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Chair

Mr. Leon Benoit

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● (1535)

[*English*]

The Chair (Mr. Leon Benoit (Vegreville—Wainwright, CPC)): Good afternoon, everyone.

It's Ottawa, and it's January, and it's winter, and it has hit hard with a vengeance once again. For anybody trying to head home tonight, I wish you all the best.

We're here today to continue our study of the Canadian forest industry. We've had one meeting on the study so far. We're going to hear from officials today for about an hour and a half. In the last half hour, we're going to go in camera to determine where we go from here. That's the process.

At the first meeting, we did a bit of a summary or a reminder for all of us regarding a study done in 2008. It was tabled in the House in June 2008 and it was entitled "Canada's Forest Industry: Recognizing the Challenges and Opportunities". We looked at a summary done by our analysts on this. We had some discussion and decided that we would move ahead today with officials and then, at the end of today's meeting have a look, as was originally agreed, and decide where we will go.

With that we will get to the witnesses.

We have the new NDP critic here at committee. The revised list of members has been tabled in the House now. I'd like to very quickly go ahead with the elections and, hopefully, elect Mr. Caron as the official opposition vice-chair of the committee.

Is it agreed that we go ahead with that very quickly right now?

Some hon. members: Agreed.

The Chair: Thank you.

Would someone nominate Mr. Caron?

Mr. Brad Trost (Saskatoon—Humboldt, CPC): So moved.

The Chair: Mr. Trost has nominated Mr. Caron.

Are there any further nominations? No.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much.

The Chair: Congratulations, Mr. Caron, our new NDP vice-chair of the committee.

Let's go ahead with witnesses.

Today, we have two witnesses from the Department of Natural Resources.

Glenn Mason is the assistant deputy minister for the Canadian forest service. We also have Robert Jones, director of the industry and trade division in the policy, economics and industry branch for the Canadian forest industry.

Welcome.

We're going to allow more time than usual for your presentation. Could you just go ahead with your presentation including the PowerPoint? I think everybody has a copy in front of them. Then we'll go to the normal questions and comments, and that type of thing.

Thank you very much for being here, ladies and gentlemen. Please go ahead.

Mr. Glenn Mason (Assistant Deputy Minister, Canadian Forest Service, Department of Natural Resources): Good afternoon, Mr. Chair and members of the committee. Thank you for the opportunity to speak to you today about the forest industry.

It's truly an exciting time in the forest sector. The industry has a strong story to tell, one based on leadership and partnership, perseverance, and overcoming adversity. Canada's forest sector is emerging from an extended crisis that has been felt across the country. We are now once again seeing growth in traditional markets. The industry is now growing through the production of innovative high-value goods and materials based on new business models and new processes. Imagination and innovation are leading to new commercial opportunities for wood fibre in nanomaterials, pharmaceuticals, and other bioproducts that are helping to transform the industry.

Natural Resources Canada has taken a leading role in the transformation of the sector as an innovative science organization, as an investor, as a creative thinker, and as a partner of choice from the research to the marketplace. The forest industry remains an important part of the Canadian economy from coast to coast. This is particularly true in rural Canada, where over 200 communities depend on the forest sector. While there is very good reason for optimism, there are ongoing adjustments that are having very real and significant impacts on communities, families, and businesses that have for generations produced commodities that enjoyed strong global demand.

I would like also to congratulate this committee on its strong and perceptive 2008 forest industry study. I am pleased to report that governments and the industry itself have acted on many, if not most, of the committee's recommendations.

I'll move to my presentation.

The first slide presents some statistics that I hope are reasonably familiar to you. The purpose here is to make the point that the forest sector remains an important part of the Canadian economy. With 10% of the world's forest cover, we are a forest nation. The forest sector makes up 1.2% of Canadian GDP, which has been stable for the last five years, about 10% of manufacturing GDP, $28.5 billion in exports last year, and we are still the number one softwood lumber exporting country in the world.

The map on the next slide gives you an indication of the 700 facilities across the country related to the forest sector. There are 209,000 direct jobs in every province and most of the territories. If you were to use a multiplier, that number would be up over 600,000. This is primarily and often an economic driver for rural communities and many aboriginal communities.

We are a forest nation. The history of our development, the history of our settlement, the history of the railroads, our early banking were shaped and built on the forest sector. The forest sector remains vital today. When I speak to folks who aren't familiar with the forest sector, there are a few things that I think are important to remind people of, because not everyone has the same base. I myself have only been working in this sector for four years.

First of all, the forest sector and its products are renewable. That's an important thing to keep in mind.

Second, trees are carbon. A number of things come from that, but one of the less obvious is that everything you can make from a barrel of oil you can also make from a tree.

Finally, the forest industry itself is an ecosystem. This is important, because the input to the sawmill, the log, comes out at the other end, and only about 50% to 60% of that log is used for timber. The rest is waste, but that waste product is then used by the pulp mill. Those chips are the input to the pulp mill to make paper. So when one part of that ecosystem goes down, the whole ecosystem feels it and the whole ecosystem is threatened.

In particular, and through my story, you'll see that today the solid wood side of the business, lumber, is doing quite well, the pulp and paper side, less so. The sawmills depend on the pulp and paper sector for 20% to 25% of their profits, so they care. They need the pulp and paper sector to be doing well. We need to think of the industry as an ecosystem rather than as just individual companies.

Turning to the next slide, in your 2008 report you talked about a perfect storm. The year 2008 probably was the height of that perfect storm. You could have been forgiven for thinking that both God and man were against you if you were in the forest sector in 2008.

● (1540)

Not only did you have the cyclical fluctuations of the currency appreciation and the collapse of the U.S. housing market followed by the global recession, but if there had not been a Canadian industry to soak up the lumber domestically, things would have been much worse. At the same time, the U.S. was subsidizing its pulp and paper mills through the black liquor subsidy to the tune of $25 million. On top of that, there was the mountain pine beetle infestation in B.C. moving over into Alberta, which devastated some of Canada's most valuable forests.

Firms and industry did what they had to do. They did the rational thing. They consolidated. They retrenched. It was painful. More than 150 mills were closed and 125,000 jobs were lost, with more than 30% of the workforce laid off. Eight major Canadian forest companies filed for creditor protection. All of that had to happen before new investments, such as those pictured here, could begin to happen.

In that environment, the Government of Canada led discussions with industry, the provinces and academia in developing strategies about the future. Really, three big areas were chosen: promote transformative innovation, diversify markets overseas, and grow the North American wood market.

Keep in mind that in the fall of 2006 the softwood lumber agreement was finally settled with the United States. Industry realized at that point that going forward they could no longer continue to depend on the United States as the sole customer. It had become essential to diversify markets away from the United States. As you'll see, we've actually been reasonably successful at that.

In speaking to those three big prongs, the first being promoting transformative innovation, you will hear or you have heard and know about FPInnovations. The Government of Canada played a lead role in bringing three disparate research organizations together to create one forest products research institute, FPInnovations, which is now the world's largest forest projects research institute and is a public-private partnership. The Government of Canada is the largest single investor; provinces are investing, and so too is industry. The board, the management, and the research agenda all reflect that partnership between government and industry.

