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Tuesday, February 24, 2015

Chair

Mr. Leon Benoit

Standing Committee on Natural Resources

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● (1530)

[*English*]

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

Ms. Linda Duncan (Edmonton—Strathcona, NDP): Mr. Chair, before we start with witnesses, could I have the floor?

I wish to table a notice of motion, to the effect:

> That the National Energy Board be convened before the Standing Committee on Natural Resources for two hours prior to March 31st, 2015 to explain:
>
> 1) why the deadlines to apply for the Financial Aid Program (February 23rd , 2015) and for the status of Intervener or Commentator (March 3rd 2015) in the NEB Hearing Process for TransCanada's Energy-East Project were established despite the fact the TransCanada Energy-East Project route does not appear to be final;
>
> 2) what measures will be implemented by the National Energy Board regarding who can participate in the event TransCanada modifies its project; and
>
> 3) how will the National Energy Board act to ensure that Canadians have access in both languages to all the information provided by TransCanada as it relates to the Energy-East project.

I have a copy in both English and French to pass to the clerk.

The Chair: Ms. Duncan, you're giving us a notice of motion.

Ms. Linda Duncan: I'm simply providing you with notice of motion.

The Chair: Okay. Thank you.

Ms. Linda Duncan: I have a second motion. I may as well get it on the record.

The Chair: This is a notice of motion.

Ms. Linda Duncan: This is a notice of motion:

> That the Committee invite the Honourable Greg Rickford, Minister of Natural Resources, to appear before the Committee regarding the Supplementary Estimates (C) 2014–2015, before March 13th, 2015 and that this meeting be televised.

I also have a copy in both languages for the clerk.

Thank you.

The Chair: We'll now get to the business of the meeting today. We are continuing our study on the renewal of Canada's forest industry. I believe this is our fifth meeting on the study.

We have with us today four witnesses. As an individual, we have Ying Hei Chui, professor and director, Wood Science and Technology Centre, University of New Brunswick. From the Canadian Association of Forest Owners, we have Christopher Lee, managing director. We also have, by video conference from Vancouver, British Columbia, from Forestry Innovation Investment, Ken Baker, chief executive officer; and from Vancouver again, from the B.C. First Nations Forestry Council, Keith Atkinson, chief executive officer.

Welcome, everyone.

We'll have the presentations in the order they are on the agenda, with the exception of Mr. Baker's. He'll be arriving a little late, so we'll have his presentation last. If we could, we'll go ahead with presentations for up to seven minutes, starting with Mr. Chui from the Wood Science and Technology Centre, University of New Brunswick.

Again, thank you so much, all of you, for being here today to give us input, which I'm sure will be very beneficial to this study.

Go ahead with your presentation, please, sir.

● (1535)

Dr. Ying Hei Chui (Professor and Director, Wood Science and Technology Centre, University of New Brunswick, As an Individual): Thank you, Mr. Chairman.

Good afternoon, everyone. It's a privilege to appear before this committee as a witness to provide remarks and answer any questions you might have related to forestry.

My name is Ying Hei Chui. I'm a professor of wood technology and engineering at the University of New Brunswick. I'm part of the faculty of forestry and environmental management. I'm currently director of the Wood Science and Technology Centre at UNB. In 2009, I was chosen by the Natural Sciences and Engineering Research Council of Canada to lead a national research network on innovative wood products and building systems, now known as NEWBuildS.

I have over 30 years of experience in conducting and managing research on wood products and wood building construction, and 27 of these 30-plus years have actually been in Canada. Therefore, my opening remarks here will be on how innovation helps transform the wood products industry and create market opportunities for the industry. I will start with the Atlantic Canadian situation and then move on to the national situation

The Wood Science and Technology Centre at UNB is the only wood products research facility in Atlantic Canada, and it performs a critical innovation support role to the wood industry in the region. The centre assists, on average, about 30 to 40 companies per year with their innovation needs. Most of these companies are from Atlantic Canada, and some are from other provinces or the U.S.

The types of technical services we provide include development of new products, solving process problems, and seeking product approval for companies in Canada and overseas markets. Our ability to continue to support the wood products industry in Atlantic Canada is under threat to some extent. Because of the retirement of faculty members, we have lost our critical mass.

We were delighted to see that the Standing Senate Committee on Agriculture and Forestry, in a 2011 report, recommended that:

> ...the Canada Research Chairs, the Natural Sciences and Engineering Research Council of Canada and Natural Resources Canada, work with Canadian universities and the forest industry to establish four...research chairs in the design and construction of wood buildings, to be located in the Maritimes, Quebec, Ontario and Western Canada.

Today, we've seen research chairs established in three of these four regions, but not yet in the Maritimes. I believe a research chair in wood building, design, and construction in the Maritimes is critical to help the Atlantic Canadian wood product industry capture the opportunities created by the recent changes in building codes to allow mid-rise wood construction.

At the national level, the NEWBuildS research network, led by me, consists of 23 professors from 13 Canadian universities. The NEWBuildS network was established with funding support from the forest sector R and D initiative announced by the federal government in 2008.

The goal of the network is to develop technical information that supports the use of wood products beyond single-family and low-rise residential building construction, which has traditionally been the major end-use market for Canadian wood products. This is largely because of the restrictions imposed by building codes requiring buildings to be lower than five storeys.

It has long been recognized by the industry that overdependence on the narrow scope low-rise residential construction market has made the industry vulnerable to external factors outside of its control, such as housing styles, commodity pricing, and exchange rates. Diversification into other applications such as mid-rise building construction has been a major goal of the Canadian wood products industry for a number of years. Through research conducted by organizations such as FPInnovations, the National Research Council, and universities, the wood products industry has managed to convince the building code authorities in Canada to increase the height limit for wood buildings from four to six storeys.

The Government of Canada should be commended for providing the research funding to allow this research to be conducted in order to make this building code change possible. More importantly, the funding provided by the federal government actually helped bring the Canadian universities, FPInnovations, and the National Research Council together to form a large Canadian innovation network that is now the envy of the world.

● (1540)

In the field of innovative wood products and building systems prior to 2008 and 2009, Canada was essentially a follower and adopter of technologies and knowledge developed elsewhere. Now we are considered a world leader in this particular discipline. Although we have made significant inroads from low-rise to mid-rise building construction, I believe the potential is there for wood to be used in taller buildings and this view is shared by a lot of experts as well. At the global level, we have now seen the completion of a 14-storey wood building in Norway. Currently there are at least three tall wood building projects that are currently at the design stage in Canada. The significance of this breakthrough project is that we can demonstrate to end users that, along with concrete and steel, wood is a viable structural material for tall buildings and massive structures.

I believe the foundation has been laid for Canada to be a leader in developing competitive solutions for tall wood buildings that can be used both domestically and in export markets. The potential economic benefit for Canada can be enormous. However, there are still major technical challenges ahead of us and we will need to continue to innovate and keep the innovation network functioning in order to sustain the momentum to move ahead of our competitors. This will require governments, universities, industries and research organizations working together to achieve this goal and we have demonstrated through the mid-rise wood building initiative that by working together we can achieve great results collectively, such as making the changes in building codes possible.

So, Mr. Chairman, I look forward to discussing opportunities and approaches with the committee today on how we can sustain Canada's position as a world leader in innovative wood products and buildings solutions.

Thank you very much.

The Chair: Thank you very much, Dr. Chui, for your presentation

We go now to Christopher Lee, managing director of the Canadian Association of Forest Owners. Welcome to our committee, sir, and go ahead with your presentation.

Mr. Christopher Lee (Managing Director, Canadian Association of Forest Owners): Thank you very much for the opportunity to appear before the committee.

As you said, I represent the Canadian Association of Forest Owners. About 92% of the forest land in Canada is publicly owned; the other 8% is privately owned and totals about 25 million hectares. A hectare is roughly 100 metres by 100 metres, or two football fields side by side, just to give you a scale. Of this 25 million hectares, 20 million is owned by 450,000 woodlot owners, whose average property size is about 40 hectares. The other five million is owned by companies like J.D. Irving, Wagner forest products, Acadian Timber, Island Timberlands, TimberWest, and other large industrial forest landowners. These are mainly the companies that make up the Canadian Association of Forest Owners, or CAFO.

CAFO members also manage 15 million hectares of public land. CAFO works closely with woodlot owners and farmers, and we share many of the same issues and challenges with these other rural landowners. All CAFO members are certified to one or several forest certification systems, and all are subject to the same regulations you see on public land: protection of water supply, fish and wildlife habitat, soil conservation, and other requirements. There's a legal requirement to reforest, and landowners are subject to penalties, audits, and public reporting.

