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Chair

Mr. James Maloney

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● (1535)

[*English*]

The Chair (Mr. James Maloney (Etobicoke—Lakeshore, Lib.)): Good afternoon, everybody. Gentlemen, good afternoon to you. Thank you for joining us today.

This afternoon for the first hour we have the Forest Products Association of Canada represented by Mr. Robert Larocque, and we have FPInnovations represented by Pierre Lapointe and Jean-Pierre Martel.

Gentlemen, we appreciate your being here. Each group will be given up to 10 minutes for their presentation. After both groups have presented, we will open the floor to questions from people around the table. You're welcome and encouraged to speak in English and/or French.

On that note, Mr. Larocque, since you're here by yourself, why don't we start with you.

Mr. Robert Larocque (Senior Vice-President, Forest Products Association of Canada): Thank you, Mr. Chair, and members of the committee. I have provided copies of my remarks around the table if you need them. My opening remarks will be bilingual, so I'll be flipping back and forth from French to English if that's okay.

My name is Robert Larocque, and I am the senior vice-president of the Forest Products Association of Canada. I'm very pleased to be here today to represent the forest sector as part of your study on secondary supply chain products in the forestry sector in Canada.

[*Translation*]

The Forest Products Association of Canada offers a voice, in Canada and beyond, to Canadian lumber and pulp and paper producers on matters related to government, trade, the environment, and our topic of discussion today, the new supply chains in the forest products sector.

[*English*]

First, let me give you a quick snapshot of how important the forest products sector is to Canada's economy. It is a $67-billion industry that represents about 12% of Canada's manufacturing GDP. The industry is one of Canada's largest employers, operating in 600 forest-dependent communities from coast to coast. We directly employ about 230,000 Canadians across the country.

The sector is also important when it comes to the Canadian environment. As custodians of almost 10% of the world's forests, we take our responsibilities as environment stewards very seriously.

Canada has the most independently certified forests in the world, 166 million hectares, or about 43% of all the certified forests. In fact, repeated surveys of international customers have shown that the Canadian forest products industry has the best environmental reputation in the world.

Climate change is emerging as the signature issue of our time. Forest products companies have been ahead of the curve by aggressively reducing their carbon footprint and running more efficient mills. In fact, pulp and paper mills have cut greenhouse gas emissions by an impressive 66% since 1990. That's an equivalent of nine million tonnes of CO2 per year. The sector also does not use coal, compared to our international competition, and barely any oil, less than 1%.

Following Canada's commitment under the Paris Agreement, the forest products industry pledged last May to remove 30 million tonnes a year of greenhouse gas emissions by 2030. That's about 13% of the government's emissions reduction target. We called this initiative the “30 by 30” climate change challenge. We are proud to be part of the solution, and there is no question the Canadian forest products industry is an environmental leader.

● (1540)

[*Translation*]

I would like to point out that the existing supply chains and traditional products, such as timber and pulp and paper, must be supported to safeguard the future of this sector. All the current efforts related to innovation, international trade, and infrastructure projects are appreciated and must continue, but new supply chains that would enable the sector to produce biofuels, biomaterials, and tall buildings, are within reach.

[*English*]

One of the key factors for a prosperous forest sector in the future is to ensure a sustainable, stable, and economic access to fibre from our Canadian forests. Climate change impacts, such as increased forest fires and pest infestation, have a significant impact on Canadians, on our communities, and on the forest industry.

We also believe that more can be done to make our forests more resilient and to ensure long-term sustainability. We must continue research of long-term potential climate change impacts such as modelling of forest fires and pest infestation, implement climate resilience solutions such as FireSmart communities, and work with our provincial counterparts to modify our forest management activities to allow for selecting and planting trees that are based on the changing climate conditions.

FPAC is currently working on setting up a multi-stakeholder federal and provincial committee to prepare recommendations and actions relating to climate change impacts, enhanced forest management, and policy barriers to a resilient forest.

[*Translation*]

In terms of mills, one of the new supply chains for the sector is the production of green electricity. The sector has invested billions of dollars in the 2000s, and more than 40 mills now generate green electricity from residues. According to a report by Natural Resources Canada, these investments have sustained more than 14,000 jobs, reduced greenhouse gas emissions by 543,000 tonnes, atmospheric emissions by about 15%, and the water used by mills by the equivalent of 4,000 Olympic-size pools.

[*English*]

While the sector will continue to generate green electricity from residues, new value chains will be created as the sector transforms to produce biofuels, bioproducts, and biomaterials. The sector started the transformation in recent years with more than $1 billion in projects and announcements.

Furthermore, in partnership with the agricultural sector, the sector recently proposed a biodesign supercluster to produce advanced biomaterials and low-carbon fuels with the objectives of establishing new bioeconomy value chains, accelerating disruptive technologies, sustaining rural economies, and improving the environment.

The cluster has established five-year targets of $6 billion in economic growth, 64,000 new direct and indirect jobs, and four million tonnes of GHG reductions.

Unfortunately, the biodesign supercluster was unsuccessful under the current superclusters initiative. However, the sector was very pleased that, at around the same time, a forest bioeconomy framework for Canada was announced by the Canadian Council of Forest Ministers. FPAC supports the ministers' four key pillars: communities and relationships; supply of forest resources and advanced bioproducts; demand for advanced bioproducts, i.e., creating new value chains; and continued support for innovation. These pillars are well aligned with the biodesign cluster and sector transformation. We look forward to working with the Canadian Council of Forest Ministers in the implementation of the framework.

