended that TEDA should investigate business opportunities in the Terrace area related to the container business, i.e.: a container stuffing facility for logs, value added wood products etc.

It is recommended that City Council facilitate a forum by which local businesses understand the opportunities available to them in the construction of the container port.

It is recommended that City Council facilitate a forum by which local entrepreneurs learn of the increased opportunities a container port holds for value added forest products.

##### BACKGROUND:

Prince Rupert is finally moving toward having an operational container port by mid 2005. The substructure work will start this summer (2004) including a \$15-20 million electrical upgrade. This work will be tendered locally. A terminal operator is expected to be selected in February. The ideal candidate is a division of the container carriers and not already on the West Coast. The ideal candidate will treat the Prince Rupert terminal or container port as their primary business. There is interest from businesses as far away as Hong Kong and New York to operate the terminal. The direct benefits of a container business for the forestry industry are:

- ◆ the opportunity to explore new markets (i.e. China);
- ◆ lowers the transportation costs of logs and products to off shore markets; and
- ◆ it encourages value added business in the Northwest.

In Vancouver, logs are being stuffed into containers and delivered to the Korean and Chinese markets. Container traffic will be moving through Terrace in the very near future.

**SUCCESS INDICATOR(S): Short term: 1 – 12 months**

- ◆ Terrace businesses are awarded contracts related to the construction of the container port in Prince Rupert.

**SUCCESS INDICATOR(S): Long term 1 – 5+ years**

- ◆ A complementary container stuffing business developed (if appropriate) in the Terrace area. Value added businesses are developed as a result of the container port and access to timber.

## **INFRASTRUCTURE**

### **D. 2. ROAD INFRASTRUCTURE DEVELOPMENT**

#### **OBJECTIVE:**

To promote local and regional infrastructure development that will benefit the Northwest economy.

#### **RECOMMENDATION:**

As a high priority, it is recommended that City Council work with TEDA/Regional District/Provincial Government Ministries/Northwest Corridor Development Corporation to promote local and regional infrastructure development for the Northwest. Common opportunities between the forest industry and other resource industries should be identified and pursued in order to share costs e.g. Stewart – Omineca Resource Road. Existing highways that have significant development potential should be upgraded to promote economic development (e.g.: Hwy. 37 North upgrade to promote resource industry use, tourism, etc.). Existing mainline roads that are currently under maintenance obligation of the forest industry yet are subject to significant public use and reliance should become publicly maintained e.g. Cranberry Forest Service Road.

#### **BACKGROUND:**

A key area to facilitate cost reductions for the regional forest industry is with regards to road infrastructure development and maintenance. The Northwest has not seen the same degree of infrastructure development as most of the B.C. interior. Provincial Government commitments included focusing resources on improving northern and rural transportation, and increasing access to Crown lands and resources, to create jobs in tourism, mining, forestry, farming, ranching, and oil and gas. Transportation infrastructure improvements in the Northwest should include improvements to regional highways and the facilitation of primary resource road development. Implementation of the Government commitments will provide spin-off benefits to all of the resource industries noted.

#### **SUCCESS INDICATOR(S): Short term: 1 – 12 months**

- ◆ Announcement of new regional transportation infrastructure development projects, e.g.: Stewart – Omineca Resource Road.
- ◆ Initiation of transportation infrastructure upgrade projects, e.g.: Cranberry F.S.R. upgrade, Hwy. 37 North upgrade.
- ◆ Transfer of maintenance obligations from the forest industry to the public regarding roads of high public use.
- ◆ Existing Local road builders and logging contractors are contracted with regards to the above projects.

**SUCCESS INDICATOR(S): Long term 1 – 5+ years**

- ◆ Improved transportation infrastructure and access to Crown lands and resources for all public and resource users.
- ◆ Northwest economic growth in all sectors, supported by the improved transportation infrastructure.

## **INFRASTRUCTURE**

### **D. 3. LOW COST POWER**

#### **OBJECTIVE:**

Establish power generating facilities using local materials or geographic features in the Terrace area from which cheap power is provided to existing manufacturing facilities in Terrace or used as an incentive for future manufacturing facilities to establish themselves in the Terrace area.

#### **RECOMMENDATION:**

It is recommended that TEDA investigate the opportunity for energy producers to provide low-cost power to industries in the Terrace area.