Private forest lands make up 13% of the managed forests of Canada. They're located in some of the most productive sites in the country and are very well managed. As a result, this 13% of managed forests produces 18% of the forest products of Canada, contributes $7 billion to our GDP, and supports 80,000 jobs in rural Canada.

Private forests are also very productive in terms of wildlife and fish habitat. As a result they tend to attract the attention of wildlife and fisheries managers looking to protect habitat, and set aside portions of the forest to maintain critical habitat and ensure the recovery of species at risk. Forest owners fully support and spend millions on habitat management and protection, and are willing to work with governments to enhance protection.

The challenge arises when officials come onto private lands, sometimes without notice or approval, and begin to identify habitat. Once habitat is identified, it places a de facto restriction on what the owner can do with or near that habitat, reducing flexibility and options on their own land.

CAFO members seek to work with government to identify habitat and develop ways to protect it. They're willing to share the information they have about their lands. They want to avoid situations where they must set aside large areas to protect habitat regardless of the health of populations either on their land or elsewhere, despite the fact that it's private land where owners are trying to operate businesses and maintain the value of their asset.

CAFO members want government to adopt a two-step policy when identifying critical habitat. Step one would be to first identify habitat on public land and then, if necessary and with the knowledge and consent of the owner, identify habitat on private land. This approach ensures the involvement and support of landowners. It builds a relationship whereby the landowner is willing to share the extensive knowledge and information they have about their land without the fear that sharing that information will result in even more restrictions being placed on them.

CAFO has begun discussions with Environment Canada to develop conservation agreements under the Species at Risk Act. The idea is to recognize the efforts landowners already make to protect habitat, and avoid penalizing owners by adding further restrictions or imposing fines if mistakes happen and habitat is inadvertently damaged or species are harmed. Such agreements would be subject to annual, external, third-party audits under forest certification schemes. For forest owners, this would add a great deal of certainty to their business. For government, it would give them the assurance that habitat is being protected, while the audit function ensures that the work is being done and that any necessary corrective actions are identified and carried out in a timely manner.

The challenge we face with these agreements is that landowners manage habitat across the land base, not habitat for species A or species B. For government, the Species at Risk Act requires that if a species is identified as being at risk, a recovery strategy is required and very specific measures and actions are developed. This results in several actions for several species all on the same land base. This quickly becomes complicated, very expensive, and very difficult to measure in terms of success or failure. Our preferred approach would be to manage the land base, protect habitat, and verify that protection through annual audits.

● (1545)

I want to raise log exports on behalf of CAFO members with the B.C. Private Forest Landowners Association. This is a B.C.-only issue, but it seriously restricts their ability to conduct business. Log exports are subject to a surplus test in B.C.; in other words, logs can only be exported if they are surplus to domestic needs. This requirement makes logs available at a lower domestic price and affects the ability of the owners to assure foreign buyers of the volume, species, quality, and timing of the logs that they wish to purchase. There’s a large surplus of logs available to the domestic market, but this requirement remains in place. We would not consider a restriction on the export of raw wheat and a lower price for wheat producers in order to subsidize the domestic bread industry.

The softwood lumber agreement is coming up for renewal very shortly. The price of lumber affects the price of logs, and CAFO members are interested in providing their perspective in the softwood lumber agreement negotiations. CAFO is seeking recognition for private property rights and a distinction between public land and private land. We are looking to work with government, develop arrangements that are in the best interests of wildlife, and provide assurances that landowners will not be penalized for providing information about their land. Owners in B. C. are seeking to have restrictions on log exports removed and to participate in softwood lumber discussions.

All of these arrangements that I’ve described will provide certainty for business and allow forest owners to invest in their land, grow higher-value products, and generate further economic activity across the country.

Thank you.

The Chair: Mr. Lee, thank you very much for your presentation.

I'm going to keep the presentations in the order that I indicated at the first of the meeting. We'll go now to Mr. Atkinson, chief executive officer of the B.C. First Nations Forestry Council.

Go ahead, please, with your presentation, for up to seven minutes.

Mr. Keith Atkinson (Chief Executive Officer, B.C. First Nations Forestry Council): Good afternoon and thank you. It's my pleasure to be here to speak to you on behalf of the First Nations Forestry Council. Although we've been asked to speak on the regional economic development theme, you'll hear aspects of all three themes in this presentation.

We believe that the relevance of first nations in your current study has never been more paramount. With this in mind, I would like to bring the committee's attention to the recent Supreme Court of Canada decision on Tsilhqot'in. This most recent decision has been discussed as a game changer in that it has brought a clearer definition of title as it relates to first nations lands, which is clearly important to a renewed forest sector.

Our understanding of the work of this committee today begins with reflecting on work done and recommendations made in your 2008 report, "Canada's Forest Industry: Recognizing the Challenges and Opportunities". We wish to remind the committee that the First Nations Forestry Council did participate as a witness providing input into that report and we supported the recommendations that were put forward. Some of the 23 recommendation were very specific to the first nations and aboriginal peoples of Canada.

Specifically, we agreed with planning for first nations to become more active partners in the sustainable development of Canada's forests. We agreed to and expected renewed participation in land use planning efforts. We had already begun and were pleased to support increased attention to the value-added sector. Of particular note, we supported a recommendation on direct funding for the protection measures needed in our communities—aboriginal communities—regarding the forest fire risk associated with the mountain pine beetle epidemic.

I'd like to point out that these recommendations were not singular, but rather very strongly echoed in multiple action plans and commitment agreements at the time. It is now the 10th anniversary of the B.C. "New Relationship", which had expressed a new vision of coexistence and reconciliation of title and rights in this province. The First Nations-Federal Crown Political Accord was also penned in 2005, committing the parties to promote a meaningful process for reconciliation towards improved quality of life, including policy transformation. The Transformative Change Accord, also in 2005, committed B.C., Canada, and first nations leadership to close the socio-economic gap between first nations and others in B.C. Then more recently, in 2008, a B.C. round table recommendations report was completed, and first nations becoming partners in forestry was one of the six priorities of that work. Within our own communities and within our organization, the First Nations Forestry Council, we completed the "B.C. First Nations Forestry and Land Stewardship Action Plan" in 2008. This was a plan for transforming the forest sector with our involvement and participation.

So after 10 years of commitments to this high-level engagement and participation and clearly good intentions being described on paper, we are suffering a shortfall in the realization of these goals. The primary involvement of the sector has been through provincial forest consultation and revenue-sharing agreements—that's in British Columbia. These agreements offer revenue sharing and forest tenure opportunities in exchange for a consultation process that enables the industry to operate within first nations territories.

Currently over 160 of our 203 nations in the province are engaged in these agreements and they hold over 10 million cubic metres of annual harvesting rights. Although this volume allocation sounds significant, and it is over 12% of B.C.'s annual cut, it does not deliver the benefits our communities are striving for. Regardless of this, it is important to note that our communities are eagerly making the effort to participate in this sector at some of the worst times the sector has seen, I might add, including the 2009 economic crash, the U.S. housing crash, and the impacts of the mountain pine beetle epidemic making it hard on the industry overall.

It's also important to note that revenue sharing under these agreements over the past 12 years represents approximately 3% of the revenue collected by the crown. As forest products cross into the U.S., additional resource rent is charged: the softwood lumber agreement tariff. We're aware of this and we're aware this revenue is not shared in the revenue-sharing agreements we currently hold.

● (1550)

Although this revenue sharing and tenure opportunity has been a good start and we're eagerly participating in it, a continued effort and incremental change is needed to properly recognize aboriginal title and rights. Better solutions are required for capacity building and forest management, and governance roles in particular, over forest lands.

When it comes to the fuel management issue regarding our communities and forest fire risk, direct funding has been made available for community fuel management assessments. However, the costs associated with the implementation of these treatments has not been available. The significant changes in budgets reduced meaningful money for the implementation of these prescriptions. This leaves our communities at continued risk of forest fire, which is an unacceptable health risk to our citizens. We have a First Nations' Emergency Services Society in B.C. that's taken the lead on this work, and we encourage your committee to reach out to that group to hear more specifically about the forest fire hazard.

I should note that the primary involvement of first nations as tenure holders is not involvement as partners in sustainable management of Canada's forest lands. It does not represent meaningful participation in land use planning. It is a simple economic opportunity to participate in the logging sector.

I'm switching gears a bit to the HR concerns. The Forest Products Sector Council did its reporting in 2011. Although we continue to struggle with meaningful programs that support the scale of workforce replacement that is upon our sector, aboriginal youth can be the replacement workforce that is clearly needed in the next five to 10 years. However, without real planning and investment, this opportunity could be missed.