Second, the Government of Canada, through Natural Resources Canada, established the investments in forest industry transformation program. One of the key understandings when looking at the innovation curve is that many innovations die in what's called the valley of death. They might be great ideas and they might have opportunity, but nobody comes forward to fund that first commercial application. That's what IFIT does.

IFIT has been a remarkable success. It was funded first with $100 million and re-funded last year with another $90.4 million for the next four years. What that program is doing is de-risking up to $20 million—up to 50% of the costs—of the first commercial application. We've had a number of successes in the program that are actually first in the world.

Finally, in response to the black liquor subsidy, the Government of Canada instituted the pulp and paper green transformation program, which was substantially an investment in pulp mills that were producing black liquor. It's a $1-billion spend over three years. It was a remarkable success. I believe you'll hear that when you talk to industry.

Often, you will hear about lapses in government programs. On that $1 billion, I believe that only $1 million was lapsed. It was a remarkably successful program in getting that money out. In particular, and this speaks to the partnership with industry and the ability of government to design a program, for the American money, the $25 million, most of that went to pay corporate bondholders, many of those in Europe. They didn't go into American mills. Every penny of this program went to make Canadian mills stronger, more efficient, and more environmentally sound.

● (1545)

The next piece is diversifying markets overseas and growing the North American wood market. Together with provinces and industry, we established something called Canada Wood. Again, that's a partnership. The Government of Canada is a major funder. It has a presence in our major markets overseas. There are people working in Beijing, Shanghai and Tokyo, as well as a few people in Europe. Together with the Government of British Columbia we've opened an office in India. We've just hired a person in the Middle East. These are people who are working together with industry to promote Canadian wood exports in these markets.

We've had remarkable success in China. There has been a 1,400% increase in exports to China since 2007. At one point, and I think it would still be true today, there were over 20 sawmills in British Columbia that were alive, that were in business because of this, just serving the China market. At the same time the American market collapsed, the Chinese market pretty much exploded for us.

Although today's story is that growth is slowing, the exciting story about China is that the next China is China. We've only begun to scratch the surface of what's possible in China.

The other thing we're doing is working again with the industry here in Canada, with architects, and with the people who specify how buildings are built, to increase the use of wood at home. We've pretty much captured the market on residential housing. Upwards of 95% of single-family homes in Canada and North America are made of wood, but that's not true of industrial buildings. Most of those are built with steel and glass. We'd like to crack that market.

We've been working with the National Research Council to develop and expand our building codes and our fire codes to make that possible. A number of provinces have increased the building heights from four to six storeys in terms of building with wood. This year, again working with the National Research Council, we anticipate that in March 2015 the national building code will be updated to allow up to 15.

Through organizations like Canada Wood, Wood WORKS! Ontario, and Wood WORKS! B.C., and so on, we partner to work with the people who make the decisions about what to build with. We work through education, through promotion, and through codes and standards.

One of the exciting opportunities here is tall wood. You will have heard about that. Working with the Canadian Wood Council, we put out a competition about a year and half ago to build what we hoped would be the world's tallest wood building. We had a small amount of money, about $5 million, and we thought perhaps we could leverage one building. It looks as though we're going to leverage three buildings. All three of those buildings, if built today, would be the largest wooden building in the world in the modern era.

Interestingly, if you go back a thousand years, people were building with wood and they were building high with wood, but we've kind of gotten away from that.

These are exciting opportunities. It's not that we necessarily expect a lot of 30- and 40-storey buildings to be built out of wood, but if we can establish that we can build a 15- or 18-storey building out of wood, surely there's an amazingly large market for the 6-storey to 10-storey buildings right here in Ontario, in Quebec, and right across the country. The entire Midwest of the United States is littered with towns that do not have a building higher than four to six storeys. If we could get more and more of those commercial buildings built out of mass timber and engineered wood products, we believe that the opportunities for the industry would be enormous.

On the next slide you have a picture of our programs at Natural Resources Canada set against the innovation curve. What I hope you take away from this slide is the idea that like the fibres in a rope or like the links in a chain, all of these programs are working together to strengthen one another and are pulling in the same direction.

In 2015, where are we now?

Clearly economic pressures have eased. U.S. lumber demand is returning, and the U.S. is obviously still our biggest customer. U.S. housing starts are the single biggest predictor of lumber sales and growth in this sector. Global economic conditions have improved from where they were, though clearly they are not robust.

Finally, currency pressure has eased, and in fact it's going in the opposite direction. When the Canadian dollar drops like this, it is obviously great for the manufacturing sector that's exporting. There are almost windfall profits to be made for a short period of time from that.

Then of course the other factor is the drop in oil prices, which immediately decreases transportation costs for our sector, which is a very big factor for our sector. That being said, the long-term impacts of a drop in oil prices could also be negative because it could set back some of the more bio-economy pieces that the industry is looking to, partly because oil would be so cheap it would be difficult to use other sources of energy.

● (1550)

Today the industry is adapting. It's investing in new high-value products. It has made a big commitment to the Chinese lumber market. If you bring in some of the CEOs from the business, particularly from the solid wood side from the west coast and the Prairies, they'll tell you they're in for the long term. They understand that the Asian markets require and expect long-term relationships, and they're looking for long-term supply.

What you've also seen is that our Canadian mills, our Canadian companies, are investing in the United States. Now, up to about 14% of U.S. production capacity, mainly in the U.S. south and southeast, yellow pine, Canadian companies are investing. They are doing that for some pretty rational economic reasons. One is it's a hedge on the softwood lumber agreement with the United States. If we get into another trade war with the United States, they have bases in the United States from which they can serve that market. It's also a bit of a hedge against long-term fibre supply. Particularly in British Columbia where there has been the massive beetle kill, there is concern about the mid-term supply of timber. We've already seen in the past year some mills closing in the interior because of the lack of wood.

Finally, we've seen foreign investment in the pulp sector. This is interesting because what we're seeing here is big companies like Aditya Birla, like Paper Excellence, which is now the largest owner and producer of NBSK, northern bleached softwood kraft, in Canada with about seven mills, I believe. They bring very deep pockets. When they buy a mill, they might be buying it as a distressed asset. Their interest may not be that it be the first tier, rather that they have guaranteed supply, because they're buying and they're putting that product into their globally integrated corporations. That product is going into India to make rayon or whatever it is that they're doing, or to make pulp, but that product doesn't go onto the market. It doesn't go as market pulp. What's interesting about that is they're not as susceptible to the quarterly fluctuations of the stock market. More or less they couldn't care less what's happening in the stock market. What they want is long-term supply of fibre to feed their operations. For the folks living in those communities that have had firms reopen as a result of this foreign investment, they're pretty happy. They have jobs, and they are fairly secure jobs.

On the next slide, in sum, the forest sector overall, the big story is that it's profitable. Investment is starting to come back. The sentiment is positive. There have been 11 straight quarters of positive earnings, and the 10 largest publicly traded companies have positive profits.

That's the big picture.

In particular, again talking about sectors, lumber and wood panels are very strong. If you're in market pulp, tissue and packaging, at the very least you're steady. There's some positive news out there as well, because as countries get richer, they use more tissue, so pulp has a role there.