The sector's road to full transition to a low-carbon economy will create a new secondary supply chain in the transportation sector. We will become a supplier of biofuels. In the energy sector, we may become a supplier of renewable natural gas. Regarding sustainable living, we have products used by Canadians in their day-to-day lives, like producing bioplastics, nano materials, and car parts, as well as new construction of tall wood buildings made of engineered wood and wood fibre insulation. However, to get there, we must work together.

Current policies and funding programs, such as Sustainable Development Technology Canada or the investments in forest industry transformation, IFIT, which are necessary, focus on capital investment for new technologies at the mills. Moving forward, it is crucial that we enhance or create new policies and funding programs for two key areas, which I'd like to focus on today. They are ensuring a sustainable and healthy forests for stable and economic access to biomass and accelerating access to new markets and value chains.

In conclusion, I would like to thank the governments, our communities, our academic and indigenous partners that have contributed to the initiation of our sector's transformation. With programs, such as IFIT and the recent clean growth program that was announced this week, the government's vision, through the bioeconomy framework and partners such as FPInnovations, we are moving toward a fully transformed sector. However, to really accelerate the transformation, capitalize on economic and job growth, and ensure environmental benefits, we all need to work together to ensure sustainable and healthy forests, maintain our current programs for the forest sector facilities, and accelerate access to new markets and value chains.

● (1545)

[*Translation*]

Thank you very much for your attention and I will be pleased to answer your questions.

[*English*]

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

Next, we have Mr. Lapointe or Mr. Martel.

[*Translation*]

Mr. Pierre Lapointe (President and Chief Executive Officer, FPInnovations): Thank you for the invitation. I am very pleased to be here.

We have circulated a document with pictures, and since a picture is worth a thousand words, I think it will promote discussion.

[*English*]

I will start by saying who we are, what we are doing, and what is the impact on climate change. You'll see some real examples.

FPInnovations is an organization that was created from the merger of four organizations in 2007. It now represents about 400 to 500 researchers throughout Canada, with headquarters in Montreal and offices in Hinton, Alberta, Quebec City, Thunder Bay, and Vancouver, and 40 industrial advisers throughout Canada. It has a budget of about $75 million to $90 million per year, with one-third from the industry, which has 170 members, one-third from governments—nine provinces, two territories, and the federal government—and one-third from contracts, royalty licensing, and so on and so forth. It is a not-for-profit organization with a public charter.

What I want to introduce to you today is how the forest sector impacts climate change. If you look at slide 4, you will see this: “To mitigate climate change, it is necessary to reduce greenhouse gas emissions and store more carbon.” My objective today is to talk about healthy forests, and a healthy forest sector can do both of these things. We'll give you some examples of both.

If you look at slide 5, you will see that the forest carbon cycle is a natural solution: capturing the carbon dioxide from the tree itself, also capturing manufacturing air emissions, using short- and long-term sequestration in the building itself, and then recycling the use of wood into energy or secondary manufacturing.

In slide 6, we see the opportunities for the forests and forest products in the future. It is very important to realize that FPInnovations does the research on the silviculture, the genomics, the forest operations, and the secondary and tertiary transformation of wood, pulp and paper right up to bioenergy and the bioeconomy.

If you look at some of those projects, you will see that the long-term storage of carbon in wood products, such as wood in buildings and infrastructure. You'll see some examples later of wooden bridges, which are a fantastic new market, and also of mid- and high-rise wood building construction.

We also do quite a bit of research in increased forest protection against fires and pests, such as the mountain pine beetle and spruce budworm, but also, as Bob was saying, we help to transform the present forest sector towards bio-sourced products in creating a biorefinery using biomass to create biofuel, biochemicals, or biomaterials. It is obvious also that the forest sector and the bioeconomy that we're producing for our own research and innovation will provide economic growth and green jobs for both rural and urban communities. We work at both levels.

On slide 7, we have chosen to show three examples of the impacts of the forest sector. Some of them are not foreseen. One of them is in transportation and mobility, and others are in the bioeconomy and buildings. When you look at transportation and mobility on slide 8, what you will see is the development of an electric autonomous shuttle connection with four-season mobility for all mass transit.

● (1550)

We do the study on transportation in the forestry sector. Transport represents 45% of the cost of wood. Then we transfer that to the commercial sector. The first picture on the right-hand side is of the electric interior buses at the Calgary airport, terminal 2. If you go there, you will see those have been produced by the technology of FPInnovations.

If you also look at energy use, which I think is very important and we'll come back to biodiesel, we're really looking at 100% electric or hybrid-electric trailer, winterized, as we understand it. There's also new technology, like platooning, which is in the second picture on the right-hand side, in which you have a three-foot van with only one driver and a 0.6-second space in between. Obviously for northern communities like those in the Plan Nord in Quebec or some in the Tuktoyaktuk-Inuvik area, because there are no drivers, this is a very interesting and very cost-saving measure.

Obviously this is not done totally by FPInnovations. It's a partnership, because we don't do everything, but we make sure that everything gets done. In the case of the transport, we have a partnership with ABB, Ericsson, Motrec, and Technoparc Montréal.