Investments in restoration of the land or fuel management treatment, as discussed, are tremendous opportunities for building capacity in forestry-related business and could serve as a transition to the skilled aboriginal workforce that the forest sector requires. Similarly, major resource projects like natural gas lines can be tremendous catalysts for new and emerging workforce participants. This type of short-term project workforce demand needs to be planned and coordinated with the sustainable forest sector needs.

First nations have shown tremendous interest in being participants in the forest sector. However, there is an obvious lack of wealth for investment purposes. A renewed manufacturing sector or stimulated value-added sector are almost out of reach, considering the lack of access to capital for our communities.

We view innovation efforts of late as being focused on finding new global markets to replace the previous U.S. demand. Although it may not be abundantly clear, we feel that the lack of meaningful relationships with first nations represents a tremendous barrier to investment in the forest sector. It represents a risk of uncertainty to investors. Strong relationships with first nations can lead to globally certified wood products or other value-added products. For those of us who wish to see a renewed forest sector for Canada—and we certainly are part of this group—a forest sector that is inclusive and respectful of aboriginal peoples in Canada is imperative.

First nations are eager to be part of this new sector. It requires investment in these communities for stewardship and planning; operational and management support; targeted workforce programs; access to capital for local investment into new manufacturing and value-added facilities, including bioenergy; and of course, a policy framework that will accommodate this support.

Let's move past denying the title and rights that aboriginal peoples hold, and past the shallow commitments that look nice in reports but have inadequate scale with the financial resources that are called for. Inadequate and inappropriate levels of investment in aboriginal communities is costing Canada in the slow recovery and renewal of the sector.

We feel a strong and healthy relationship with our communities will bring prosperity for all in a renewed forest sector in Canada.

Thank you very much for allowing me to share this perspective.

● (1555)

The Chair: Thank you very much, Mr. Atkinson, chief executive officer, B.C. First Nations Forestry Council.

Finally, we go by video conference, again from Vancouver, to Mr. Ken Baker, chief executive officer of Forestry Innovation Investment Limited. Go ahead, please, sir, with your presentation for up to seven minutes.

Mr. Ken Baker (Chief Executive Officer, Forestry Innovation Investment): Thank you very much, and thank you to the committee for inviting me to offer some input today.

I'd like to explain the context for my involvement in this particular arena and then offer you some rather personal editorial comments on the scope of the committee's work.

The terms of reference of the committee, as I understand it, say that it is seeking expert opinion on how industry and different levels of government can continue to support the forestry sector. That is the essence of the functionality of the organization I work for, which most people refer to as FII, so I'll be referring to it as FII.

FII is a provincial crown corporation. It was created in 2003. For years we reported to the Minister of Forests, but for the last year and a half or so, to the new B.C. Minister of International Trade. The Minister of International Trade specifies our mandate, which is refreshed and updated once each year.

As a crown corporation, we are funded mostly by the province. We have a budget this year of $17 million from the province, and we have attracted about $2 million a year in revenue from other sources, primarily in the forest industry. Our programming, our funding, is completely discretionary from year to year.

Our prime focus is on stimulating the demand for B.C.'s solid wood products wherever we think opportunities are apparent, anywhere in the world. Our main focus is in North America and in northeast Asia. We have a subsidiary company in China, with about 14 employees. Two years ago we established a subsidiary company in India, with half a dozen employees, and we have one here in Vancouver, with 21. That gives you a sense of scale. We're not huge, but we like to think that we punch above our weight.

Our function is partly to be a funding agency, in the same way as Natural Resources Canada is on behalf of the federal government. But also we direct-deliver a lot of programming to fill in what we think are apparent gaps in the market development world or to do things that we are best placed to do on behalf of this sector as a whole.

Our organization, as a crown corporation, has nothing to sell. We don't sell forest products. In pursuing the government's priorities, we have to make sure we are closely aligned with those of the industry, because only the industry has product to sell, obviously.

As some of you may know, 70% to 80% of the harvested timber in B.C. goes first to a sawmill. Our focus happens to be very largely on solid wood products, including value-added products. We support the pulp and paper industry with communications material about sustainable forest management that they use in the marketplace, but otherwise our engagement with pulp and paper manufacturers is very limited. We're a very solid wood centre.

Half of our budget goes to trade associations and a few other not-for-profit organizations through some competitive calls for proposals. We invite people to propose to us what they would like to do with our money on a cost-share basis. We have an annual call for market initiatives that has a global reach. We have a secondary, much smaller competitive call for what we call “wood first” activities in the province of B.C., which are aimed at making the province a global leader in innovative manufacturing and use of wood products.

Our funding to trade associations, which as I mentioned, constitutes about half of our cashflow, is intimately melded with coincident funding from Natural Resources Canada to the same trade associations. But we have a very harmonized federal-provincial system of managing that entire program, from the competition for funding each year, through administration, and right through common audits. We have daily conversations with trade associations and numerous firms, as well as with NRCan staff in Ottawa.

Our focus in North America is primarily on trying to encourage greater use of wood products in non-residential construction and multi-family construction, including a wide range of value-added products and including the promotion of new building technology, such as a 14-storey wood structure that you heard about earlier from the first presenter.

● (1600)

Our biggest collective success so far—and I emphasize “collective” because this is a unique tripartite arrangement among the private sector here in B.C., the provincial government, and the federal government through NRCan—has been in China, where initially, in 2003, we were selling 69 million dollars' worth of lumber, and we're now selling 1.4 billion dollars' worth of lumber a year. That's 30% of British Columbia's lumber production now. This has not only made a home for that volume, but also, through added consumption around the world, has increased the price of lumber worldwide very dramatically, including in North America.

In Japan we're mostly in a holding action in the face of a declining and aging population and declining demand for what British Columbia firms have to offer. We have a small play in Korea as part of a diversified portfolio, and currently we are updating some research in Vietnam, Thailand, Indonesia, and the Philippines. We don't yet know where that might lead us.

We have a little effort under way in Europe, but not much, and none whatsoever in the Middle East, South America, Africa, or places like that.

Finally, our newest frontier, as I mentioned at the outset, is India, where we've established a subsidiary company because we think there will be opportunities there in the coming five-year period or so. We do virtually no business there now, but we think it will grow dramatically in the years to come.

Our business model puts a strong emphasis on collaboration with industry and NRCan. Because we're spending public money we have to be very disciplined as a public agency in pursuing a diversified portfolio of activities. We do take a longer-term view than the industry does. Typically we take greater risk in spending public money, but we think it's still quite disciplined.

We base our priorities and our strategies on considerable research that we invest in at the outset. We always focus on customer needs around the world and the logical fit with Canadian suppliers. We always assess the competition, and sometimes we decide not to go somewhere because we don't think we will be able to compete in the long run.

We prefer to share the cost of programming with others so as to test the validity of people's ideas and priorities. We are very open to changing course when we think that's appropriate, and we keep a close eye on all the metrics of what's going on in the marketplace.

That's the business model that I am somewhat responsible for in the organization I work for.

From a personal perspective, I would assert that the forest industry can and should make a tremendous contribution to our society because it is fundamentally sustainable and increasingly friendly to the environment. By definition it is very important to our rural societies across the country.

I believe that when most people talk about the forest industry they are thinking of the logging, sawmill, and pulp and paper industries, which is accurate as far as it goes, but I'm happy to see that the committee is thinking in terms of the broader forest sector, which includes not only logging and manufacturing but also firms that supply the equipment that loggers and manufacturers need, firms that supply the daily input materials to those parts of the industry, firms that create the software that they use, firms that transport their products, firms that develop forest management tools such as satellite remote sensing, firms that provide firefighting services, and so on.

In Canada we do fairly well in some of those areas, but not in all. For example, my perception is that we in Canada have become very dependent on foreign suppliers of logging and manufacturing equipment, and that is something I would like to see rectified.

I wish my definition of the forest sector could include entities that actually manage forest land, but to be honest, I don't think such firms truly exist on most forest land in British Columbia. That's because it is public land on which companies have harvesting rights, but they're essentially hunter-gatherers on public land. There's not much incentive to actually manage public timber resources or other forest resources well. I think that's because none of it is monetized. Trees are not on anyone's balance sheet when they're on public land. They're not even on the provinces' balance sheets. Harvesting rights are monetized but not the standing timber itself. The same goes for wildlife, non-timber forest resources, water, scenery, etc.