I'll move on to the next slide. But it's not all positive. Paper demand we anticipate will never come back. The e-readers and electronic media are replacing paper in the long term. There will always be a niche market for paper, but not the way it was historically. That matters to central and eastern Canada, to Quebec and Ontario in particular, because that is the base of the world's paper production historically.

Employment is still down. Those mills are running; those mills are highly efficient, but companies don't start hiring until they're confident about the future, and so employment is not where we would hope it to be. Looking forward, that's an area where we would like to see growth. Governments continue to work on opening up new markets, new end uses. Wood has phytosanitary issues. It's a natural product. There are constantly trade irritants and non-tariff trade barriers being raised that we need to work on.

The country is not homogenous. It gives you a quick sense of the size of the various sectors across the country and different issues. In the west, there are concerns about mountain pine beetle and possible wood shortages in the medium term post-2020. In the east, there is the spruce budworm outbreak in Quebec, and possibly threatening New Brunswick. Then throughout there are possible threats from climate change, which include both pests and fire.

● (1555)

Quickly, I would highlight three strategic priorities for the future.

Strategic innovation: I've talked a lot of about it. This is really where the sector is putting a lot of its focus and where the Government of Canada in particular is bringing its expertise and its money to the table.

Jobs and economic opportunities: 80% of first nations communities are in forests. There's an enormous opportunity to increase aboriginal participation in the forest sector, even though the forest sector would say that it is already the largest employer of first nations, though I think the mining sector says that as well. There are different regional economic challenges. We need to worry about the future health of the forest, and we have to find uses for some of that salvaged wood, such as wood from the beetle kill, which we've done a pretty good job of. Now emerging in Quebec and the east, there is wood from the spruce budworm kill.

Finally, there is trade and expanding markets. The softwood lumber agreement expires in October. We need to continue to focus on China. We've just signed a free trade agreement with Korea. There's opportunity there. We have to pay attention to trade irritants. We think there's enormous opportunity to increase into non-traditional uses in buildings in North America. While I think the industry thought it had resolved the environmental issue a few years ago with the Canadian Boreal Forest Agreement, which has been a huge boon to the industry, the issues of environmental sustainability and public confidence in the sector are returning. You'll see that in the media. That is increasingly a concern for the industry.

Finally, in summary, the sector is important and it continues to be important. It will be important going forward. It has been rebounding and growing since the last time this committee looked at it. It's transforming itself with new products and new markets. Natural Resources Canada is playing an important role in that transformation.

Thank you, Mr. Chair.

● (1600)

The Chair: Thank you very much for your presentation. It is extremely helpful to us as we carry on with our study. I think it gives us a lot of food for thought.

We will go now to questions and comments, starting with Ms. Block from the government.

Before we do that, we have one member here who is also now officially a member of the committee, on the government side. Pat Perkins, welcome to our committee. We're very much looking forward to your input here.

Mrs. Pat Perkins (Whitby—Oshawa, CPC): Thank you.

The Chair: We have a couple of visitors here as well, Ms. Sgro and Mr. Rafferty.

Welcome to you as well.

Go ahead, Ms. Block, for up to seven minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): I would like to first welcome our witnesses here today.

Thank you so much for the presentation you made. I recognize that there is a lot of good work done in NRCan on behalf of Canadians, and I appreciate that, and also the passion with which you approach your file. It was very evident in the presentation.

You noted that the 2008 report was strong and perceptive, so I think we have to acknowledge those colleagues who were responsible for that report in 2008, and in particular those who are still sitting at this table today. Talk about longevity. It's good to have both of you here, not only because you are hard-working members of Parliament, but because you'll bring with you that corporate history we may need when we look back at the 2008 report.

I'm a fairly new member on this committee. I've been on this committee for a little over a year and a half, and we have some new members and others who may not have the forest industry right in their back yard. I'm wondering if you could spend some time articulating the different responsibilities at the different levels of government, first. Second, could you tell us if those responsibilities have changed over the years, and how?

Mr. Glenn Mason: Thank you for that question.

As I said, I have four years in with the forest sector, so I don't have some of the deep history. The way I would describe it is that, to start, most of the Canadian forest is owned by the crown: 93% of the Canadian forest is owned by the crown, almost all of that by provincial governments, and 7% of our land is privately owned, primarily in eastern Canada and the southern tip of Vancouver Island. About 2% is owned by the federal government and I think 2% by first nations.

That ownership is obviously critical to defining the roles of government. The provincial governments are operators. They own and operate and regulate and manage the land. The Canadian Forest Service has no land. We have a couple of research forests that we sort of borrow from DND, which we don't own ourselves. They're fairly small pieces of forest. What we do primarily is what we would call strategic science. It used to be that the provinces did a lot of science as well, but over the years, through cutbacks and so on, the provinces have done less and less. The provinces are primarily invested in silviculture, because much of their regulations and their rules and their activities are around the replanting of the harvested land. What the Government of Canada is doing is the strategic science that basically forms the basis of what we broadly call sustainable forest management in Canada. We're doing ecosystem science, fire science, pest science, and so on.

In addition, there is an annex in your deck which I think suggests that we have something over 600 employees in the Canadian Forest Service. About 400 to 450 of those are broadly involved, I would say, in the science projects. They are either scientists—there are about 150 of those—or all the people supporting them, such as biologists, technicians, and that sort of thing. There are about 150 left for policy and administration and running the programs. My colleague here, Mr. Jones, actually runs most of the programs that we have been talking about today. That's the other thing; the federal government has international trade, responsibility for the economy, and that's where we get involved with our programs, which are primarily aimed at industry and international trade.

On the changing over the years, I think in terms of the federal government our science maybe even increased in importance with the reduction of science elsewhere. It's not that we're occupying a space that we didn't used to, but rather that there are fewer other players in that same space.

On the other hand, the Canadian Forest Service is a lot smaller than it was, say, 20 years ago, when we would have had a lot more people in the field almost doing more of an extension service with provinces. We've certainly cut back from that and we primarily do science.

● (1605)

Mrs. Kelly Block: In follow-up to that, could you tell me what the relationship is then to the private lot owners? I think I know the answer to this, but I just want to confirm who their first point of contact is in terms of who they work with. I'm assuming it's the provinces, but I would just like you to clarify that for me as well.

Mr. Glenn Mason: Yes, the private woodlot owners would in the first instance have a relationship with the provinces in which they're located. We do hear from them from time to time, so we're broadly familiar with their concerns, but we're not their first point of contact.

Mrs. Kelly Block: Okay.

I'm going to change completely from those questions onto a different theme. You talked about the number of individuals employed in the forest sector today. I'm wondering if you could comment on the number of those who are of aboriginal descent.

Mr. Glenn Mason: I would have to get back to you on that. I don't know.

Mrs. Kelly Block: Okay.

Mr. Glenn Mason: Sorry, was that question about the Canadian Forest Service or about the forest sector in general?

Mrs. Kelly Block: It was about the forest sector in general, actually.

Mr. Glenn Mason: Okay, then I actually can answer that question. I couldn't answer the question about my own organization, though, which worries me.