#### **BACKGROUND:**

B.C. Hydro purchases 146 megawatts from Alcan for the Northwest electrical needs. B.C. Hydro is interested in purchasing as much as 290 megawatts of power but the amount of power available for sale is limited by the transmission substation. The benefit of this local source of power is that it stabilizes the system. Transmission lines can lose 5-10% of power in transit. B.C. residents all pay the same rate for power (5.77). Industrial users in B.C. get power at a lower rate (3.1 – 3.5) than residential users. Customers in the USA pay market rates for power. B.C. Hydro has made application to implement something they call Step Rates. It looks at establishing usage rates for industrial customers. Excessive consumers face an increase in rates. New Skeena has had their hydro payments deferred.

B.C. Hydro supports Cogen power projects such as the Weyco project in Kamloops (\$45 million) and the Canfor project in Prince George (\$80 million). The benefit to B.C. Hydro is that they retain the power that the company would have otherwise used. B.C. Hydro will be looking for new Cogen project applications in the fall of 2004.

#### **SUCCESS INDICATOR(S): Short term: 1 – 12 months**

- ◆ Ability to make a Cogen project proposal (If applicable) to BC Hydro in fall 2004.

#### **SUCCESS INDICATOR(S): Long term 1 – 5+ years**

- ◆ Manufacturing facility(s) located in Terrace with the cost saving advantage of being powered by local power generating facilities.

## **APPENDIX #4.E.**

### **ATTRACTING INVESTORS / PROVIDING INCENTIVES**

#### **E. 1. IDENTIFY INDUSTRIAL PROPERTY WITH INFRASTRUCTURE FOR “SMALL OPERATORS”**

##### **OBJECTIVE:**

To identify and make available potential industrial sites that have infrastructure such as electrical power, water source, etc., that are suitable for “small operator” industrial activity.

##### **RECOMMENDATION:**

- a) As a high priority, it is recommended that, within Municipal boundaries, the City of Terrace identify potential industrial sites that are developed with electrical power, water and sewer services, and make these sites available for small scale industrial activities. Encourage through incentives the establishment of several small manufacturing plants on such sites to develop efficient use of the site and to develop synergies of operations through establishment of cooperative and complementary small businesses. Assessment of potential sites would include evaluation of the suitability of the Kalum Lake Drive solid waste dump site for such a site.
- b) It is recommended that outside of Municipal boundaries, the City of Terrace assist owners of small manufacturing enterprises to secure a Crown lease that would provide a common mill site for establishment of cooperative and complimentary small businesses.
- c) It is recommended that the City of Terrace encourage the small mill operators of the community to form an association in order to provide a united and cohesive representation to City Council, to the Provincial Government, and to the large licensees. This would provide the association of small mill operators with greater planning and lobbying power and would facilitate greater efficiencies for City Council, Provincial Government and large licensees, in discussions, negotiations, and cooperative planning with the small mill operators.

##### **BACKGROUND:**

Within our community there are numerous operators of small sawmills. Typically, these operators are very independent of each other, and are situated in diverse locations within and outside the Municipal boundaries. Some mills are located on suitable sites, and others are located on inadequate sites in terms of electrical power, water, sewer, access for delivery of raw material and shipping of products, and terrain and soils for construction and operation of mill and log yard.

Some mill operators are content with their existing locations and operations, while others wish to relocate to a more suitable site. Additionally, efficiencies of individual operations may be improved through use of common mill sites, log yards and equipment, and other infrastructure.

In terms of cooperative organization to establish and advance their objectives, the operators tend to act as individuals as opposed to acting as an organization. Because of the individual small size of each operation, each individual request to various levels of Government and to the large licensees does not receive serious consideration, and hence generally results in lack of attention to the request and therefore dissatisfaction to the small business operator.

The intent of the above recommendations is to provide opportunity to the operators of small manufacturing businesses to establish their mills on common sites to take advantage of infrastructure and equipment, and the synergies that can develop from establishment of cooperative and complimentary enterprises. The intent is also to encourage the small scale operators to form a formal cooperative association that provides power and efficiency in their planning, lobbying, and operating, and promotes greater efficiency and serious consideration by the various levels of Government and the large licensees with whom the small operators have to work.

#### **SUCCESS INDICATORS:**

- ◆ Potential site identified and made available;
- ◆ Formation of a formal association of small operator enterprises; and
- ◆ Number of small mills that establish on the identified sites.