● (1605)

None of it is monetized until it is liquidated and thus I think that husbanding those resources inevitably is dependent on regulation rather than incentive. What I'm talking about of course goes to the never-ending conundrum of how to design and implement a better forest tenure system on public land. That's a huge question that I think is beyond the purview of this committee. I think it's going to be profoundly influenced by basic changes in the first nations arena, at least here in B.C.

As with any sector of our economy, government's role is to set the table in ways that encourage the private sector to step up. That's what the organization I work for tries to do in the marketplace. I hope the committee can come up with measures that do the same in our public forests and in our forest-product manufacturing industries. Doing a good job of setting the table requires sound policy based on robust knowledge, fiscal discipline, and taking the long-term view.

Finally, I would like to say that the solid wood sector is in reasonably good shape in the west after weathering the worst ever downturn in markets. What worries me the most is the precarious future of our pulp sector if it doesn't reinvent itself by becoming the forest-based equivalent of the oil refining industry.

Thank you very much.

● (1610)

The Chair: Thank you very much, Mr. Baker, chief executive officer of Forest Innovation Investment Limited.

Thank you all again for your presentations.

We go now to members. In the seven-minute round, we have the Parliamentary Secretary to the Minister of Natural Resources, Ms. Block, followed by Mr. Rafferty, and then Mr. Regan.

Go ahead, please, Ms. Block. You have up to seven minutes.

Mrs. Kelly Block (Saskatoon—Rosetown—Biggar, CPC): Thank you very much, Mr. Chair.

I join the chair in welcoming you here today.

This is a very interesting study. We are just getting into it but we did start by taking the opportunity to review the study that was done back in 2007. We certainly came to understand the imperative for the industry to begin a transformation and also to recognize that innovation and commercialization were going to be the key to that transformation.

I look back at the introduction from the report in 2007. What the committee undertook to do was to seek to contribute to the implementation of a market-driven action plan that would make it possible to lay the groundwork for the industry's renewal, prosperity, and sustainability. That's really why we're here now taking a look back at that study. Seven or eight years have passed and we're trying to get a really good grasp on what has taken place since 2007. I have a sense that things have changed and that there's been a lot of progress in the industry but recognize that there's still much to be done.

I want to ask my first question to Mr. Chui.

I understand that the University of New Brunswick is the only university in Atlantic Canada that has that concentration of strength to provide support to the wood industry. I understand that you have received funding from NRCan through the value to wood program. You did state that the university performs a critical support role to the wood industry. I want to give you an opportunity to speak a little bit more to that support role that you play.

Dr. Ying Hei Chui: Thank you very much for the question.

The centre was actually established about 23 years ago with some government funding. The intent at that time was to provide a service to support the wood product industry in Atlantic Canada. Over time the idea was that the centre would become self-sustaining. This is how we've been operating for the last 22 or 23 years, which is to provide services and bring in revenue to support the technical side of that and in turn serve the needs of the industry.

Over time, as I mentioned in my remarks, on average we supported about 30 to 40 companies per year with their innovation needs. This would include helping them develop new products, finding opportunities for products in domestic and overseas markets, testing a product that would eventually allow a company to get approval by the building code to be used in building construction, and so on. This is the role we have played over the last 22 or 23 years. At the same time, being part of the university we also have a function to produce what we call highly qualified personnel like graduate students who in turn go out and work for the wood industry, design companies, and so on. Essentially, we perform and function as a technical support agency as well as producing human resources that would support the wood industry as well.

Mrs. Kelly Block: Thank you.

I want to follow up on a comment Mr. Baker made towards the end of his presentation, but my question is actually for Mr. Lee. Mr. Baker made the observation, which I thought was rather interesting, regarding land management on public lands. I'm thinking the observation may be different when it comes to private lot owners. I know you represent the private lot owners here today, so I'm wondering if you have any observations to make with regard to what Mr. Baker said about incentivizing versus regulatory management.

● (1615)

Mr. Christopher Lee: Thanks for the question.

First of all, I agree with Mr. Baker completely that the resources from the forest, including trees, including wildlife, including water and soil, aren't monetized. Because they are public assets, the access to any of those things can change depending on how the province decides it wants to allocate that. There's very little incentive to intensively manage most forest land on public land. It's a difficult challenge, and I think it's a problem right across the country.

The other side of that argument, of course, is that it is public land and you need to have the province—the landowner—maintain control and make sure things are being managed in a sustainable way, and that other parts of the forest ecosystem are being treated with equal emphasis.

I guess I would say I agree with him, and I would also make the point that you make, that private forest land is managed in a much different way, which is why, as I mentioned, only 13% of Canada's managed forest is privately owned, yet that 13% produces 18% of the forest products in Canada because it is much more intensively managed. Owners can make that investment without fear of someone saying that's good work but that wood is now going to be allocated somewhere else or that they no longer have access to that portion of the land base, which happens from time to time on provincial crown land.

Mrs. Kelly Block: I'll just follow up. I think you said that 8% is privately owned, and that's 25 million hectares, but that the private lot owners also manage 15 million hectares of public land.

Mr. Christopher Lee: The members that I represent do. They also manage 15 million hectares of public land, so a lot of those people have the same kinds of issues. They're dealing with managing the property they own, and they manage it in conjunction with provincial crown land as well. So there are challenges on both sides of that equation for the people I represent.

Mrs. Kelly Block: And that's right across the country?

Mr. Christopher Lee: Yes, it is.

The Chair: Thank you, Ms. Block.

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

Go ahead, please.

Mr. John Rafferty (Thunder Bay—Rainy River, NDP): Thank you, witnesses, for being here today.

My first two questions are for Mr. Lee. They probably won't require long answers, but we shall see.

You are managing director of a diverse group—and having had contact with owners of private forest land, I'm assuming it's a very diverse group. It's probably like wrangling a box of cats at times. I'm sure you earn every cent you make. You talked about exporting raw logs, and I think that's a very important issue. Let me just ask you this. Your members are quite happy, I'm sure, to export raw logs if no value-added manufacturing is available. Am I right in saying that your members, generally speaking, would much prefer to have their raw logs manufactured in Canada as value-added products?

Mr. Christopher Lee: I guess, first of all, we don't like the term “raw logs”. There have been things done to that tree in order to change it from a tree to a log, so it's not really a raw log. There's a log and there's a tree.

Our members would prefer to get the highest value they could for that log. If that meant selling it to a domestic producer who was willing to pay the same price as would be paid in another country, they would sell it to them in a heartbeat, absolutely.

Mr. John Rafferty: Is it your sense that the value-added manufacturing opportunities at the right price don't really exist in Canada for them?

Mr. Christopher Lee: I'm not an expert in value-added, but I think if there were opportunities, people would be doing that. There's certainly the volume available. There's no question that in British Columbia there's a plentiful volume of logs to manufacture whatever people want to manufacture.

I think the challenge is what can be done in a competitive way that competes with everything around the world.

● (1620)

Mr. John Rafferty: You mentioned the softwood lumber agreement. We heard from a previous witness that his organization would be quite happy if the status quo was maintained with the softwood lumber agreement.

What's your sense from your members about softwood lumber, the agreement, and perhaps where it should go?

Mr. Christopher Lee: Well, the connection between my members and softwood lumber is the price of the log. If you have to pay a portion of your income from lumber in order to pay a softwood lumber duty, it reduces the value of the lumber or increases the costs, I guess, depending on how you look at it. So you would have to cover that cost by paying less for logs.

The concern is if we're having to pay these extra costs for duties, then it could reduce the price of logs, which is what our members in British Columbia concentrate on—growing logs.

Mr. John Rafferty: Yes.

Mr. Christopher Lee: Their interest is to make sure that when those conversations start, the perspective of private landowners is part of that conversation, and they understand what the issues are in terms of what the private landowners are dealing with. That's the extent of their interest. How that plays out, and whether it means continuation of an existing agreement or something new, that's okay.

Mr. John Rafferty: Are you expecting your association will be consulted when those talks begin?

Mr. Christopher Lee: We haven't been in the past, which is why I raised it. It would be great if we had some support to have input into it, but I don't know if we will or not.

Mr. John Rafferty: Thank you very much.

Mr. Atkinson, I have a question for you. Thank you for joining us and talking about your ongoing good work. I have to say it's inspiring to see an organization playing such a diverse and constructive role and demonstrating such leadership in your community, your province, and in the forestry sector.

I notice in my research that you have a pilot project, a training program for youth. You mentioned youth in your remarks. This sounds excellent for both first nations youth, who will receive the best possible training and job experience, and the B.C. forest industry, which will have a great new crop of skilled workers to help take the industry forward.

I wonder if you could provide this committee with an update on how this pilot project is progressing. If you deem the project successful, what plans do you have to expand it?