Mrs. Kelly Block: No, that's okay.

Mr. Glenn Mason: I believe about 9,000 from first nations are employed.

Mrs. Kelly Block: Thank you very much.

The Chair: Thank you, Ms. Block.

We will go now to the official opposition, Mr. Rafferty, for up to seven minutes.

Mr. John Rafferty (Thunder Bay—Rainy River, NDP): Thank you all four for being here, but I think I'm just going to direct questions to Mr. Mason and Mr. Jones.

Mr. Mason, you have talked a lot about the cooperation between government and industry. I'd like to ask you a question about cooperation with the federal government and the provinces.

My riding is Thunder Bay—Rainy River. You know that northwestern Ontario, and northern Ontario in general, has been particularly hard hit by the downturn in the forest business. Just off the top of my head, I think we're looking at about 40,000 jobs that have been lost since 2008. That's a lot in a part of the country that covers a large area with a relatively small population.

If I could just key in on Fort Frances, Ontario, which is one of the small municipalities in the west end of my riding—and just for reference, my riding runs along the northern border of Minnesota, just to give you a sense of where that is—there was a recent acquisition attempt to keep the Resolute mill open. It's my understanding that one of the main issues was provincial land tenure. I know that's a problem in Ontario, and it probably is right across the country.

Let me ask you if you feel that the federal government could have a role in working with the provinces on these sorts of acquisitions that are hung up on one major point, like provincial land tenure, to try to clear the way so mills like the one in Fort Frances would not have to close.

● (1610)

Mr. Glenn Mason: Thank you for that question.

First, let me say that you are right that northern Ontario was probably the hardest hit part of the country in the last recession and is the slowest to recover. You can appreciate that that bothers my minister, who's also from your part of the country.

In fact, in the IFIT program, which in its first iteration actually had no projects in northern Ontario, in its final outcome we actually did have two big projects in northern Ontario, and in both of those cases, it was the private sector that pulled out. They pulled out in a couple of cases very, very close to the end of the fiscal year, which was problematic for redirecting the funds. There are issues of confidence in northern Ontario. There are issues of the role of the private sector and what it's doing or not doing and its relationship with the provincial government, and while the Government of Canada has, I believe, played the appropriate role that we can play, we cannot solve all of those issues.

The issue of tenure, as you rightly pointed out, is absolutely not an issue which the Government of Canada has any responsibility for, and we would not normally get involved in any way in a transaction like that. My sense of that is it's fairly complicated, and in practice, the sale of the mill was a private company selling an asset that it owned to another private company, and I think even in the case of the Government of Ontario, it would have had a limited role. That was a transaction between two private companies. Certainly, it would appear to be unfortunate that that transaction did not go through, but I do not see an appropriate role for the Government of Canada in a case like that.

Mr. John Rafferty: Okay. Thank you very much.

Mr. Jones, did you have something further to add on that?

Mr. Robert Jones (Director, Industry and Trade Division, Policy, Economics and Industry Branch, Canadian Forest Service, Department of Natural Resources): I just wanted to add on the collaboration which the federal government and the provinces have, there is certainly a lot of collaboration on the market programs, and in Ontario specifically, the federal government works very closely with the Ontario provincial government in supporting the WoodWORKS! program. This program is designed to increase the use of wood in non-residential applications. The two governments work hand in hand in funding that particular program.

Mr. Mason mentioned the building codes. As you are aware, Ontario changed its building code as of January 1. We've been working very closely with the provincial governments to ensure that there is the information out there. One of the things that is a big concern is fires. We're working together with the Province of Ontario in supporting fire education programs.

Mr. John Rafferty: Thank you, Mr. Jones.

If I have time, I do have a question about building codes, but let me move on to one of your slides which says that there's a commitment to the Chinese lumber market. I know that Canada exports raw logs to China. You're an economist, I think, and one of the things that has happened, of course, is that Chinese pulp and paper has certainly undercut Canadian pulp and paper and North American pulp and paper in general in terms of price. Does the federal government have any idea about whether or not the exports that are leaving Canada for China are in fact being used for Chinese pulp and paper, which in return creates that nasty cycle that perhaps undercuts our pulp and paper mills?

Mr. Glenn Mason: I wouldn't suspect that we would necessarily know what those exports are used for.

The export of logs is primarily a provincial matter, and it's really only an issue in British Columbia. The Government of Canada has a small regulation covering about 2% of the land base of the private ownership in British Columbia.

The lead on that is the Department of Foreign Affairs. There's an MOU between the Government of Canada and the Government of British Columbia to collaborate, which effectively means that the Government of Canada will follow B.C.'s lead on the log export issue. The log export issue is very sensitive on the west coast, so it's one that reasonable people can disagree on.

● (1615)

Mr. John Rafferty: All right.

Let me go quickly to insects. You talked very briefly about the spruce budworm as an upcoming threat, and you talked about the pine beetle. You probably know that the emerald ash borer is right on our borders. Certainly, Minnesota has identified the emerald ash borer as being present in that state.

What's the federal government's role in terms of its ongoing watchdog role, perhaps, with regard to insect infestation and helping to ameliorate some of the problems that are probably going to happen with the emerald ash borer for one?

The Chair: Could I get a very brief answer, please.

Mr. Glenn Mason: I was going to launch into a long answer.

Voices: Oh, oh!

Mr. Glenn Mason: Quickly, yes, we do a lot of research. In fact, my scientists have invented something called triazine, which can be used to inject the ash trees. That's actually an invention of the CFS. More broadly, we work very closely with all the provinces, increasingly with the cities and also increasingly with the United States Forest Service to monitor pests on a continent-wide basis.

The Chair: Thank you, Mr. Rafferty.

Ms. Sgro, go ahead, please, for up to the seven minutes.

Hon. Judy Sgro (York West, Lib.): Welcome.

It's been a long time since I sat at the national resources committee and it's fascinating to see the turnaround of the industry. It's an important industry for Canada and for the world, frankly, so I'm really pleased to see how well it's doing.

As we move forward into the challenges of both the impact of the low oil prices and the low Canadian dollar, have you done some analysis on the impact it will have over the next hopefully short while that we'll be dealing with these low issues, and the impact it's going to have on your industry?

Mr. Glenn Mason: Thank you for that question.

You did say in the immediate term, and in the immediate term it's all positive, actually. It would be in the medium term to the long term where there would be larger questions.

It's positive because lower oil means lower transportation costs. For a typical mill, they'll tell you that 60% of their finished product cost is getting the fibre to the mill gate. Increasingly, a lot of that is in trucking as the fibre is farther and farther from the mill, and diesel is used in the machines and in the industry, etc. Then there's rail transportation and trucking transportation with the finished products, so having lower transportation costs will absolutely help the industry.

The lower Canadian dollar means that if your products are priced in U.S. dollars, you make a bit of a windfall profit while that lasts. For now, that's very positive, actually, but in the medium term, we don't know what the low price of oil, for instance, might do to different segments of the U.S. economy and how that could shift economic growth. It could be negative or it could be positive. It's the same for Canada.