#### **RESPONSIBILITY FOR IMPLEMENTATION:**

- ◆ The City of Terrace is responsible for identification and availability of potential sites within the Municipal boundaries;
- ◆ The City of Terrace, in cooperation with the small mill operators, is responsible for lobbying the Provincial Government to identify an area to be made available as a Crown lease for establishment of a common mill site;
- ◆ The Provincial Government is responsible for providing the Crown lease;
- ◆ The small mill operators are responsible for the formation of a formal association of small operator enterprises; and
- ◆ The association of small operator enterprises is responsible for identifying areas outside the Municipal boundaries that are suitable for a Crown lease for a common mill site, and for conveying this information to City Council.

**TIME FRAME FOR IMPLEMENTATION:**

These recommendations are both a short-term and a long-term strategy, designed to develop over time a vigorous and healthy small manufacturing economy. Implementation should start immediately.



## ATTRACTING INVESTORS / PROVIDING INCENTIVES

### E. 2. TAX INCENTIVES FOR NEW FORESTRY RELATED COMPANIES

#### OBJECTIVE:

To establish a tax structure that will provide incentive for investment in new forest industry enterprises and investment in maintenance and expansion of existing forest industries within our community.

#### RECOMMENDATION:

As a high priority, it is recommended that the City of Terrace examine the Municipal tax structure with the intent to establish:

- a) A Municipal tax free zone that could allow industry to establish with no requirement to pay taxes for a period of time; and
- b) A Municipal tax rate that would provide incentives for new industry investment, and in expansion, maintenance, and continued operation of existing industry.

#### SUCCESS INDICATORS:

- ◆ Establishment of tax incentive; and
- ◆ Investment in new industry and in expansion, maintenance and continued operation of existing industry that takes advantage of the established tax incentives.

#### RESPONSIBILITY FOR IMPLEMENTATION:

- ◆ The City of Terrace is responsible for establishment of tax incentives to attract industry investment.

#### TIME FRAME FOR IMPLEMENTATION:

- ◆ This is a long-term strategy, and will require considerable research and discussions by City Council. Implementation should be as soon as possible, but not necessarily within the next twelve months. This strategy should be carefully considered before implementation.

## **ATTRACTING INVESTORS / PROVIDING INCENTIVES**

### **E. 3. ASSIST DEVELOPERS / INVESTORS WITH ECONOMIC ENTERPRISE**

#### **OBJECTIVE:**

To assist potential investors in negotiations with various levels of Government, resource owners, major licensees, and community stakeholders in order to facilitate the establishment of desired new economic activity and maintenance or expansion of existing economic enterprises within the community.

#### **RECOMMENDATIONS:**

As a high priority, it is recommended that the City of Terrace promote, facilitate, and engage in pro-active liaison, consultation, and negotiations between potential investors and various levels of Government, large and small forest industry organizations, and community stakeholders, in order to assist potential investors with development of desired economic enterprises within and adjacent to the community.

#### **BACKGROUND:**

Potential investors in establishment or expansions of a business venture require knowledge of the community and contacts within the community. A partial list of their requirements may include:

- ◆ Access to resource information;
- ◆ Permits and licenses from a variety of Government agencies;
- ◆ Access to potential financing sources;
- ◆ Access and contacts to various departments and levels of Government;
- ◆ Knowledge of the community and the economic, recreational, environmental, and social desires and requirements of community stakeholders; and
- ◆ Access and contacts to community stakeholder groups.

In particular, small business investors require assistance to become aware and understand all the requirements of establishing and operating a successful business within the community.

Similarly, community stakeholders and Municipal Governments require knowledge and understanding of the potential business enterprise requirements and how operations of the business may have positive and negative effects on the community.

The City of Terrace Council and staff are well qualified to provide advice and assistance to potential investors, and have a vested interest in providing such assistance. In addition, the City of Terrace has an obligation to community members to provide them with information regarding potential business ventures within the community and to facilitate consultation and discussion between community stakeholders and the potential business operators, to ensure that the community understands the positive and negative effects that the business may have on the community.

The intent of the stated objective and recommendations is to provide incentives in the form of cooperative assistance to potential investors that are considering establishment or expansion of economic ventures within and adjacent to the community.

**SUCCESS INDICATORS:**

- ◆ Number of potential business ventures to whom cooperative assistance in liaison, consultation, and negotiation has been provided; and
- ◆ Number of business ventures that have established in or adjacent to the community following provision of assistance in liaison, consultation, and negotiations.