If we look at the bioeconomy, biofuels, and biochemicals, we have a major project in La Tuque, which is north of Trois-Rivières. It is a partnership between the Quebec government, the federal government, the Finnish hydrocarbon industry—which is called Neste—the La Tuque area, and us to produce drop-in biodiesel from residual forest biomass product. The research aspect has three phases. The first one is completed. We're on the technology partnership to eventually produce drop-in biodiesel that would be exported from La Tuque to Trois-Rivières and then to the rest of North America. The total investment when going to the commercial phase would be $1 billion.

Currently, as Bob was saying, replacing some of the natural gas being used with biomass under a pilot project in the pulp and paper plant is also a major research program.

The most fascinating aspect of things is the bioeconomy, from wood chips to bioplastics, as shown on slide 10. We have a pilot plant in Thunder Bay with Résolu where we extract H lignin and a sugar stream, cellulose, C5 and C6. The H lignin is transformed first into carbon biochar, but eventually gets into the animal feedstock. I'd gladly explain why pigs like cellulose, but it is a brand new market and it will help in continuing to produce pulp in Thunder Bay. At the same time, the sugar, C5 and C6, will be shipped to Sarnia to be transformed into biochemicals and different acids. The clients there will be Michelin and Lego, because they like to secure their synthetic rubber.

● (1555)

We have given you some examples. I'll start with the high-rise buildings because they seem to have aroused some interest. In slide 12 you see that we already have major projects in high-rise buildings. We have a 12-storey student housing project in Vancouver, and in Montreal, an eight-storey condominium, an investment of $140 million. Those projects also increase the use of wood in bioproducts such as the bridge you see on the right-hand side, which is 160 metres long and 375 tonnes of charge, which has been constructed in the Chibougamau area for the Stornoway mine. Those are examples of what the forest sector is doing in zone transformation, its contribution to climate change, clean tech, and the future of Canada.

Thank you.

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

Mr. Tan.

Mr. Geng Tan (Don Valley North, Lib.): Thank you, Mr. Larocque.

I noticed that you used to be a process engineer. I used to be a certified senior process engineer as well. I also studied in the pulp and paper area at U of T and I used to work for PetroCan. I'm very glad to see you here as a witness today.

About 20 years ago, PetroCan was recognized as a leading-edge research institute in this industry. This is why I feel so proud to have been part of PetroCan 15 or 16 years ago. Then it merged with Forintek Canada Corporation and others that formed FPInnovations.

As I recall, the amalgamation was necessary to deal with reduced profit, cut costs because of the heightened competition in that very rapidly shrinking industry at that time. Then some years ago, Canada mainly sold the high value-added product to our global market. For instance, we sold a high-quality paper and craft department to the Asian market. Our forestry products were much sought after.

However, today it would appear that we are now talking more about certain lumber or the raw material of forest products to the global market and even to Asia or the U.S. But those products no longer have such a high value-added status. Of course, sometimes when we mention biofuels, we mention biomaterials and some new areas that might appear in your talk.

This question is for both witnesses. In your opinion, how healthy is this industry in Canada right now? Do you have any contingency plans to handle this worst-case scenario? How do we maintain this leading-edge research as we did before? How can the government better support the industry to go through the worst periods?

● (1600)

Mr. Robert Larocque: I think you're right. During the economic crisis of 2008 to 2010 we saw a lot of the changes that happened to our sector, and we lost about a third of the sector. The electronic age also came around. The pulping sector and the lumber side outside of trade disputes is doing well. We diversified. We used to go mostly to the United States. Now about 30% of our products are going to Asia. Globalization has made a difference, and I think we're better positioned today than we were five or 10 years ago.

We've also seen that we can't just rely on newsprint or even paper. We also need to transform. Those are the types of facilities I think you can use to make cellulose filaments. You can use the biomass to make some bioenergy. The traditional sector, like pulp, will continue. People need consumer products. We need to continue to build houses but we need to be able to diversify so if there is a crash in the market, if there is an impact, we're not as taken aback by that specific thing because we would have biofuel or electricity generation. Our facilities will be more diversified from economic impact so we could be able to handle the hit better.

Mr. Pierre Lapointe: Within the research aspect, what we have been doing is putting value added to the pulp side especially. I'll give you three examples. We have a joint venture with Domtar for producing nanocrystalline cellulose. This is the only company in the world that produces this. It is used by Schlumberger in their drilling mud, which is a totally new market, just totally outside of what we use.

In the case of the sugar extraction stream, it's going to be used by Michelin, the tire company, for synthetic rubber. In the case of cellulose filament, which is a new plant in Trois-Rivières with Kruger, the cellulose filament is going to be used in polymer, but also in the construction industry in Gyproc. It is reducing by 20% the weight of Gyproc.

Finally, especially for the export side of things, we're going outside of the two-by-four concept towards a construction system to export six- to eight-storey buildings to the U.S. and to China. Those really are the trends on the export side to which the industry is transforming itself.

Mr. Geng Tan: I have just one minute, so I'll go to a quick one.

Just out of curiosity, according to the report provided to us by the Library of Parliament, in 2016 the forestry industry accounted for $23.1 billion, or 1.2%, of Canada's GDP. Your notes mention that Canada's forest product industry is a $67-billion industry and accounts for—

Mr. Robert Larocque: That's in total revenue.

Mr. Geng Tan: There's a significant discrepancy between these two numbers. I want to know whose number is more accurate. How did you come up with your number?