Mr. Keith Atkinson: Thank you very much for the question.

We're quite excited about what we're calling now the first nations forestry workforce initiative. After a number of years of looking at the upcoming demand in the forest sector for the workforce, we took it upon ourselves to get involved in provincial-level studies to identify what is that demand.

We saw 14,000 new workers needed in the forest sector in the next five years, so we went to our communities and took a look at what this young, aboriginal demographic in B.C. actually looks like. We can see 50,000 aboriginal youth ready for the workforce in the next 15 years, which is 16,000 per year, so it just slightly beats the total demand in the forest sector.

Our group is very strongly focused on how huge this opportunity is for our youth to participate in the sector. It absolutely requires a heightened level of support for aboriginal youth. We all know the challenges that our communities face, the barriers in education and the health and welfare of our communities, in trying to be ready for the workforce.

We've had good success in extremely small numbers. Our program itself is delivering under 100 candidates per year. We're trying to get a better sense across the province of other organizations and their efforts so we can address the overall opportunity and make sure we're moving towards it.

Mr. John Rafferty: Let me ask you about opportunity, then. Do you think there's an opportunity for the federal government to be involved in this initiative moving forward, by offering financial support and perhaps encouraging similar programs throughout the rest of Canada?

● (1625)

Mr. Keith Atkinson: Yes, absolutely.

We've put in funding applications; we've had challenges. Western diversification is a good one. It has an envelope for education. We have one on the table now, hoping it will make it through the online submission, although we have not had very good success with our funding applications in that regard, because they're open beyond aboriginal content, and it's an extremely competitive environment right now.

For some of those organizations, you have to have some partner matching contributions. We struggle with finding available resources to match and bring to these kinds of developments. We will continue to try to do so, but there is a very good investment opportunity for the federal government to support this.

We are working with industry, I might add. We're definitely at the table with the major associations for wood products, the Council of Forest Industries, silviculture workers, contractors—all of the major groups. We are trying to work collectively with them to understand their needs and then understand how we prepare our youth to fit right in and mentor them into it.

The Chair: Thank you, Mr. Rafferty.

Mr. Regan, you have up to seven minutes. Go ahead, please.

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Mr. Chairman.

Thanks to the witnesses for coming today and being with us.

Professor Chui, let me ask you a question. You talked about the fact that three of the four research chairs already exist, but not one in Atlantic Canada. Can you tell us roughly when the other research chairs were established and how they are funded?

Dr. Ying Hei Chui: There's one funded right now that is being advertised, I think, at UNBC—that's in British Columbia. It is through provincial government funding. The one in Quebec was funded probably two or three years ago, and it's by a combination of federal government money through the NSERC program as well as some industry money. The one in Ontario was established quite some time ago; that one is more related to fire engineering and the fire performance of buildings.

Hon. Geoff Regan: Where is that one?

Dr. Ying Hei Chui: It's in Carleton.

Hon. Geoff Regan: You mean right here at Carleton University.

Dr. Ying Hei Chui: Yes, that's right.

We're working with provincial and federal governments to see whether we can establish a similar chair in Atlantic Canada. It would really help us.

Hon. Geoff Regan: Is funding the only barrier?

Dr. Ying Hei Chui: Yes it is, so far.

Hon. Geoff Regan: What would the impact be for Atlantic Canada not to have one of these research chairs?

Dr. Ying Hei Chui: As I mentioned in my remarks, right now the building code has generated an opportunity for the wood products industry, because now we can build taller buildings. If we don't have a chair with the technical expertise to help local designers and builders capture that opportunity, I think we will lag behind the rest of the country in terms of benefiting from that change to the building code.

Hon. Geoff Regan: Mr. Baker, let me turn to you.

In this sector is there a way of assessing the degree of value added to wood products? Is there an accepted scale, or is it simply dollar value per weight? What can you tell me about that?

Mr. Ken Baker: The value-added arena is very complex. I guess I can illustrate that by pointing to the major trade association that represents the broad spectrum of value-added manufacturers in British Columbia. It's an organization called BC Wood Specialties Group. It's very well-established. It divides its lines of business into, I think, seven different categories, everything from log homes to engineered wood products to cabinetry, and so on. It's a very diverse array of manufacturers and product lines. The only common denominator is sales revenue. You can't aggregate the volumes of output of most of those product lines, so the common denominator is sales.

We focus heavily on exports. I think exports of value-added products, according to the harmonized code, are on the order of $2 billion a year from B.C. That sector has had a real shakeout, unfortunately, since the big collapse in demand in the United States after 2007, and many firms have gone out of business. It seems to have stabilized and is in a rebuilding mode now.

Our perspective out here in British Columbia is rather narrow, because we don't have the hardwood resource underpinning the value-added sector, as you do in eastern Canada. We have virtually only softwoods to deal with, and that situation lends itself to a different array of products and so on. Nevertheless, as I say, the sector is rebuilding and is optimistic.

Its markets from western Canada are overwhelmingly in the United States; secondarily, I would suggest, in Japan; somewhat in Europe; of course, in Canada as well. But promoting the interests of that sector requires quite a different approach from that for promoting the interests of primary producers.

● (1630)

Hon. Geoff Regan: While I look for a definition of different stages of value added, it sounds as though we're talking about logs—I won't call them “raw logs” and will try not to do that anymore—or else something that has some value added.

Is there no more definition than that? Is it just logs versus everything else; is that fair to say?

Mr. Ken Baker: It's a very subjective matter, I would say. I hearken back to an experience I had maybe 15 years ago trying to define a population of value-added firms in the province—and you're right, it proved to be very difficult—to see who is adding value through a complicated distribution chain. But in your gut you know that it's all about the final revenue generating as much as possible per cubic metre of the timber harvested at the front end.

Hon. Geoff Regan: Sure; I think that appeals to members of the committee. We all share, I think, the desire to see the maximum value received for Canada and Canadians—and for our workers, especially—from every bit of fibre that we harvest.

But let me turn to Mr. Atkinson, if I may, and ask you about whether or how you have seen first nations benefit from new innovations in this sector. Are you satisfied in that regard?

Mr. Keith Atkinson: Thank you for the question.

I would have to say that innovation in the sector doesn't directly satisfy what our leadership is looking for. I made the comment in my report that of recent days and years, we've seen innovation mostly to be finding new markets internationally. That success obviously supports our success as well because of our eagerness to participate in the sector. We need a healthy, robust market for the success of any of our new and expanding first nations forestry companies.

The innovation that I focus on, that I'm looking for, is how to reinvent the manufacturing sector. I differentiate value added as the primary breakdown, such as manufacturing for sawlogs, and then the other value added, where we're doing more than just that primary. There's a tremendous opportunity for first nations to contribute to that and be part of that economy as partners, as true partners and business co-owners. We're trying to find ways to get into that.

If we can, I think the other innovation is that we actually complement the global marketing access by having the indigenous peoples as partners. As true partners in the sector, we can globally market that value added or access to new markets, that kind of thing.

So there's definitely the innovation need, the new technology; we have to do more. I'd go all the way back to our leadership goals and values around stewardship. They suggest that we'd want to see less timber harvesting on the land base and more non-timber values protected, because we have those as community values, and they're of much higher value to these other resources, although not financial. Therefore, we absolutely want to see added value with reduced timber utilized.

We have been involved and have tried to engage in value-added opportunities, in building that into rural B.C. and our communities, and in finding a way, but it's very challenging to do that.

The Chair: Thank you, Mr. Regan.

We start the five-minute round now with Ms. Perkins, followed by Mr. Leef, and finally Ms. Duncan.

Go ahead, please, Ms. Perkins.

● (1635)

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

I thank all of you for presenting today. I've been finding this whole communication piece very interesting over the last few weeks. Today there's been a little bit more of an expansion on a dialogue we had last week, which was about the success that seems to be there in the Orient.

I think you made a statement, Mr. Baker, that the biggest collective gain has been in the Chinese market. You further went on to explain that about 30%, I believe you said, of the B.C. lumber product is going in that direction. You also started talking about other places in that general area, India and other places.

How do you see this growing? Do you have a sense for where this is going and how big it might become?

Mr. Ken Baker: Thank you for that question.

It's important to always remember that a wide array of forest products lend themselves to different applications in different competitive circumstances around the world. The China effort was focused on primary lumber, primarily from our interior industry, to a lesser extent from our coastal industry, which is a very different kettle of fish, with different product lines and so on. But that's in parallel to numerous other activities in what I refer to as a diversified portfolio. The kinds of things you do to promote the interests of the industry as a whole are very different when it comes to lumber going into China or cabinetry going into the United States. They're completely different audiences, with different communications tools, priorities, strategies, and so on.