**RESPONSIBILITY FOR IMPLEMENTATION:**

- ◆ The City of Terrace is responsible for providing the service to potential investors.

**TIME FRAME FOR IMPLEMENTATION:**

- ◆ This recommendation is a long-term strategy, designed to assist development over time of a vigorous and healthy community economy. The recommendations can and should be implemented immediately, and maintained over time.

## **ATTRACTING INVESTORS / PROVIDING INCENTIVES**

### **E. 4. GOVERNMENT LIAISON FOR NEW DEVELOPMENT**

#### **OBJECTIVE:**

To facilitate simple and effective liaison between Municipal and Provincial Governments and potential investors in forest industry development.

#### **RECOMMENDATION:**

It is recommended that a single representative within the Municipal Government be designated to be the contact person for liaison with potential forest industry developers for new forestry development.

It is recommended that a single representative within the Kalum District Ministry of Forests be designated to be the contact person for liaison with potential forest industry developers for new forestry development.

#### **BACKGROUND:**

Historically, potential investors in the local forest industry have had to access information and acquire permits and licenses from a variety of departments within both the Municipal Government and the Ministry of Forests. Dealing with numerous persons in a variety of departments is time consuming, confusing, and inefficient, and acts as a disincentive to investment and establishment of business enterprise.

The intent of the recommendations is to:

- (a) Improve the ease of acquisition of information, permits, and licenses necessary to establish a business enterprise;
- (b) Minimize the “red tape”, confusion, and inefficiency that results from dealing with numerous people in various Government departments; and
- (c) Develop continuity of knowledge and flow of data, and develop better working relationship with Government through liaising with a single contact person in each level of Government.

#### **SUCCESS INDICATORS:**

- ◆ Designation of single contact persons within the Municipal Government and within the Kalum District Ministry of Forests to provide liaison with potential investors for new forest industry development.

**RESPONSIBILITY FOR IMPLEMENTATION:**

- ◆ The City of Terrace is responsible for designation and maintenance of a single contact person within the Municipal Government;
- ◆ The City of Terrace is responsible for requesting the Ministry of Forests to designate a single contact person within the Kalum Forest District; and
- ◆ The Ministry of Forests is responsible for designating and maintaining a single contact person within its Kalum District Ministry of Forests.

**TIME FRAME FOR IMPLEMENTATION:**

- ◆ This is a long-term strategy, designed to provide continuous and long-term benefits for investors. Implementation should take place as soon as possible, but not necessarily immediately.

## **ATTRACTING INVESTORS / PROVIDING INCENTIVES**

### **E. 5. MARKET BASED PRICING SYSTEM EVALUATION**

#### **OBJECTIVE:**

Ensure the new market–base stumpage pricing system reflects the market realities of operating in the Northwest regions various fibre inventories.

#### **RECOMMENDATION:**

It is recommended that the City of Terrace, working in conjunction with local stakeholders continue to monitor and evaluate the new market – based pricing system to ensure that the system fairly values operating profiles. In the event that the system is deemed to be unfairly representing stand values, then the City of Terrace should lobby the Government to undertake an independent review of the timber pricing process in the Northwest, and implement changes required to reflect fair stand values.

#### **BACKGROUND:**

The Northwest pricing zone has a variety of fibre inventories and operating conditions and there is concern over whether the new pricing mechanism will be reliable, and representative for all stumpage calculations.

#### **SUCCESS INDICATOR(S): Short term: 1 – 12 months**

- ◆ Report on market-based pricing, and if required lobby Government to initiate a review. This may take longer than 12 months if harvesting levels are still severely depressed.

## ATTRACTING INVESTORS / PROVIDING INCENTIVES

### E. 6. STUMPAGE - TIMBER QUALITY

#### OBJECTIVE:

To develop a stumpage valuation system that recognizes the timber quality of the Northwest region in order to assess a true stand value.

#### RECOMMENDATION:

It is recommended that the City of Terrace lobby the Provincial Government to recognize that the timber quality and operating conditions of the region are distinctly unique relative to the rest of the Province, and require a valuation of stumpage that reflects these characteristics.

#### BACKGROUND:

The present system of stumpage valuations within the Northwest region provides a stumpage valuation that is frequently artificially elevated above the true value of the stand, due to the high content of low value pulp logs within the stand.

This artificially high stumpage valuation acts as a disincentive to forest industry operators, including loggers and mill operators.