As I mentioned earlier, probably more strategically, as we think about the bio-economy and transforming the industry, it becomes harder to make some of those investments, and to make the argument for some of those investments, when you're in effect replacing oil and the oil is so cheap that the replacement just makes no economic sense. This could slow down innovation.

Hon. Judy Sgro: Yes, and we don't want to see that happen.

Mr. Glenn Mason: No.

Hon. Judy Sgro: We appreciate all the innovation that's moving forward.

You were talking about using wood rather than steel for buildings, but there are concerns, as you know, with fire. There are safeguards when it comes to houses, but certainly when we meet the representatives of the fire department, they continue to be more and more concerned about the use of wood and about fire.

Can you tell me with regard to using it for buildings, and you said for the tallest buildings and for industry, are you able to do anything in particular to safeguard against fire?

Mr. Glenn Mason: I'll ask Bob to answer the question, because he has been working with this for years. The key thing to keep in mind here is we're not talking about stick building. We're not talking about two-by-fours. Yes, two-by-fours burn in a hurry. We are talking about mass timber. In this case it's typically engineered wood, but mass timber doesn't burn. Mass timber will char and then protect itself. That's the secret to using wood in large buildings.

Bob, could you speak a little bit to some of the work we're doing?

● (1620)

Mr. Robert Jones: We've done quite a bit...we funded a lot of research for the National Research Council to actually have fire tests of these larger buildings. As Mr. Mason said, in the heavy timber buildings, with some of the new engineered wood products, for example, cross-laminated timber, what essentially that is, is it's a number of two-by-four dimensional lumber pieces glued together. They can form a panel. They could be anywhere from four inches to six inches or eight inches wide but they can go up to about 40 feet or 50 feet long. These are quite significant pieces of panels.

I like to use the analogy of a campfire. You have a lot of single small pieces, and that's how you start your fire. If you ever try to put a big log in, it just doesn't burn. It chars, as Mr. Mason said. We've done a lot of research and funded a lot of research with the National Research Council that will designate the fire safety ratings for these new engineered wood products.

There has been a lot of press about fires in buildings under construction. That is a big difference. These are construction fires. There is no gypsum sheathing around. I'm talking about the smaller buildings that are built out of two-by-fours. Under a construction scenario there are no safety measures yet to protect the wood, although in the new version of the national building code there will be some provisions that will have certain parameters that a company must follow when it is constructing on site. Once the building is completed, with all of the different products that go around the individual stick pieces of wood, fire ratings are tested and verified by the building code officials to withstand fire and to allow people to get out of the building. Every product in every application has a rating system that's per code and per the specifications of the national building code.

Hon. Judy Sgro: With regard to the time to burn, there's a certain period of time as well in there. Can you elaborate on that?

Mr. Robert Jones: Depending on the application and the size of building, there are certain safety regulations. A number of fire safety measures have a 60-minute fire rating. Some have a 90-minute fire rating.

I should also add that as buildings are getting higher there is the mandatory use of sprinklers, so all buildings have to have sprinklers at a certain height too. These are all specifications of the new building code that is looking at taller buildings.

Hon. Judy Sgro: What is the tallest building that's been built with wood, to your knowledge?

Mr. Robert Jones: Currently, the tallest existing building is about a 10-storey building that's in England, but there are a number of buildings under construction. These are the massive heavy timber. In Norway there's a 14-storey building under construction right now. Australia has a few 12-storey buildings.

These larger and larger buildings are becoming more and more common around the world.

Mr. Mason mentioned that we are looking at building larger buildings in Canada too. I would expect that within the next few years we will see buildings in that range of greater than 10 storeys.

The Chair: Thank you, Ms. Sgro.

We go now to the five-minute round, starting with Mr. Leef, followed by Ms. Crockatt and then Ms. Duncan.

Go ahead, please, Mr. Leef, for up to five minutes, as soon as you admit that Yukon is not the warmest place in Canada.

Mr. Ryan Leef (Yukon, CPC): It will; it's bound to be.

The chair gave it away. I am the member of Parliament for Yukon. I'm looking at the map here, and there are lots of triangles and blue dots and red dots, none of which exist in the territories. Nunavut I think I understand, but in Yukon, of course, about 57% of the territory is covered with boreal forest. That represents about 281,000 square kilometres of forested land, with white spruce and lodgepole pine. That tends to create a pretty close-knit, hard-grained timber, and that's good, but obviously there's not a lot of stock up there. Market access is a bit of a challenge.

We went through an experience of devolution 10-plus years ago now. The federal government had forest management control at that time. The Northwest Territories has just gone through that. Nunavut's outstanding, although there's not much in the way of forest there. In terms of the two territories, is there a federal forestry approach? Is there anything left outstanding in the Northwest Territories in terms of devolving forestry control, or is that done? Is there a specific look at territorially based involvement of the federal government from a territory forestry strategy?

● (1625)

Mr. Glenn Mason: To my knowledge, all forestry responsibility has been devolved. We have not retained anything.

I'll have another look to see if we've missed some dots, but the key issue is industrial forestry, right? We have a good relationship with the folks up there in Yukon and the Northwest Territories. The issue there is that, you know, industry is a guy with a half-ton and a chainsaw and he's cutting firewood. There's not an industrial business.

Having said that, we do have an initiative called the aboriginal forestry initiative. Through that we work with other Government of Canada departments and with first nations. We think there's remarkable opportunity in the north for some of these communities that are bringing in diesel fuel and that are off the grid to use bioenergy. There are almost turnkey solutions already from Europe that could be brought in where you could have combined heat and power, community heating, and that sort of thing to replace trucked-in diesel. We think that's a very exciting area that we would like to expand on. We have had some projects up in both Yukon and the Northwest Territories, and we hope to have more of them. That's a particular area of growth.

I also know there are some folks getting into pellets up there. That's a fairly easy kind of first step. It doesn't provide a lot of jobs, but it could be a feedstock to that bioenergy.

Mr. Ryan Leef: Thanks for that.

In terms of incentivizing work on that front, I know there's so much provincial-territorial responsibility with developing these co-partners with industry, but rural Canada...and I would think it's probably a provincial policy right across the board, but I'll talk about Yukon and see if it does deploy across Canada.

In remote communities where forest fires happen—the Northwest Territories just had one heck of a summer for fires—a lot of firefighting policy is that if it's not threatening roadway and access and personal property, we just let it burn. Of course forest fires are a natural cycle of restoration and regrowth. They're an important contributor to environmental habitat regeneration, but at some point it seems there's a fine line between natural recycling and then just a complete waste of a good forest product.

Is there any sort of modelling or mapping that's possible to do to trigger Canadian locations that are flashpoint hot spots or more susceptible to fires so that we could sort of cherry-pick, for lack of a better word, to have an appropriate level of recycling in the burn cycle itself but also utilization of good forest products before they go up in smoke?

Mr. Glenn Mason: I have to commend you for knowing a lot about forestry and forest fires, because I think you pretty much got things right. Forest fires are a natural source of regeneration in the boreal. Forest fire suppression costs between $500 million to $1 billion across the country each year. It's a very expensive business. Increasingly, or perhaps almost across the board, certainly in the west, the management decision on the part of the provinces is that if it's not threatening public safety, if it's not threatening communities, you just let it burn. You can't afford to fight them all.