So it begs quite a diversified approach.

Mrs. Pat Perkins: I suspected that this would be very true. I was just trying to get a sense of whether or not this has been a very large expansion of the market, such that you think you've gotten to the point where that's where you are and you're not going too much further, or whether this is the tip of the iceberg, so to speak. Are we looking at there being much more expansion?

Mr. Ken Baker: The big success in China has been our lumber, and I think we've peaked out on the volume from the B.C. industry, or at least from western Canada, because a certain amount goes into China from Alberta as well. I think we've peaked out in volume, and now we are shifting our focus to trying to increase the value proposition in China to get a higher unit price for different applications.

Mrs. Pat Perkins: Is there anything technology-wise we can work on with them that would increase the value added?

Mr. Ken Baker: Yes, technology in the sense of building systems in China.... The big spend in China has been introducing North American technology for building with wood, as opposed to using it for upholstered furniture or crates or industrial packaging or something. That's sophisticated technology.

Mrs. Pat Perkins: Mr. Chairman, I'll ask the professor to expand a little bit on some of the comments he made.

You were talking about the growth of the building industry, with some expansion of the building codes, and so on. We've been having several pieces of dialogue about that with various people. One thing that seems to be the main barrier that people are seeing is the fact that we don't have engineers and architects who are being taught in our universities how to design with wood or what the merits of wood are. It doesn't seem to be the mainstay for anything over four storeys.

Do you see the academic world changing soon enough to embrace this?

Dr. Ying Hei Chui: That is a chicken-and-egg situation to some extent. I have personally seen an increased interest in students taking wood design courses at university.

When I first came to Canada about 25 years ago, there were a lot of civil engineering departments that had wood design courses, and they all gradually fell away. They were initially core courses, then became elective, and then no one took an interest. I am now seeing students taking an interest in wood design. One of my post-docs is actually teaching a course at UNB on wood design, and that's an elective course. A few years ago he probably would have had 10 students; now he has 50.

I think the word is out there that wood building is coming on stream to become equivalent as wood is considered, as I mentioned in my remarks, a viable building material along with concrete and steel.

On the teaching side of departments, because of the interest in wood building, I think I have seen more civil engineering departments across the country renewing their retiring faculty with professors with expertise in wood. I think the network I'm leading, which created that interest for university professors to get involved in wood building research, actually helped that.

I think we are moving in the right direction, and I think we are getting more professors interested in wood design and more student interest in wood design. I think that has to be part of the puzzle if you want to increase the.... You're perfectly correct that we are not just providing a product, but we need to have the designers who are actually capable of doing the design.

● (1640)

The Chair: Thank you.

We're going now to Mr. Leef, for up to five minutes.

Mr. Ryan Leef (Yukon, CPC): Thank you, Mr. Chair.

Mr. Atkinson, I would be interested to talk to some of the businesses and organizations in the Yukon when we have a chance. I'm the member of Parliament for that territory.

I know some of the things they're working on. You touched a bit on the forest fire work that was there, and I'm not sure if you were touching on specific programs. I know that in the Yukon the territorial government has a FireSmart program. I think some of that funding comes from the federal government. I'm wondering if that is one of the programs or if there are others you are referencing with respect to forest fires.

We've touched a bit, more broadly across the country, on the impact of fires in terms of our ability to develop programs around that and utilize before consumption, or what to do with the dead standing forests that exist in our timber inventory. I wonder if you could expand a bit more on that specific piece of your introductory remarks.

Mr. Keith Atkinson: Yes, thank you for that question.

I raised that point because back in 2008 we were very actively involved in federal transfer funds to the province, and the mitigation effort that was going to happen, the previous commitment for 10 years of mitigating the mountain pine beetle epidemic—and most of it was about mountain pine beetle, from my perspective.

We went to our communities to identify the priority activities they wanted to see, and overwhelmingly it was safety of their community from the forest fire hazard that was created by the standing deadwood from the mountain pine beetle. We embarked on fuel management reduction assessments for the communities, community wildfire safety plans, and then we ran out of money. The money got recalled and we weren't able to do the treatment work. Some work does continue, primarily at the provincial government's expense, and it's doing that for rural communities and first nations. But it's at a much reduced level and there's a significant risk for decades to come standing in front of our communities. That's what I was referring to.

Mr. Ryan Leef: I think, probably similar to most rural or remote parts of Canada, a lot of the communities are small to medium size. Do you know if there's any work being done through the groups you work with, or your group especially, to identify a timber inventory and perhaps the value of biomass in those areas? I know some of the small communities in the Yukon have looked toward biomass potential for community heating. These are markets where you could actually, for lack of a better word, get away with trying that sort of smaller scale modelling of alternative heat sources. Are you aware of any of that going on in your communities now?

● (1645)

Mr. Keith Atkinson: Yes, absolutely. In fact, as an organization, we did partner a number of years ago with the BC Bioenergy Network, which generously offered some resources for us to participate in looking at small-scale combined heat and power bioenergy facilities for first nations. We have more than 50 remote communities in B.C. that are on diesel generators, surrounded by the woodlands, in which we could be installing these units and transferring to green energy.

We started a pilot project with Kwadacha Nation in the north, and that's taken many years. It's been very challenging to navigate mostly the policy environment of BC Hydro in the province and Aboriginal Affairs Canada's on-reserve polices, and trying to coordinate that so we could switch from diesel generators to a bioenergy source. It's a very real, very good opportunity for small rural communities, and we're eager to try to find a way to get back into that realm of research and investment. It's a really good one.

Mr. Ryan Leef: Referring broadly to everybody here, anybody who is inclined to answer or is interested, given Mr. Atkinson's comments on that piece—and I know I'm focusing largely on a domestic market here—we've talked about innovation and finding those markets or utilizing the product we have, but utilizing the product that exists in our country also depends on identifying and sometimes developing that consumer. In this case, Mr. Atkinson is talking about communities that may be potential domestic consumers for us. What do we need to do to innovate to get to that? Is it a market that's large enough for us to warrant the innovation? I don't mean from a social perspective, but I mean economically. From a business point of view, is this something we can achieve?

The Chair: We'll have to keep that thought in mind. If you can fit a response in later, that would be fine, but Mr. Leef is out of time.

We go now to Ms. Duncan, followed by Mr. Trost and Monsieur Aubin.

Ms. Linda Duncan: Thanks, Mr. Chair.

I'd like to thank all the witnesses as well. It's been very informative.

Mr. Baker, I have a quick question to you. I really appreciated that you've raised this subject, and I've noticed that it wasn't mentioned in any of the recommendations from the last committee review. It is the fact that you are saying we need to be paying attention to support for manufacturing in Canada and the purchasing in Canada of wood or forest-related equipment. In my office we actually did a search on this and we were stunned to discover how many forest-related manufacturers there are in every small community of Canada, from woodsplitters to mill equipment to production of wood pellets.

I don't want to put you on the spot right here, but I'm sure the committee would welcome any recommendations you might like to send to us, within the confines of trade disputes, of what we might be able to recommend to support the manufacturing sector in Canada in this sector.

Mr. Ken Baker: Thank you very much. I'll make a note of that.

Ms. Linda Duncan: I have a question for Mr. Lee, following up on your testimony, and I appreciate the conversation I had with you previously. You've elaborated in some ways about some of the frustrations with the privately owned forest lands. But I understand that a good number of the members in your association are the big guys like J.D. Irving, Limited; Acadian Timber Corp.; Island Timberlands; and so forth. These aren't small little woodlot owners where they harvest their wood sustainably for their own use.

You raised the concern about the application of the Species At Risk Act to the private landowners. Two questions I will put to you. First, isn't it also the case that, for example, J.D. Irving not only would own private lands but may well be harvesting on public lands, so obviously we should balance off? If we're not going to move to protect the habitat on their private lands, perhaps we have to protect the habitat on the adjacent public lands. Maybe you could speak to that.

You did talk to me about some of the frustrations that the private owners have been facing, because they're actually trying to negotiate conservation agreements where there can be more flexibility. I can assure you that even the environmental community that testified previously when I was in the environment committee are frustrated with the delay in not only the recovery strategies but the action plans. There's been a lot of support across the board for conservation agreements, and possibly that could include management of multiple species.

So I wonder if you could just share with us a bit more about what you've been trying to pursue and where you might seek support to move forward.

● (1650)

Mr. Christopher Lee: On the first question, you're right. As I mentioned, J.D. Irving and other companies, the folks I represent, own about three million hectares, but they also manage an additional 50 million hectares of public land. What they do in all cases is manage all those pieces as a unit, so it's not like they manage the private land one way and then they do something different on the public land. You need to be able to manage that estate as a unit so you can understand where you're going to get volume in which year, where you're going to build roads, where you're going to regenerate, where your habitat is—all those kinds of things.