The intent of the objective and recommendation is to modify the stumpage valuation system within the Northwest region, where pulp content in most stands is high, to reflect the true value of each harvested stand, in order to provide incentive for establishment of new economic forestry enterprises, and to maintain, upgrade, or expand existing manufacturing facilities.

It is our opinion that, although stumpage revenues per m<sup>3</sup> to the Province may decrease from our area, following the recommended modification to stumpage valuation, the local economy and the Provincial economy will significantly improve as a result of increased and sustainable forest products harvesting and manufacturing, increased employment, increased spending, sales tax, income tax, etc.

Further, it is our opinion that recognition of the true value of each stand as recommended cannot be considered as a stumpage subsidy by Government. Rather, it is the opposite of subsidy, as it reflects the true economic value of each stand proposed for logging.

**SUCCESS INDICATORS:**

- ◆ Recognition by the Provincial Government of the Northwest region as a special area that requires a modification to stumpage evaluation methods; and
- ◆ Modifications by the Provincial Government of the stumpage valuation system within the Northwest region, to recognize the low values of the pulp content of each harvested stand.

**RESPONSIBILITY FOR IMPLEMENTATION:**

- ◆ The City of Terrace is responsible for lobbying the Provincial Government; and
- ◆ The Provincial Government is responsible for making modifications to the stumpage valuation system.

**TIME FRAME FOR IMPLEMENTATION:**

- ◆ This recommendation should be implemented immediately. The intent is that this is a long-term strategy that may evolve and develop over time, but will be in place as long as there is harvesting in the decadent, mature and old growth timber of this region. The need to implement the recommendation immediately is HIGH.



## ATTRACTING INVESTORS / PROVIDING INCENTIVES

### E. 7. STUMPAGE – SMALL SAWLOGS

#### OBJECTIVE

To develop a stumpage valuation system that recognizes the lower value of the small (10cm to 30cm top diameter) hemlock – balsam sawlogs throughout the Northwest region.

#### RECOMMENDATION:

It is recommended that the City of Terrace lobby the Provincial Government to recognize that the small hemlock – balsam sawlogs (10cm to 30cm top diameter) have a lower value to sawmills than the larger logs, and establish valuations of stumpage that reflects the lower value of these small logs.

#### BACKGROUND:

The present system of stumpage valuations within the Northwest region provides a stumpage evaluation that does NOT adequately differentiate the value to the sawmills of small and large hemlock – balsam sawlogs; the stumpage charge for the small log is assessed at the same rate as the large log. In actual fact, the sawmills and the log brokers of the region WILL NOT PAY as much for the small log as for the large log. Therefore, much of the small sawlog material is left in the bush as waste material, or is harvested and sold at a financial loss to the logger. This lack of recognition in the stumpage evaluation of the lower value of the small sawlog material has serious negative consequences when the timber stand contains a significant proportion of small sawlogs, and will have particularly serious negative consequences when our region begins to operate in the second growth stands.

The effect of evaluating the small sawlog material at the same stumpage rate as large sawlogs acts as a DISINCENTIVE to full utilization of the small material, and will certainly act as a DISINCENTIVE to any commercial thinning within our developing second growth stands.

The intent of the objective and recommendations is to modify the stumpage evaluation system within the Northwest regions, to reflect the lower value of the small hemlock – balsam sawlog content, to provide INCENTIVE for:

- ◆ Utilization of the small sawlog component in the mature and in the second growth stands of the region;
- ◆ Development of a commercial thinning program in our second growth stands; and
- ◆ Establishment and development of a sawmill in our area that is designed to utilize small diameter sawlogs. At present, no mills of the area are designed to efficiently utilize small diameter sawlogs. Therefore, there is no incentive to develop a commercial thinning program to improve and utilize the huge second growth inventory of our region.

**SUCCESS INDICATORS:**

- ◆ Recognition by the Provincial Government of the Northwest region as a special area that requires a modification to stumpage evaluation methods; and
- ◆ Modifications by the Provincial Government of the stumpage valuation system to recognize the lower values of the small diameter sawlogs.

**RESPONSIBILITY FOR IMPLEMENTATION:**

- ◆ The City of Terrace is responsible for lobbying the Provincial Government.
- ◆ The Provincial Government is responsible for making modifications to the stumpage valuation system.

**TIME FRAME FOR IMPLEMENTATION:**

This recommendation should be implemented immediately. The intent is that this is a long-term strategy that may evolve and develop over time, but will be in place to recognize lower values of smaller material. The need to implement this recommendation immediately is HIGH.