To your question on whether or not there is modelling going on, the Canadian Forest Service is actually the single largest source of forest fire research in Canada. We actually have a fair degree of expertise. We're well linked in with the provinces, and we're well linked in with the universities, etc., and a fair bit of what we offer is actually modelling, fire modelling and that sort of thing. But at the end of the day, those can only be predictive scientific tools that are then given to the managers on the ground to decide, with the resources that they have and the risks that are before them, what they will do.

● (1630)

The Chair: Thank you very much, Mr. Leef.

We will go now to Ms. Crockatt, for up to five minutes.

Ms. Joan Crockatt (Calgary Centre, CPC): Thank you to our officials for being here today.

I may be one of several, or maybe I'm the only one...but I actually worked for the Alberta forest service planting trees during university and I loved it. It was one of the best things I did. So I have an investment in forests in Alberta.

I'm hoping to go over a little bit of ground we've covered in more depth. We're laying the groundwork today for what's going to be the most significant study this committee does in this sitting of Parliament. I would like you to go back a little bit over the history of where we were in 2008 and how we got to today. You mentioned that a lot of the recommendations in that 2008 report have been implemented.

I'm wondering if you could tell us what exactly the government has done that worked, what industry has done that worked, and how we got from 2008 to now.

Mr. Glenn Mason: Mr. Chair, that's a fairly broad question. How much time do I have?

The Chair: You have four minutes.

Voices: Oh, oh!

Mr. Glenn Mason: What did government do that worked and what did industry do that worked?

The first thing industry did that worked was it shut mills. It closed mills, laid people off, and it retrenched. That was painful, but it had to be done in the face of collapsing markets.

The forest companies that are left today are the survivors. They're the ones that have gone to the wall. They're the CEOs who have for years, maybe, not been sure they could make payroll next week or next quarter. There have been a lot of very tough decisions to make.

What we did well as a sector.... I'm speaking about my predecessors, so I'm not taking personal credit for this. What the sector did well was it came together. Industry, government, academia to a certain extent, and provincial governments came together, and they came up with common responses and common solutions.

When industry came to government, it spoke with a single voice. In particular, I would note that FPAC played a very important role in bringing together the forest sector as a common voice, but obviously there are other actors.

The Government of Canada partnered with industry in very conscious ways. I mentioned earlier the creation of FPInnovations. FPInnovations is responsible to a great degree, not entirely but to a great degree, with filling the innovation pipeline with new ideas, new products, new techniques, and new processes. That has been a great success in which the Government of Canada, and industry though, played an important role in creating.

The industry and the government thought of things as an interconnected system and realized that we needed to work together. I spoke to those three big areas, and it was deciding what the big things are that we need to do and then getting about doing them.

What the Government of Canada got right was it supported industry, and it did so in a way that was intelligent. I'd love to tell a story of a master strategic plan where we absolutely knew what we were doing. That would be a little bit untruthful. What I can say is that we had a series of good decisions, a series of very good decisions where each individual decision was the right decision whether or not it fit into a master plan at the time. But decisions were made—

Ms. Joan Crockatt: Could we have some examples?

Mr. Glenn Mason: Yes, there's the creation of FPInnovations and the decision to create the pulp and paper green transformation program, which for a billion dollars put every penny into Canadian mills. Each of those Canadian mills that got money came out of that program stronger, more capable, and able to compete with their American cousins and internationally. We invested in export market promotion, such that the growth of exports, of lumber sales to China, is almost unprecedented at 1,400% over the time period. Also, we consciously invested in partnerships in the work that Bob spoke about with building codes.

We have pushed the boundaries and are continuing to push the boundaries of what you can do with wood safely in buildings in our built environment here in Canada. We're doing the same in the United States. That's important because the United States is a much bigger market. The more we can get the Americans to do the same, the bigger the market there will be for us.

At the same time, we redirected our science. We created the Canadian Wood Fibre Centre. We put about 50 or 60 scientists in it and said that they would get their directions from industry, that it wasn't the university of the CFS, that they would be doing work that matters to industry. The Canadian Wood Fibre Centre is part of FPInnovations. While they're supported and they're technically my employees, they actually get the operational direction from FPInnovations and through that from industry.

We also turned around our science such that if there is a phytosanitary issue, if there's a trade issue that is any way related to the health and safety of our products, we have scientists who are lined up and can respond right away. Whether it's the recent opening up of the ash market to Canadian products and the opening of the market in India to Canadian products, we're there, and we're able to turn the organization and focus our scientific expertise to support the international growth of the market.

● (1635)

The Chair: Thank you, Mr. Mason.

Thank you, Ms. Crockatt.

We'll go now to Ms. Duncan, followed by Ms. Perkins and Mr. Caron.

Ms. Linda Duncan (Edmonton—Strathcona, NDP): I appreciate the chat earlier. It's always nice to meet former Albertans. They're deep roots.

I'm interested in the billion dollars minus the one million—essentially the pulp and paper—but I note that one of the recommendations from the last report was for the federal government to be giving a lot more support to the eco-energy and renewable power sector. You've mentioned that. You've mentioned the wood pellets. I note that there are almost 60 wood pellet operations across the country right now.

I have a question for you. We recently heard that the government has significantly underspent the moneys allocated for eco-energy and renewable power. I'm wondering what has happened to NRCan's commitment to actually be supporting the diversification of products rather than just shipping out wood or even lumber. What percentage of support are you giving to the renewable energy sector?

Mr. Glenn Mason: If we were to speak about new products, NRCan invests between $20 million and $25 million a year in FPInnovations, which is our primary investment. It's our biggest single investment in new product development. I would argue that as a sector we're putting an awful lot into new product development.

You spoke specifically about eco-energy, so I'm just going to check my notes here. That is a program run by another sector at NRCan. It was launched in 2007 with the purpose of encouraging the generation of electricity from renewable energy sources. The program was extended and is now slated to end on March 31, 2021.

As of March 31, 2011, 104 projects qualified for funding under the eco-energy program, representing investments of about $1.4 billion over 14 years and almost 4,500 megawatts of renewable power capacity. The majority of the projects with the contribution agreements under this program are for wind-related projects.

Ms. Linda Duncan: Right, but I just want to know about wood.

Mr. Glenn Mason: For wood, if I could just give a bit of a toot for the PPGT, pulp and paper green transformation, program—

Ms. Linda Duncan: I know all of that, so I don't need all of that. I'm specifically asking about wood.

Mr. Glenn Mason: The result of the PPGTP investments is that there is enough renewable electricity created to continuously power 140,000 homes and produce enough thermal energy to heat 135,000 homes.

In terms of wood, our investment in FPInnovations is producing a range of world firsts. Also, our investment in IFIT is producing a range of world firsts and Canadian firsts in new products and new processes, etc. You've probably heard about nanocrystalline cellulose, which is a big success of IFIT's. It's a nano product that is stronger than steel and has all kinds of amazing properties. It was invented at McGill in the 1960s—

Ms. Linda Duncan: That's not energy, right?