Mr. Robert Larocque: They're both accurate. It's just a different way of looking at the economic impacts. One is based on gross domestic product, which is the $23 billion. Sixty-seven billion dollars is also from Stats Canada, and it's the total revenue of the products made in 2016. It's a different way of looking at the economics.

I'm not an economist, but they're both accurate, actually.

● (1605)

Mr. Geng Tan: To me the difference is huge.

The Chair: Thank you.

Ms. Stubbs.

Mrs. Shannon Stubbs (Lakeland, CPC): Thank you, Mr. Chair.

Thanks to all of our witnesses for being here today.

Bob, I have a couple of questions for you, both on the supply end and then also on the customer end of your industry.

First of all, you mentioned one of the key factors being maintaining resilient and long-term sustainable Canadian forests and the importance of continuing to ensure sustainable, stable, and economic access to fibre from our Canadian forests. I wonder if you have any comments on the impact of the mountain pine beetle and the spruce budworm on the Canadian forest supply. In particular, as you know, in northern Alberta, 50,000 hectares of forest have been affected in the national park alone, but six million hectares are estimated to be at risk there and more than 30,000 trees were cut down in the park just last year. Of course, the spruce budworm is also having a serious impact on forestry in Quebec and New Brunswick. I wonder if we could start there and if you have any comments on that.

Mr. Robert Larocque: Absolutely. Our number one concern is on climate change impact on the forests. It's the trees. We also deal with the pine beetle out west. Initially we were able to salvage some of the trees that were impacted by pests. Now we're seeing the total effect on the trees that were replanted to cover them. The allowable cuts, for example, are going down significantly, by 20% or 25%, because of pest infestation or fires. This means if we're not working together on trying to minimize those—and I don't think we'll ever eliminate pests or fires, but we can try to minimize them—by 2050 the modelling that we've seen from Natural Resources Canada shows that it's going to get worse and worse if we continue with the status quo. We're very concerned about having enough wood to do all that we want to do and keep the economic impact on the country.

Mrs. Shannon Stubbs: Thank you for that context. I know the previous Conservative government, of course, made significant investments to aid in that fight, so hopefully we'll see some action on that from the current government as well.

On the aspect of your customer base and on market access, probably it's fair to say that the U.S. remains a very important customer for Canadian wood products. I wonder if, as you begin, you might comment on the impact of the softwood lumber agreement on your industry's ability to invest in new tech, as well as the long-term impact on your member companies.

After that, I'm interested in your thoughts on the equally significant importance of diversifying our access to markets, and the opportunities, particularly in the Asia-Pacific, for Canadian forest products.

Mr. Robert Larocque: Very quickly, when there is a trade dispute like the one we're seeing, and we have to put 20% to 25% of tariffs on the side, that's money that the industry cannot pass over. We've been lucky so far that the price of wood in the United States has increased, but that also means it's 20% or 25% that we could have reinvested in our facilities or in new products, and we can't. It is removing capital from our companies.

We're also super concerned about the newsprint and paper countervailing duties that are supposed to be announced in January. If those go through, it means that pulp and engineered wood are pretty much the only things that are not countervailing from the United States. That is very, very concerning. That goes into diversifying our sector. We need to be able to make different things than just the typical pulp and paper, newsprint, and lumber.

One of the key issues involves support. There's some support right now with embassies in showing our products. Canada Wood does some work in Japan, for example, on demonstrations. We feel that because of all the help from FPInnovations we can make those biomaterials, but we need help convincing Nestlé, Danone, and all those people to absorb that kind of product. There are no current programs that are tailored to that.

As I said, we put a lot of money into capital investments. Don't eliminate that, but maybe take a portion of money there, allow a joint venture, like a wood product company with a plastics company, to do internal testing to see if it works, and help take away the risk from the federal government.

Mrs. Shannon Stubbs: Do you have any numbers or projections in terms of jobs or revenue, the possibilities with—

Mr. Robert Larocque: Yes. The supercluster was one that was the full-value chain. The forestry and agricultural industries were making the biomaterial, and then the secondary value chain, Air Canada, Esso, or Nestlé, were taking on the products. It was worth about $800 million of investment in the next five years, and there were 64,000 jobs created. That's the kind of potential we see now.

Mrs. Shannon Stubbs: Thank you.

I'd invite you two to expand on comments related to the bio-pathways report. I just wonder if there are any key findings that you wanted to elaborate on that were included in that.

● (1610)

Mr. Robert Larocque: The bio-pathways report was very critical —and FPInnovations was the lead on the findings—but what helped us out was understanding the true value from the forest sector. I think we've completed that. I think we know mostly what we can make. Again, that work, though, was done specifically in our facilities, the economic conditions that were there.

Now we just have to convince the market to accept it. We need more partnerships. CelluForce is a great example, but it took them three years to be able to sell NCC with Schlumberger. We need to accelerate that. We need to be able to do it right off the bat. If we can make it, and you can absorb it, then let's work together.

Mrs. Shannon Stubbs: You referenced the IFIT program that was introduced by the previous Conservative government. I would invite you to expand on any specifics you'd like to about the ways in which that program helps capital investment in new technology.

Mr. Robert Larocque: It's very efficient. We like the way it's applied. We like the criteria. In my mind, it's one of the best programs that's been delivered in the last 10 years to help our sector out with capital investment and benefits to Canadians. It's in communities and jobs at the time of installation. I just wish a criterion of the IFIT program was that, if we do something cool with a customer, it would also be eligible as a cost. Right now it's not. It's just capital investment.