With respect to your question about if we're not protecting on private land, then we need to protect on public land, our members do a tremendous job protecting habitat on their land, on private land, which is, as I explained in my remarks, a challenge for them because the land is very productive for trees but it's also very productive for fish and wildlife. So if you have a lot of that habitat, you get a lot of attention in order to set that aside because there is pressure on habitat all over the country.

Their issue is that they know tons about their own land. They know all kinds of things about it because, as Mr. Baker talked about, there's a real incentive to understand how this land functions and how it operates as an ecosystem because that's how they make their living. If they start to share that information with fish and wildlife people, it can really be a challenge because people start to realize that there are tremendous areas of habitat. The more you tell them, the more it seems they want to lock up pieces of your property because it's really good habitat, and without real consultation or partnership either. That's the problem. Our members want to save habitat and want to manage their habitat, but they want to do it in a cooperative way so that when they provide information it's not at their own expense in terms of access.

The Chair: Thank you, Ms. Duncan.

We go now to Mr. Trost for up to five minutes.

Mr. Brad Trost (Saskatoon—Humboldt, CPC): Thank you, Mr. Chair.

I know, Mr. Baker, this wasn't a major emphasis of your presentation, but at the end of your presentation you remarked about the pulp and paper sector and how you had concerns. I know you said it's not a major focus of what you have, but just to make sure we cover off everything here, can you explain your concerns and your fears, why you threw that closing sentence in, and what the committee should be concerned about relative to pulp and paper? What did you mean and what should we look at?

Mr. Ken Baker: Thank you. I think that's a very important line of inquiry.

In the business model, the pulp and paper sector here, in a sense, is intimately melded with the solid wood sector. Our pulp and paper mills rely overwhelmingly on chips, sawdust, shavings, and so on, from the sawmill sector, and if one side goes down, they both go down.

The long suit we've had on the west coast with our northern fibre was with the quality of that fibre, but technology around the world in the last 25 years has been advancing dramatically such that papermakers, tissue makers, and so on, can do a much better job now with short fibre hardwoods grown very rapidly in places like South America or Southeast Asia. The desirability of relatively high-cost long-fibre pulp from northern Canada is not as strong as it was a generation ago.

I fear there's some danger that the pulp sector is going to go the way of the newsprint sector more broadly. The marketplace is changing fundamentally and profoundly, and it's a global matter. Competition is getting greater and greater, so I fear our pulp manufacturers are going to face a significantly declining market, and they need to do something else with that high-quality input fibre.

● (1655)

Mr. Brad Trost: Let me have a follow-up question to not just you but also the other people on the panel here.

What can we do? Do we, in New Brunswick, perhaps need to do more research, have more technology, have more value-added products? Is this, again, something for which there are new markets to be found that we haven't explored? Could I have a couple of responses?

What should we do then with regard to that aspect? Most of our witnesses have concentrated on technology and building codes, and so forth, but this is a related portion that we haven't really looked at. Could we have a couple of recommendations from at least a couple of different witnesses here?

Let's start with Mr. Baker.

Mr. Ken Baker: Thank you.

I'm a huge fan of FPInnovations, which has world-class research and development facilities on the west coast and also in Quebec. It has done a lot of work, at a lab scale, in investigating the concept of creating a biorefinery approach to using that input material to manufacture a wide variety of products other than pulp.

The concept is well developed. The lab-scale experimentation, and so on, I think, is fairly well developed. Again, I have to emphasize that I'm no expert with this opinion. I'm giving you this from afar. But I think there's a huge need for pre-commercialization and then commercialization of what's been achieved in labs, and that's a big-dollar kind of undertaking

Mr. Brad Trost: One of our witnesses over here was indicating he would like to respond.

Go ahead.

Mr. Christopher Lee: I'll make it quick.

A tree is made of carbon, and you can get everything out of a tree that you can get out of oil. I think the opportunity is to take the approach, as Mr. Baker talked about, of a biorefinery, in which you start by taking all of the aspects of a tree, and you turn those into all those other products. There's a long list of them.

The trouble is that the price of oil is very low, so it's hard to compete against that when you can produce all these products with oil that you can produce with a tree.

Dr. Ying Hei Chui: I have a comment on the pulp and paper side. In New Brunswick, you might know, we had a mill that actually produced rayon, not paper products, so that's an example of how we can go outside of the box and think about new applications for wood fibre.

I want to comment on the wood products area, which I'm more familiar with.

Traditionally we work on developing new products and so on, but I feel we have a good range of wood products and building products that can be used now. The key for future innovation is to help the receptor industry—in this case the building industry—with regard to how it can make building with wood cheaper, faster, and more economical. I think that's the sector we need to look at and not so much at our own forestry sector.

The Chair: Thank you, Mr. Trost. You're out of time.

We'll go now to Monsieur Aubin for up to five minutes.

[*Translation*]

Mr. Robert Aubin (Trois-Rivières, NDP): Thank you, Mr. Chair.

I thank all the witnesses for being here with us this afternoon and sharing their expertise with us.

I have five short minutes and three issues that are important to me. I will ask you the questions and please try to answer them quickly in a minute and a half. My questions are probably more for Mr. Chui and Mr. Baker, but I encourage everyone to answer them.

Here is my first question.

We have been talking about new products for an hour and a half.

[*English*]

Do I lose my time for this?

The Chair: No.

Mr. Robert Aubin: Thank you.

The Chair: We have the clock stopped. We're just waiting until everybody gets their translation devices on, if they need them.

Mr. Robert Aubin: Take your time. The clock is not running.

● (1700)

The Chair: Go ahead, please, Monsieur Aubin.

[*Translation*]

Mr. Robert Aubin: Thank you, Mr. Chair.

I was saying that I have five minutes and three issues that are important to me. I will ask one short question on each topic.

I will start with Mr. Chui and Mr. Baker, but I invite everyone to share their views.

For the past hour and a half and the past few meetings, we have been talking about new wood products. We keep hearing that term but there has been no reference to any specific product. Could you give me an example of a new product that has been developed, that did not exist during our first study but exists today.

My second question has to do with value-added products.

A few years ago, before going into politics, I was at a school where they built a new gym. The architect made a point of incorporating laminated wood into the structure so that it was both architecturally pleasing and structurally interesting.

Does anyone in the industry lobby large engineering firms on behalf of the wood industry so that they incorporate wood into their projects?

Here is my third question.

If the industry develops—which we can only hope—that will clearly produce more and more forestry waste. Is that also an economic resource we could use to develop, say, biofuels?

Those are my three questions

[*English*]

Dr. Ying Hei Chui: I'll try to answer the first two at least.

You're asking about what the new building products are. In response to an earlier question I mentioned that we already have a wide range of products that can be used. The next step for innovation, to me, is how to put these products together to form a building system. You can probably do it in the factory, which is now becoming more popular, because it saves construction time and so on. We shouldn't be looking so much at the products; we should be looking farther downstream in terms of the solution for builders to be able to put together a building more cheaply.

You're right about wood being an attractive feature. This is why architects around the world like wood, apart from the fact that sustainable building design has now become a real issue. I think we need solutions that are functional and will make wood's appearance appealing to the consumers.

Mr. Robert Aubin: Monsieur Baker, on the same question.

Mr. Ken Baker: Thank you.

Absolutely the most significant new product, here on the west coast at least, is cross laminated timber. I don't know if you're familiar with that. It is a technology and product line that has been in place in Europe for a number of years. It has just now come into North America.

It's the technology of glueing ordinary lumber together in very large panels, conforming it with computer numerically controlled machines to take it out to a job site and erect large buildings—out-competing reinforced concrete, basically. We think there's huge potential. A lot of people are investing money and intellectual energy into pursuing this product line.

[*Translation*]

Mr. Robert Aubin: Is anyone in the forestry industry responsible for lobbying big engineering firms to motivate them to use wood? My feeling is that the first reflex is to use concrete and metal, unless you tell me otherwise.

[*English*]

Dr. Ying Hei Chui: I will try to answer that.

Part of the research we have been doing, along with FPInnovations and the National Research Council, is to develop the information and the tools for designers to actually design innovative wood buildings, taller buildings, which is a new experience for a lot of them. The key to promoting this particular product that Mr. Baker talked about is to develop the information for designers to use to make it possible for them to design with that product.

● (1705)

Mr. Robert Aubin: Thank you.

[*Translation*]

The Chair: Thank you.