Mr. Glenn Mason: You said new products.

Ms. Linda Duncan: No, I did not. My question is very specific. I want to know what percentage of the resources that have gone into diversifying the sector have gone into the renewable energy side on wood.

You don't have to give me all the details right now. If you could send us the breakdown for forest products innovations and what those have been allocated to, that would be really useful to see which direction and which sectors are being supported. All I'm really looking for is how much attention is being given to eco-energy as opposed to pulp and paper, and the export of logs, and so forth. If you have a breakdown on the FPI, that would be helpful.

One of the other recommendations from the last report was for the federal government to explore the Finnish approach to biofuel strategy. I'm wondering if in fact the government has pursued that, and if there's information you could share with us at some point on what you have learned from them, and what you're sharing with the sector.

● (1640)

Mr. Glenn Mason: Mr. Chairman, I thought the report referred in the Finnish context to the idea of clusters as opposed to biofuel, but I would be happy to get back to the committee on that.

Ms. Linda Duncan: Sure. Great.

My final question would be about the boreal forest. My understanding is we have 24% of the world's boreal forest, and therefore there's a big onus on us to be protecting that for all kinds of purposes, for exploitation and also for habitat.

Given the fact that a lot of that is in the northern territories and in the northern part of the provinces, can you tell us what kind of activities are involved in your part of NRCan in specifically targeting the boreal forest?

Mr. Glenn Mason: Thank you for that question.

The boreal forest is very important to Canada. Canada has 223 million hectares of boreal forest, which is about 24%, as you said, of the world's boreal forests. It makes up a very large percentage of our forest. As a result of that, a majority, probably, of our science—I couldn't give you a specific number—is focused on the boreal forest.

Recently, over the last year or year and a half, we've published what we call the “Boreal Synthesis”, which is a world-leading collection of 12 or 13 papers. They are massive synthesis papers of all the knowledge about a variety of aspects of the boreal forest.

Much of our wildfire science is focused on the boreal forest. We're doing an awful lot on the boreal forest.

The Chair: Thank you, Ms. Duncan.

We go now to Ms. Perkins. It's probably your first round of questions as a member of Parliament at committee. I'm not certain of that, but I would think so.

Mrs. Pat Perkins: I think you're correct. Yes.

The Chair: It's great to have you here. You will be followed by Monsieur Caron and Mr. Trost.

Go ahead, please, for up to five minutes.

Mrs. Pat Perkins: My first question is a very strange question, but I saw this in your slide so I have to ask it because I certainly don't know the answer.

When you talk about the U.S. subsidies and then in brackets, black liquor, what are you talking about? I need an education on this; I don't understand it.

Mr. Glenn Mason: Thank you for that question.

It is an interesting term, and as somebody coming new to the forest sector, I had to ask the same question.

Black liquor is a residue produced by the kraft pulping process. There's a chemical kraft pulping process that creates the pulp, and there's kind of a nasty stew that comes out at the end called black liquor. A large proportion of that is lignin, which is kind of the other part of...trees are made of cellulose and lignin, so it's lignin, and then depending on the chemicals that are used, there might be some other things, like sulphur. It's a residue which historically has been burned as fuel back into the boilers. That's how it was used, but we now know we can get much higher value out of that, for instance, by extracting the lignin.

What happened in the United States was they had a biofuel-type subsidy. What folks were doing, as I understood it, was basically mixing this stuff with diesel fuel and getting a subsidy. It was a complete misuse of the tax system, but it worked, and it was worth about $25 billion to the American industry.

Mrs. Pat Perkins: Okay.

I have a couple more questions.

There has been some discussion about the building materials aspect. I do come from the municipal sector, so I find that one rather intriguing. You talk about the fire safety ratings. You talk about laminated products, and so on.

I understand when you're talking about the building code, and structurally it might be fine, and the rating might work in terms of fire safety rating, but when you start getting into something like laminated products, and so on, how will that translate into toxicity? What is it that's going to come out of that which could actually be harmful to someone over and above the smoke being harmful? Has that been part of the process you have been undertaking to understand?

● (1645)

Mr. Robert Jones: Well, there's been quite a bit of research, too, on ensuring that all of the resins that are used for these panel products are within the acceptable limits that Health Canada or any of the other regulatory bodies have governed to be safe. Everything that goes into the material has been approved. Whether it's the type of resin and those sorts of materials or the glues, they've all been assured as being non-toxic materials that go into the panels.

Mrs. Pat Perkins: Okay.

We were talking about the pine beetle, the emerald ash borer, and the spruce budworm. All of these things tend to originate from offshore. There's been a tremendous amount of dialogue over the years about the wooden pallets that bring product in. They're importing goods, they come off of a ship, they're on the wooden pallets, and lo and behold, sometimes these wooden pallets bring in these beetles and bugs which then infest our forests at a major cost.

Who or where does that dialogue happen? Who happens to discuss whether or not we want those pallets actually coming in, and what kind of protection to our forestry could be attained by dealing with them? Is that dialogue under way, and by whom?

Mr. Glenn Mason: Thank you for that question, and it's a very good question.

In fact, just the other day I was listening to one of my scientists talking about this, Eric Allen from Victoria. He's a world-leading expert, and I think he chairs the international committee.

As you can imagine, there's an international committee of countries that sets the standards for these things. Scientists from the CFS work very closely with folks from CFIA in setting these rules, and so on. Now there is a standard for wooden pallets, and basically they have to be heat treated. Heat treating kills bugs. But it was interesting; he said that if we had had that standard 20 years ago, we probably would not have the emerald ash borer.

In terms of the world that they talk about, it's very much about identifying the vectors, the ways that these bugs transmit themselves, and then regulating those, as opposed to focusing on a specific bug.

Mrs. Pat Perkins: I'm just trying to get at the fact that the protection of our forests is a huge thing. It's something that you've been undertaking vigorously, obviously.

Mr. Glenn Mason: Absolutely, and we also work closely with the Americans, and increasingly with the Mexicans, in terms of thinking about a kind of fortress America. If you take Seattle and you take Vancouver, for example, the Asian gypsy moth is a nasty little bug that wants to come from Asia. If Vancouver applies restrictions that are very expensive for ships, but Seattle doesn't, those ships could just go down to Seattle. Then the bugs would get into Seattle and then they'd come up north. It's very important that we work together on a kind of continent-wide basis.

Mrs. Pat Perkins: Border security....

Mr. Glenn Mason: Absolutely.

Mrs. Pat Perkins: Right, and my last—

The Chair: Thank you, Ms. Perkins. Your time is up.

We go now to Monsieur Caron, followed by Mr. Trost.

Go ahead, please, for up to five minutes.

[*Translation*]

Mr. Guy Caron: Thank you very much.

Mr. Mason, thank you for your presentation. I hope we will have an opportunity to see each other again—perhaps during the committee's study—so that we can talk specifically about the recommendations from the 2008 report.

I would like to ask you a few questions about that report, but the first question is about your presentation. On page 16, you talk about challenges the industry is facing. You mentioned the fibre quality issue, especially in eastern Canada. This surprises me, as I recall that, during the worst of the crisis, the industry took comfort in the high quality of fibre compared with our competitors, especially those from Central America.