Mrs. Shannon Stubbs: Great. Thank you.

Pierre, if you have anything to add, go ahead.

Mr. Pierre Lapointe: I would go back to the new clients. We are having an issue, and I'll give you a very specific example of the case of the biodiesel project in La Tuque. We have Neste for producing the biodiesel, and we have the biomass, but we need to get to the gas station. We need to have those types of partnerships, and we don't right now. This is very difficult and very costly. If we, both FPAC and FPI, don't have that type of flexibility, this is going to increase the time to market. The issue the forest sector is facing is time to market on those new projects. We really have to be able to de-risk and to get to those new markets.

The Chair: Thank you.

Mr. Cannings.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you for coming before us today.

Both of you mentioned the mass wood technologies, the tall buildings, and bridges. We've heard from previous witnesses that Canada is a leader in this technology in terms of North America. I wonder if you might comment on where we are vis-à-vis the United States. I know Europe is probably head of us, but where are we in the North American context?

Mr. Pierre Lapointe: We are a leader. I will give you two examples.

The first one is that the "Cross Laminated Timber (CLT) Handbook" technical guide for the U.S was produced by FPInnovations. I make my case. If you look at the producers that we have in Canada, whether it be Structurlam in B.C. and Nordic Structures in Quebec, they are already exporting. Nordic is doing the Buffalo Sabres' second arena. They are really good examples of our leadership.

What we need to make sure is that every province is really buying into that. B.C. and Quebec have done a fantastic job. Now we have succeeded in getting Toronto into the market. I think that the best way to export is going to be the ability to do it ourselves everywhere in Canada.

Mr. Robert Larocque: I just want to add from a technical perspective that I completely agree, but also from a policy perspective, Europe is ahead of us. In Canada, there's some wood procurement policy, if you want, but we're working with the federal government to have some kind of low-carbon policy that would allow that. For example, we're working on the building codes.

Another concept that Europe is ahead of us in is called embodied energy. When you're building a building, you also have to look at the material and not just the energy used. We're still far away from that in Canada. We are working with the government right now through the building codes, but it's another aspect that allows wood to be used.

We are still ahead of the United States though. Europe is ahead of us.

● (1615)

Mr. Richard Cannings: Yes.

When you say "embodied energy", are you talking about that sequestration of carbon?

Mr. Robert Larocque: When you build your building right now all the concepts that the government is working on...net zero energy, for example, is just the energy that you use to heat it using natural gas or solar panels or whatever.

What we want is when you're looking at building a 20 storey building, you look at the carbon it took to make the steel, the wood, the concrete, and all that. It's a full life cycle carbon accounting of your building.

Mr. Richard Cannings: Okay.

Is that done in Europe?

Mr. Robert Larocque: That's done in Europe, in Austria. Germany is very close to it. Companies are reporting on it. In order to access government funding, you need to say what the carbon impact is of your proposed building.

Mr. Richard Cannings: I think you briefly mentioned something about federal government procurement, government monies to build these buildings to help companies.

Mr. Robert Larocque: It's not only the building part of it that's important. The Government of Canada does build buildings, but it's also there are billions of dollars in infrastructure. I think there were $12 billion to $15 billion coming in on infrastructure that go to the provinces. It would be nice to have some kind of a low-carbon policy attached to that funding to make sure what we are building with that money has a low-carbon impact.

I know that the government's looked into it. I've been to a couple of workshops on concepts. There are a couple of private members' bills that are in the House on that concept right now. We would have full support to....

We feel that the forest side and the product side have been a little bit slower to work versus the energy side. It seems that all the effort was spent on the carbon tax, the carbon fuel, and justifiably, as a lot of the emissions come from those sectors, but we would like to see that those other polices would move as quickly under the pan-Canadian framework. They seem to have been delayed.

Mr. Richard Cannings: When you talked about infrastructure monies, were you just talking about the monies we're giving provinces and municipalities or were you talking about using wood in things other than buildings?

Mr. Robert Larocque: Yes. There's the bridge that Jean-Pierre was talking about.

We have a perfect project for communities. I think it's London that wants to go to completely zero energy, but unfortunately they can't build a 106 storey building. Those are some examples of where the federal government could have the leadership and say that you can build up to 12 with the money attached to it.

That's what I'm talking about. It's not just a building. I think it's infrastructure in general.

Mr. Richard Cannings: Do any of you have any details on the cost of, say, the Mistissini bridge versus what it would have cost to build in traditional steel?

Mr. Pierre Lapointe: On the cost of bridges, if we take into account the time of construction, the wooden bridges are way less costly. If you look at the example of Nordic and the Stornoway Diamond Corporation mine, they constructed 17 bridges in three months. Once the cement pads on both sides of the river are dried, the bridge is built in one week. If you take into account those types of parameters, they are cheaper. Their life is longer also.

Mr. Robert Larocque: Also, let's not forget on cost, you include the price of carbon, which we are in this world.

Mr. Pierre Lapointe: Right.

Mr. Richard Cannings: It's the same sort of thing with sequestration of carbon in buildings. Do you have any figures on that?

Mr. Robert Larocque: Yes, roughly. It's in the presentation. For every cubic metre of wood it's one tonne of carbon.

Mr. Jean-Pierre Martel (Vice-President, Strategic Partnerships, FPInnovations): It's one tonne of CO2.