## **APPENDIX #4.F**

### **PERSONNEL, TRAINING AND SKILLS**

#### **F. 1. SILVICULTURE WORKFORCE**

##### **OBJECTIVES:**

To provide immediate employment opportunities for an idled workforce, and to enhance the long-term productivity of the forest landbase.

##### **RECOMMENDATION:**

It is recommended that the City of Terrace pursue funding opportunities from the Federal and Provincial Governments to immediately establish incremental silviculture programs in the Northwest that will provide silvicultural work opportunities to an otherwise idled labour force. Human Resources Development Canada may assist with training and job placement for unemployed workers that could find employment in the contract silviculture sector.

It is recommended that the Forest Investment Account (FIA) funding allocation mechanism should be revised such that the exceptional industry circumstance in the Northwest does not unduly limit available funding. Additional FIA funding should be secured to ensure appropriate levels of long-term investments are made in the Northwest forest resource.

##### **BACKGROUND:**

There is a large labour force in the Northwest that is currently unemployed and receiving employment assistance payments from government. There is an opportunity to employ this labour force in Northwest forests, conducting incremental silvicultural work (e.g.: pre-commercial thinning, pruning) that will provide a long-term benefit to the government through improved site productivity and forest values. A significant amount of skilled and unskilled labour employment can be supported from existing and identified silviculture projects that are currently unfunded but could be immediately undertaken. Competitive, contract based awards would support the silviculture sector of the Northwest industry, which has seen available work opportunities reduced due to the reduced level of harvest activity and associated program funding limitations. High forest site productivity in the Northwest can provide a higher return on investment than similar activities in much of the B.C. Interior.

The Forest Investment Account funding allocation mechanism directly links current local harvest levels to funding allocations. The prolonged closure of the New Skeena operations in the Northwest has greatly impacted the resulting funding for eligible projects in this area. This exceptional circumstance does not reflect the longer-term importance of investments in the forest resource of the Northwest.

**SUCCESS INDICATOR(S): Short term: 1 – 12 months –**

- ◆ Establishment of an incremental silviculture program and the number of people employed, and
- ◆ FIA funding allocation mechanism reviewed and resulting funding consistent with longer-term importance of investments in the forest resource of the Northwest.

**SUCCESS INDICATOR(S): Long term 1 – 5+ years –**

- ◆ Area treated. Estimated yield and value improvement. Reduction in unit silviculture costs due to enhanced expertise and stability in industry sector; and
- ◆ FIA expenditures increased to be consistent with desired longer-term program allocations.

# APPENDIX #5

## FOREST INDUSTRY FACTS AND FIGURES

- A. Allowable Annual Cut by Licensee Kalum Forest District
- B. Summary of Billed Volume Kalum Forest District
- C. Summary of Stumpage Billings Northern Forest Districts
- D. Provincial Volume Billed

**APPENDIX #5****FORESTRY INDUSTRY FACTS AND FIGURES****“A”****REPLACEABLE AND NON-REPLACEABLE FOREST LICENCES****KALUM FOREST DISTRICT- JANUARY 2004****ANNUAL ALLOWABLE CUT****KALUM TSA**

TENURE	LICENSEE	ANNUAL ALLOWABLE CUT (m3)	
FLA16835	NEW SKEENA	300,772	
FLA16836	BELL POLE	13,741	
TSLA16863	TV LOGGING	1,834	
TSLA16865	SHARPLES	570	
FLA16885	WEST FRASER	27,481	
TSL/LTC	BCTS	75,120	
WOODLOTS	4 WOODLOTS	3,617	
FS RESERVE	MOF	4,274	
UNALLOC.	N/A	9,475	
			436,884

**NASS TSA**

FLA16882	WEST FRASER	ANNUAL ALLOWABLE CUT	
FLA16883	NEW SKEENA	FIGURES NOT AVAILABLE	
FLA16884	TIMBER BARON	PENDING NASS TSA	
FLA16886	SIM GAN	RE-APPORTIONMENT	
TSL/LTC	BCTS		
FS RESERVE	MOF		
			865,000

**TFL's**

TFL #1	NEW SKEENA	552,059	
TFL #41	WEST FRASER	378,500	
TSL/LTC	BCTS	21,500	
			952,059
TOTAL KALUM DISTRICT ANNUAL ALLOWABLE CUT			2,253,943