What challenges stem from fibre quality today?

[*English*]

Mr. Glenn Mason: The eastern part of Canada is facing a number of challenges. One is that it takes a long time to grow a tree. In Chibougamau, it could take 150 to 200 years. You're faced with a different production challenge in terms of what you can get out of the trees, and it takes a lot longer to regrow.

There is also the challenge of the spruce budworm and what that's doing to the forest in Quebec and possibly into New Brunswick. Then, if you follow the nineties, a lot of the easy to cut wood has been cut, so the wood is farther and farther from the mills. You're seeing that play out around Lac-Saint-Jean and some of the other places there.

What we do have is fibre that's different from...you mentioned the Brazilians. The challenge there is that you can grow a genetically modified eucalyptus to pulping age in seven or eight years. It's almost impossible to compete with that on an economic basis.

● (1650)

[*Translation*]

Mr. Guy Caron: That clarifies matters a bit. So the problem doesn't come from fibre quality. Our fibre may be of the highest quality, but the fact is that it takes much longer to develop than the fibre grown by our competitors from Asia, Central America and South America, in particular. This means we can no longer compete, especially when it comes to industries such as pulp and paper, and newsprint.

[*English*]

Mr. Glenn Mason: It means that it's a very big challenge.

[*Translation*]

Mr. Guy Caron: I would like to come back to biomass. This industry could be significant for regions like mine. The fourth recommendation from the 2008 report was related to the impact more intensive use of biomass has on forest ecosystems and the environment. The recommendation was to conduct a study to analyze the possibility of increased production.

I know that establishments in the Lower St. Lawrence, in particular—the region I represent—are increasingly moving in that direction. A growing number of churches, community centres and schools are converting to biomass. Many maple stands are also converting. When it comes to development and environmental effects, we always ask what the dangers and risks associated with moving in that direction are.

Have you had an opportunity to look into this issue? If so, what were your summary conclusions?

[*English*]

Mr. Glenn Mason: Thank you for the question.

Mr. Chairman, if I understand the question, it's really about whether the increased use of biomass threatens the environmental sustainability of the forest. Would that be correct?

[*Translation*]

Mr. Guy Caron: Yes, the fourth recommendation was about a study on this particular issue.

[*English*]

Mr. Glenn Mason: What I can say is we're very engaged in that. We're very engaged because, aside from our own issues, it's a big trade concern. As folks are making pellets and selling them into the European Union, the European Union is demanding that they come from sustainably sourced areas, etc. But you have a range of practices. If you go to Scandinavia, they actually go as far as ripping the trunks out of the ground. They have a complete 100% use of biomass. We're the complete opposite. In fact, our scientists believe that we can definitely use more biomass than we do. We have a number of science projects working right across the country—some of the experts at the Laurentian Forestry Centre in Quebec City are working with Laval University, etc., and we have some going on at Petawawa as well—to do long-term studies about how much more can you take out. How much more of the tree can you take out of the forest, while still leaving the nutrient base acceptable or reasonable for future regeneration of the forest? There's not a quick answer to that, because obviously you kind of look at some regeneration, but for certain, our scientists are showing that we can take out more than we have been.

[*Translation*]

The Chair: Thank you, Mr. Caron.

[*English*]

We go finally to Mr. Trost, before we go to the in camera portion of the meeting, where we will discuss the future of the study.

Go ahead, please, Mr. Trost, for up to five minutes.

Mr. Brad Trost: I'm going to start with a bit of a broader question than you might be used to, but I suspect you do what I'm going to ask you about, maybe not quite as directly, but in your job all the time.

If we're starting a forestry study like we did back in 2008, I was wondering, if you were in our position here, what questions would you ask the players who are going to be coming to us, the regions, the industry, the other bodies, the unions, the aboriginal leaders, etc.? To some degree, I suspect that is partially what your department does: you're continuously working with these people and asking them these questions. We're not forestry professionals here on this committee. Some of us have almost no experience; others have minimal experience.

What questions...where should we start to steer our report? From your experience, what advice would you give?

● (1655)

Mr. Glenn Mason: Mr. Chairman, that is indeed a very good question, and one perhaps I wish I had thought longer about beforehand. I'd be happy to send you a written submission later on that. My quick off-the-cuff response to that is that I would, first of all, start by asking your witnesses what are the three biggest challenges they face in the forestry context from where they sit. I would then ask them what they think the role of government is, what they think the role of the private sector is, and what they think the role of the social sector is, communities.

Mr. Brad Trost: I'd like to follow up on that first point you made, then. You put some of this in the deck. What would you list as the biggest challenges? I see that you have three of them here in your deck on transformation. Why specifically would you choose those challenges as the biggest challenges for the industry?

Mr. Glenn Mason: I've actually been engaged in a cross-country conversation with CEOs in this sector. I've been asking them those questions—that's why I think they're good questions to ask—and trying to assess what they think are the strategic long-term concerns. Now, you mentioned a number of other actors. I haven't necessarily been talking with all of the actors. I've been focusing on the industry.

The first question that everybody's going to ask is, will there be a forest in 100 years? Are we going to have fibre? Are we going to have a basis for our industry? It doesn't matter if you're from the right or from the left, that's the most important question.

Now, that's not necessarily a question that the federal government is primarily responsible for. We're not responsible for the supply of trees. We're not responsible for fibre. That's a provincial responsibility. We do strategic science that supports it. But there's a lot of long-term modelling, and people have a lot of concerns about the future. You're not going to invest in this sector if you don't think there's a future.

On the other hand, if you're living in a small rural community, you want there to be a forest. You see a need to have an industry based on that resource. In that context, I think folks have a number of other concerns. Is the fibre going to be there, and then are we going to be allowed to use it? That's where all parties in society have to come together and talk about what they want to do with the forest. We've been using our forest for over 100 years, and we've done so in a sustainable manner. Through our science, we're constantly improving our forestry practices.

We believe there will be a forest, but it will be a different forest. It would be good to know, to the extent that we can know, what that forest will be.

Then there's a question about what the markets will be, and what products we can produce. I think we increasingly think that transformation and innovation are central parts to that story. I suspect there will always be firms in Canada that are among the most efficient producers of two-by-fours in the world. But that's the basis, that's not the highest point we can reach. We can do so much more with wood. As I talked about in my presentation, there are all kinds of biochemicals. Anything you make from petroleum you can make from a tree. It doesn't mean it's economic—we need to explore those things—but there are new and renewable products that we can make from trees that we're not making today. There are engineered wood products we can make that are stronger and better than a single stick of wood, so we can build taller and better and higher.

I think that's how I would answer that question.

● (1700)

The Chair: Mr. Trost, your time is up.

Thank you to our witnesses today for a great presentation and for answering questions from the members. Thanks to Glenn Mason, assistant deputy minister at the Canadian Forest Service, and Robert Jones, director of the industry and trade division in the policy, economics and industry branch of the service.

Thanks to all four of you for being here today.

We'll suspend for a couple of minutes to go in camera, and we'll have our discussion to put together a plan for where we go from here with this study.

[*Proceedings continue in camera*]