Basically, on average, every time you use a cubic metre of wood in a building, it sequesters one tonne of CO2 overall. We're doing various studies for various provinces and we figure that sequestration of CO2 in buildings, in wood, is one of the best kinds of return on investment, if you will, in terms of the value you can get in reducing CO2 emissions.

Mr. Robert Larocque: If we do tall wood buildings, probably by 2030 it will be the equivalent of all of our sector's emissions today. It's six to 10 million tonnes of carbon. We emit six million tonnes as a sector. If we shut everybody down, we're better off to build tall wood buildings.

● (1620)

The Chair: Thanks, Mr. Cannings.

Ms. Ng.

Ms. Mary Ng (Markham—Thornhill, Lib.): Thank you so much for coming today and for sharing your perspective with us.

We certainly understand the challenges in the sector for a range of reasons. It's good to hear about the diversification and the innovations that are taking place in the sector.

We've heard other testimony here of those who are the force, such as the primary producers, and the challenges in the sector in terms of mills closing, etc. Yet at the very same time. we heard from others, as we are from FPInnovations, of the range of diversification and innovation that can happen, the spur or the new spin-offs and the creation of new products, companies, expert capabilities, and so forth. The thing that occurred to me, as we were hearing this, is that there seems to be a gap there between those in that primary part and the emerging new opportunities.

This question is for both of you. What role could we have to incentivize a greater meeting of that gap? It seems to me that things like the bugs and fire, etc., are challenges for sure. At the same time, we heard other testimony that some of that wood that wouldn't be used in one way can be used in other ways, which is the diversification and innovation side. When we were hearing testimony we were hearing it from one end of the country to the other. What can we do as a federal government to incentivize that coming together?

I'll get to my second question in a second.

Mr. Robert Larocque: Okay, you start from a technical perspective and then I'll finish off.

Mr. Pierre Lapointe: Okay.

The one aspect which is very important that we learned and, believe me, we have learned it the hard way, is an organization like ours that does research and development has now to go further into the commercial chain. The de-risking part is the most challenging part and there's no financing in Canada for that. Now there's a trend for EDC and SDTC to go toward this, but the most difficult part is the de-risking part.

The second part, as Bob was mentioning, is going toward the new market and the new client. When talking to Michelin, and I've been with Michelin for the last two years, you need to have a different language. It's not French. It's not English. It's Michelin. I went to Lego headquarters and you have to understand what Lego wants. This is what we are learning. The de-risking part and the new market to help us going toward those, and I mean FPAC and FPI, is something we are learning and that we need to find a way to finance.

Mr. Robert Larocque: That's a funding support there. A LEAF program, for example, that we had in 2008, 2009, 2010, and 2011 really helped us out in China—a demonstration project. That's the kind of demonstration funding that would be great if we did get together to build a car that is half made of wood, but that's not available right now.

On the policy side, to me it's just ensuring.... We have to be very careful, especially on carbon policies. Right now, the support from the federal government would be to make bioenergy, but for every one job in bioenergy directly.... You're better off to make lumber. Then you make biochemicals and pulp, and then you make bioenergy. There is no policy to support the use of wood or biomaterials. What I'm afraid of is that when the carbon policies that exist now come out, they will favour building plants that are going to use forestry just for bioenergy. From a total-job perspective or economic growth, you're better off to promote the primary sector, and then finish off with energy.

That's an example that I'm working on with Environment Canada, Natural Resources, and ISED, saying, “Look, I support policies there, but you're maybe going a bit too far, and you might have a perverse effect on what you want at the end.” Those are examples of the government that.... The last one is that the government is.... I really believe that we can decide to make whatever we want, but if we're not careful with our forests, they're not going to be there in 2030 the way they're there today.

● (1625)

Ms. Mary Ng: On the de-risking piece, where are the opportunities in a practical way? You're both in this business. In terms of de-risking, what is it that the government could do?

Mr. Pierre Lapointe: For example, one of the areas in which government has been trying to help us is in going from the lab scale to a tonne scale. That is very costly, and it is an area in which the government has been shy to invest in the past. Now it is changing a bit, especially with NRCan and the Quebec government and B.C., but this is an area where we need to focus on being able to go from kilogram to tonne very fast—the pilot scale.

Mr. Jean-Pierre Martel: If I may add on the de-risking, I think you're putting your finger on exactly some of the right issues and where additional funding will be needed. We need to realize that when we look at investment and de-risking, we need to look at the process, and the products, and we need to de-risk the market as well. Very often with those new value-added products or markets, it's to be the first one out there, because they're niche markets. They're value-added, but small markets. It's very important for Canada to be one of the first out there. We need to realize that we're not alone. There's a lot of competition coming from Brazil, Chile—

Ms. Mary Ng: You're talking about market adoption.

Mr. Jean-Pierre Martel: The market, unfortunately—

Ms. Mary Ng: It's about incentivizing around market adoption, so that we can show what it is that we're doing, how it is that we're doing it, and that we indeed can be a leader; therefore, you catapult into showcasing that for our exports.

Mr. Jean-Pierre Martel: That's it exactly—and fast-tracking the process.

The Chair: You have 10 seconds, if you want to use them.

Ms. Mary Ng: Thank you for your testimony.