NOTE: AAC FIGURES OBTAINED FROM DISTRICT CUT CONTROL RECORDS

**APPENDIX #5****FORESTRY INDUSTRY FACTS AND FIGURES****“B”****SUMMARY OF BILLED VOLUME AND UNDERCUT  
MAJOR TENURES – KALUM FOREST DISTRICT**

TENURE	BILLED VOL.(m3)	BILLING PERIOD	TOTAL AAC DURING BILLING PERIOD
TFL#1 NEW SKEENA	829,170	1997-2001	2,760,000 m3
FLA16835 NEW SKEENA	559,805	1997-2001	1,500,000 m3
FLA16882 WEST FRASER	516,940	1996-2000	1,160,000 m3
FLA16883	642,281	1996-2000	1,420,000 m3
FLA16884	545,158	1996-2000	1,460,000 m3

**UNDERCUT ALLOCATED TO FIRST NATIONS FOREST RESOURCE  
MANAGEMENT AGREEMENTS**

Kitsumkalum/Kitselas	795,000m3	5 Year Term
Haisla	360,000m3	5 Year Term
Lax' Kw'alaams	135,000m3	5 Year Term
Total	1,290,000m3	

**UNDERCUT CONTROLLED BY FOREST ACT PROVISIONS**

Kalum Forest District	7,250,000m3	N/A
Includes both FL's and TFL's		

**UNDERCUT OUTSIDE OF FOREST ACT PROVISIONS****RESTRICTED BY LOCATION AND FEASIBILITY CONSIDERATIONS**

Kalum Forest District	1,600,000m3	N/A
Includes both FL's and TFL's		

**APPENDIX #5**  
**FORESTRY INDUSTRY FACTS AND FIGURES**

**“C”**

**SUMMARY OF STUMPAGE BILLINGS NORTHERN FOREST DISTRICTS – JULY 1, 2002 – SEPTEMBER 30, 2002**

FOREST DISTRICT	VOLUME BILLED (m3)	VALUE BILLED (\$)	AVG. RATE
PRINCE GEORGE	894,426	21,120,270	\$23.61/m3
VANDERHOOF	872,356	17,891,005	20.51
KALUM	332,041	1,912,501	5.76
FORT ST. JAMES	494,396	11,738,771	23.74
MACKENZIE	601,735	17,068,034	28.36
FORT NELSON	8,030	-193,766	-24.13
NADINA	740,804	14,982,341	20.22
SKEENA-STIKINE	98,545	1,006,441	10.21
PEACE	285,376	3,194,524	11.19
NORTH COAST	194,259	1,513,516	7.79

**JULY 1, 2003 - SEPTEMBER 30, 2003**

FOREST DISTRICT	VOLUME BILLED (m3)	VALUE BILLED (\$)	AVG. RATE
PRINCE GEORGE	929,232	16,794,919	\$18.07/m3
VANDERHOOF	543,493	7,394,652	16.31
KALUM	148,447	476,302	3.21
FORT ST. JAMES	399,304	7,276,852	18.22
MACKENZIE	504,493	11,409,847	22.62
FORT NELSON	37,181	34,480	0.93
NADINA	955,525	14,213,560	14.88
SKEENA-STIKINE	38,091	262,096	6.88
PEACE	267,311	2,625,247	9.82
NORTH COAST	111,342	217,108	1.95

FOREST DISTRICT	LOCATION
PRINCE GEORGE	Prince George
VANDERHOOF	Vanderhoof
KALUM	Terrace
FORT ST. JAMES	Ft. St. James
MACKENZIE	Mackenzie
FORT NELSON	Ft. Nelson
NADINA	Burns Lake
SKEENA-STIKINE	Smithers
PEACE	Dawson Creek
NORTH COAST	Prince Rupert



**APPENDIX #5****FORESTRY INDUSTRY FACTS AND FIGURES****“D”****PROVINCIAL VOLUME BILLED, 1991 – 2002**

(thousand m<sup>3</sup>)

YEAR	COAST	INTERIOR	TOTAL
1991	24,760	48,916	73,676
1992	23,526	50,477	74,003
1993	25,684	53,555	79,239
1994	24,923	50,727	75,650
1995	26,840	49,627	76,467
1996	23,081	52,131	75,213
1997	22,342	46,286	68,628
1998	19,017	45,950	64,967
1999	23,729	52,268	75,997
2000	25,002	51,982	76,984
2001	21,475	50,533	72,008
2002	22,161	51,225	73,386