[*English*]

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

Ms. Joan Crockatt (Calgary Centre, CPC): Thank you very much.

I want to thank Mr. Lee at the outset for raising the issue that he has raised with us today, and we will take that forward and give it consideration. Thank you.

We talked a lot about some of the changes that we've seen in this industry, and I'm starting to get the feeling—I don't want to be overly optimistic here, but I'm going to address this first to Mr. Chui—that we are seeing quite a tremendous success story here in forestry, that we are seeing a resurgence with new products as well as new markets. I'd just like you to put this all in context for us because we have a way of picking at the edges and pieces of the middle. Can you tell us, in total, how you see the industry today?

Dr. Ying Hei Chui: I can certainly say, as a researcher, that this is an exciting time for us doing research in wood because we have a lot of activity going on, mostly toward supporting the use of wood in mid-rise. Now we are talking about tall wood buildings.

I don't think we are there yet. We have still a lot of work in terms of convincing the user, because the consumer still has concerns about wood being an inferior material, but in actual fact, we have the technology. We have firefighting technology that can eliminate that fear. A lot of it is actually emotional and probably requires marketing and convincing by the wood industry or the building code authority that wood buildings can be as safe as steel and concrete buildings.

Ms. Joan Crockatt: Where are we with regard to the forest industry compared to 2008, which is the study that was previously done? How do you feel? Are you optimistic, pessimistic, or somewhere in between? Where are we on the continuum of things since 2008?

Dr. Ying Hei Chui: We have come a long way since 2008, and a lot of it, as I mentioned in my earlier remarks, is because we had the federal government and provincial governments, to some extent, investing a lot of money in research and development to support this change in the building code. To me, that would be a start for what we can do with wood.

I don't think potentially there's a limit. Now we have moved from four stories to six stories, but the limit is not six stories. The next target for the wood industry is taller, and we have shown with technology that some buildings around the world that are taller than 12 storeys or 14 storeys have been performing well.

As I mentioned earlier, the key for us is to provide the tools for designers and the building industry to use wood products more efficiently. There is a lot of promotion and educational effort that needs to be put in as well.

Ms. Joan Crockatt: Okay. Two of the hurdles that have been alluded to here, which I'd like you to just address if you could, are flammability and the rotting issue. Should we use wood? Will it rot over time compared to cement or steel? Could you address those two issues, please?

Dr. Ying Hei Chui: With some of the research that we have done with the NEWBuildS network as well as FPInnovations, essentially we're gearing toward addressing those two issues. We have the technology to address the fire issue. For the rotting issue, the key, of course, is to keep moisture away from wood, and that's a building design as well as a construction quality issue. Again, that probably will be the responsibility of perhaps builders to make sure the building code procedures, and so on, are followed because with a properly designed and constructed wood building, there is no reason why it cannot stand for centuries, as has been shown in some buildings in Asia. Some of the temples have been around for a few hundred years.

Ms. Joan Crockatt: Are there areas in which wood outperforms materials like steel, for example? What do we need to be telling the consuming public?

Mr. Lee, you're nodding. If you'd like to answer after that, that would be great.

Dr. Ying Hei Chui: We emphasize energy-efficient buildings, and I think wood is a very good insulator. You use less heat to heat a wood building compared to a steel and concrete building.

● (1710)

Mr. Christopher Lee: There's quite a story too around the growing of wood and the capturing of carbon, the harvesting of wood, and the energy consumption in making wood products as compared to steel and concrete.

Another huge story is seismic activity. If you look at homes, I think there are examples in Kyoto, where earthquakes dropped concrete buildings and all the wooden structures were still standing because wood has the ability to flex with the movement of an earthquake. Wood performs very well in those conditions.

Ms. Joan Crockatt: There's something about—

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

We go now to Ms. Duncan and Mr. Rafferty.

You can share your time.

Ms. Linda Duncan: Thank you very much, Mr. Chair.

Mr. Atkinson, I appreciated chatting with you before the committee and commend you, as others have, on your endeavours.

It's been shared with me that between 1990 and 2011 the federal government provided over $160 million toward the first nation forestry program. That averaged about $7.6 million per year. Since that date the government has only been giving less than half of that per year for a total of $7.1 million over the last three years. Clearly, the federal support for first nations engagement in the sector has diminished.

You also shared with me some of your frustrations with the western diversification program. For example, initially you were partnering with FPInnovations and then all of a sudden you weren't a partner anymore.

Could you share with us some of the dilemmas and constraints that the first nation governments are facing in organizations with trying to get engaged with programs like western diversification?

Mr. Keith Atkinson: Thank you very much for raising that point.

Overall, there has been a declining availability of resources for first nations, not just in the forest sector but for all our organizations. It makes it very challenging for us to provide the product that we want to build a relationship with other levels of government. As for WED, in particular, we started a number of years ago with a value-added program with FPInnovations. We launched that. We absolutely need groups like that to be our partners to deliver it in a professional manner; we're very small and new in the space. The benefit is for us to lead it to make sure that our aboriginal values are part of the program and the delivery.

When times got tough and money was being reduced FPInnovations ended up having a better chance going on their own. They've continued since with first nations forestry funding from the federal family, provincially, and with their industry partners. That almost put us out of business. We had one year where we had zero funding. We're operating where I'm doing well if I get $500,000 for our organization a year. That doesn't go very far for 203 first nations and the participation and opportunity in forestry that we have.

When we have to compete in national-level funding mechanisms, we don't win those races very well. We don't have LNG in our name so it makes it very tough to get funding. We really look forward to some sort of support at a provincially sized, recognizable, and appropriate scale, so we can participate and activate our ideas in support of the sector.

Mr. John Rafferty: Thank you for sharing.

One of the things that has struck me about this review so far is that it has certainly been optimistic. This applies to all the witnesses we've heard. I think that's great.

I'd like whoever would like to answer to take this particular question about employment. Keep in mind that since 2006 about 112,000 direct forestry jobs have been lost. I don't think we should lose sight of that. What is your best prognostication of what the future holds in employment in the forestry sector, moving on; let's say, your best prediction five or 10 years from now?

I don't know who would like to answer, but go ahead.

Mr. Lee, perhaps. You're smiling. Does that mean you would like to answer?

● (1715)

Mr. Christopher Lee: I don't have a number for you but I think things are very optimistic. The forest industry had a real challenge when oil and gas was booming because a lot of people moved over into that sector. Now, with oil prices dropping, a lot of mills are able to restaff with skilled workers because fewer are working in oil and gas.

I see lists of job opportunities all the time for foresters, forest technicians, and others coming across my desk, and I'm very encouraged. I don't have the numbers for you, but I think it's very positive.

Mr. John Rafferty: Mr. Baker, perhaps—

Mr. Atkinson, sure, go ahead.

Mr. Keith Atkinson: I'd reiterate the numbers I shared earlier. This is an extremely good opportunity. The research we've seen for the labour market shows.... I talked about 14,000 new workers in the next five years, just about 3,000 workers a year in B.C. alone, and that is only the replacement need for the sector. If we can turn our sector into a growing, job-creating environment, we'll add to the need for more workers.

We are absolutely going to do it just because of the demographic of the baby boomers leaving the sector. We need to infuse the youth into.... We have a real challenge to get new workers in but it's a great opportunity. We strongly want to participate with our aboriginal youth.

The Chair: Mr. Baker, did you want to respond to that as well?

Mr. Ken Baker: I would draw a distinction in the British Columbian context between our interior forest industry and our coastal forest industry. As I'm sure the committee knows, we have a dreadful problem with the mountain pine beetle having significantly reduced the economic timber supply at least, with reductions yet to come in allowable annual cuts, so I wouldn't anticipate the overall number of people employed in the forest industry in the interior of our province to grow significantly. As Mr. Atkinson points out, there is great opportunity in replacing the older folks who are retiring and about to drop out of the industry. There is huge potential there.

On the coast, however, we have a very untapped resource with considerable opportunity for expansion and growth in employment.

The Chair: Okay, thank you all very much.

The bells are going. We have votes coming up here.

I'll start by thanking all the witnesses with us here today. We have Dr. Chui, professor and director, Wood Science and Technology Centre, University of New Brunswick. Thank you for being here. From the Canadian Association of Forest Owners, Mr. Lee, managing director, thank you very much for coming today. From Vancouver, we have, from Forestry Innovation Investment, Ken Baker, chief executive officer. Thank you, sir. From the B.C. First Nations Forestry Council, we have Keith Atkinson, chief executive officer. Thank you very much, sir.

Thank you to all the members for their great questions and comments once again today.

The meeting is adjourned.