Mr. Robert Larocque: I'll just give an example. Jet fuel is perfect. We think we can make it. We just need some support if we work on a project between our company and Air Canada for testing that product in their jets and engines. Another one is locomotive. We need to work with CN and CP, but it takes time to build a brand new engine that can receive biofuel-type product. That's the kind of concrete example that we're living right now. Marine is another.

The Chair: Thanks.

Mr. Falk, I'll give you about four minutes.

Mr. Ted Falk (Provencher, CPC): Mr. Larocque, I would like to start with you. I want to pick up on part of your report. You talked about a partnership with the agriculture sector on a proposed biodesign supercluster, and you have some very noble ambitions inside of that, such as, accelerate disruptive technologies, sustain rural economies, and improve the environment. You have established some targets as well. Unfortunately, the supercluster was unsuccessful. Can you expand on that a little bit? Why were you unsuccessful?

Mr. Robert Larocque: A government program was announced for a supercluster initiative. They received more than 50 applications. Now I think there are nine, and we were not selected for the next wave. When the government announced it, only four or five were to be selected.

We have been in contact with ISED. What we're trying to do now is still deliver our program, but look at different government initiatives, such as the strategic innovation fund and the clean growth fund that came out last week. It's a matter of finding a niche. I'm not saying it's unfortunate, but some of those programs do have limitations on accessing the market. The supercluster initiative had, I think, 75% of the $250 million in funding going directly to accessing markets. We were really excited about that one; it addressed a niche that we did not have. Now we're working with the federal government to find out if we can fit our projects within existing programs.

Mr. Ted Falk: Right now lumber prices are fairly high.

Mr. Robert Larocque: Yes.

Mr. Ted Falk: What kind of reinvestment is the industry making in the new initiatives and maybe reaching this objective on their own?

Mr. Robert Larocque: The lumber prices are high, but 20% is going to countervailing duties to the United States, so in my mind, the lumber prices are the same as they were about 18 months ago. We're investing as we typically would have done 18 months ago. We have seen energy projects, prefabricated wall, and some investment in engineered wood, but without those countervailing duties, if the price was where it is, there would be a lot more investment.

Mr. Ted Falk: This lack of a softwood lumber agreement is really hurting your industry, then.

Mr. Robert Larocque: It's not helping us accelerate our transformation. Let me put it that way.

Mr. Ted Falk: I'd like to ask a question which all of you can answer, if you choose to, although, Mr. Lapointe, I think probably you have been speaking to it a bit. You're working on biofuels. How close to mass production would the industry be?

● (1630)

Mr. Pierre Lapointe: Four or five years.

Mr. Ted Falk: Where would the problem be?

Mr. Pierre Lapointe: I would say there are two problems.

One issue is going to be the interaction between different technologies, so gasification and liquefaction. That's the challenge we have on the technical aspect.

On the policy aspect, we have a major issue, which is that not all of the provinces have policies on using a percentage of biodiesel. In Quebec, it's zero. In Ontario, it's 5%, or something like that. So when you're putting in for commercial trucking drop-in biodiesel, the policy of the percentage of biodiesel in the fuel is really becoming a major issue.

On the technical aspect, because of our relationship with Neste, Total, and some of those guys, we feel comfortable that within two years we will have solved those issues.

Mr. Ted Falk: Thank you.

The Chair: Thank you, Mr. Falk.

Gentlemen, thank you very much for joining us today. All three of you, your evidence is very helpful to our study. Unfortunately, we only have a limited amount of time. As you can see, we have to keep things pretty tight, so we apologize for that. We do the best we can.

We'll suspend now for two minutes, and then we'll get going on the second hour.

● (1630)

(Pause)

● (1635)

The Chair: We're going to resume.

Mr. Moore, can you hear us okay?

Mr. Shawn Moore (President, Tree Services, Trimmed-Line Seismic Services Ltd.): Yes, I can.

The Chair: Excellent.

Mr. Matters is joining us on behalf of the United Steelworkers and Mr. Moore on behalf of Trimmed-Line Seismic Services. Are you in Red Deer or Edmonton?

Mr. Shawn Moore: I'm in Edmonton right now for a conference, but we live in Red Deer.

The Chair: It said Red Deer on here, so I was confused. Things aren't always as obvious as they appear, you know.

Voices: Oh, oh!

The Chair: Thank you, both, for joining us today. We're very grateful.

Each of you will be given up to 10 minutes to make your presentation. After you both have completed your presentations, we'll open the floor to questions from around the table. You are welcome and encouraged to deliver your remarks in French or English, as you choose or see fit, and you may be asked questions in either official language too.

Mr. Matters, since you are here with us we will start with you. I'll give you the floor for up to 10 minutes.

Mr. Bob Matters (Chair, Steelworkers' Wood Council, United Steelworkers): Good afternoon. I want to begin by thanking the committee for the opportunity to speak to this very important study. I am chair of the United Steelworkers' Wood Council. The council was created as a result of the 2004 merger between the USW and my former union, the Industrial Wood and Allied Workers of Canada. The USW now represents more than 18,000 forestry workers, 32% of whom work in the industry's secondary supply chain.

As a matter of fact, Structurlam in British Columbia, which was mentioned by the gentleman from FPInnovations, is our operation. I didn't see the pictures of the bridge at the presentation, but I was at a presentation they gave earlier, and the bridge in that picture was made by our members in Quebec. We're most known or thought about for our loggers or our mill workers, but we are everywhere.

Maintaining a strong forest industry is not only in the interest of our workers or our 600 forest-dependent communities but is crucial to the health of Canada's economy. Our union has launched a campaign aimed at support for workers and communities. It's called “The Working Forest”, and it can be found at workingforest.ca. That was my little commercial.

Last year, the forest industry contributed more than $23 billion—so we're on the right page there—to Canada's GDP. The secondary supply chain employs more than 92,000 people across the country; however, the value-added sector, which includes everything from guitars to the modern CLT construction, has lost more than 43,000 jobs since 2001. Our union believes the natural resources committee must acknowledge this decline and recommend a reversal, through a national forest strategy that recognizes the separate but integrated sectors within the forest industry.

In 2017, events such as the ongoing softwood lumber dispute with the United States, last summer's forest fires in British Columbia, and the mountain pine beetle—all things you've heard about today—have negatively impacted the forest industry and the secondary supply chain. Climate change, resulting in several warm winter seasons in a row, means the mountain pine beetle could continue to have an impact on the boreal forest for another 13 years.

On the trade file, with no softwood lumber agreement in sight, we're weeks away from the final determination of duties by the U.S. Department of Commerce. Since the expiry of that agreement, softwood lumber exports to the United States from the EU have increased. Finland alone has increased its exports to the U.S. by 293%. The unrest and instability this has caused is intolerable, obviously. The Government of Canada must come to a just and fair solution to this crisis.

Canada is of course faced with a protectionist mood not only in the U.S. but globally. With a natural resource that is abundant and renewable, our government's priorities should be to promote jobs and innovation in Canada to build an industry that is competitive and attractive in the global markets.

Corporate behaviour, to speak to some of your previous questions, also has an impact on jobs and communities and on our ability to compete. With no controls to prevent them, Canadian companies with their investments in the U.S. are essentially robbing investment from industry in this country.

A factor in Canada's ability to be competitive in the value-added sector is controlling the export of logs. Log exports have increased dramatically over the last two decades. In a few short years, from 1997 to 2004, the amount of unprocessed exported B.C. timber increased from 200,000 cubic metres to well over 5.5 million cubic metres annually.

● (1640)

Wood that is milled offshore has led directly to mill closures and job loss, and that fibre is not here to do the wonderful innovative product creation we heard about in the last session. The bottom line is that there is no hope for a viable value-added industry in this country if no attempt is made to stop wood from being exported and not being processed in Canada.

That said, our submission does not advocate for a total ban on exports. However, there is ample opportunity to reduce Canada's exports of unprocessed timber coupled with supports for the retooling and revitalization of our many mills, which will increase the number of Canadian-made wood products available domestically and internationally. If the goal of this study is to recommend measures that will grow the industry, national and provincial strategies are required, strategies that clearly lay out the role for public investment and government policies that both discourage the excessive export of logs and encourage domestic manufacturing. The federal government must take the lead and work with provinces to create the conditions necessary for growth.

As an example, our submission details the need for infrastructure and particularly primary and secondary roads. We are in agreement with the Ontario Forestry Industries Association that the lack of infrastructure is inhibiting the sector's return to full productivity.

Adequate timber harvesting is another issue that must be addressed through a national forest industry strategy. For the secondary supply chain to grow, ensuring a consistent and adequate volume of lumber is imperative. That being said, research and development on wood products for a variety of applications, including construction, industrial products, consumer goods, and much more must continue with funding opportunities and a federal commitment to the use of wood and wood products in procurement.

To conclude, let me repeat that from logging to milling to processing to product development, everything is interrelated and dependent on sound public policy and strategic approaches to securing a future for forestry in Canada. Ours is a clean, green industry that has built Canada from coast to coast to coast.

I urge you to take this opportunity to support our members and our 600 forest-dependent communities by recommending a national strategy for sustainability in forestry and the related secondary supply chains.

Thank you again for this opportunity, and I welcome any questions you may have.

● (1645)

The Chair: Thank you, Mr. Matters.

Mr. Moore, over to you.

Mr. Shawn Moore: I would like to thank you guys for the opportunity to be a part of providing some solutions for secondary products in the forestry sector.

I'll tell you a little about myself. Since 1991, fresh out of high school, I was in the oil and gas industry as a seismic faller in line clearing. With the many ups and downs in the oil and gas industry, and the unhealthy workplace, I guess, and being away from home, I chose to diversify in 2012. Being on the tree end of things, I wanted to have the best tree company that I could before I bailed out of the industry. I attended a CanBio conference in Vancouver and got a few ideas and got started on my mission.

In the secondary supply chain steps in our company, we deal with urban wood now, more coming from the municipalities. We have a four-step approach. We remove, recycle, rebuild, and replant. With each step in this process of the tree, there are different products created. All of the products have various degrees of value and benefits, to the economy, the environment, and the bioenergy sector.

There are some pros and cons. When we did a tree removal before I started recycling, we would just take the tree down and get rid of it. That was a problem. In throwing it into the landfill or chipping it, there was little or no value to it. Once we started recycling it, the first step, and the easiest for most people, was to chip it, call it landfill cover or landscaping, water retention wood chips, but, again, with very little value. It can be used as biomass for wood chip boilers and such.

The next step that we took was to mill it. That had a moderate value, rough-cut lumber, undried stuff, used for fencing and building materials. It was still a bit unstable, so it presented its challenges.

Once we added our kiln, we found that was the level when it really took a jump. By kiln drying our lumber, this opened up a greater market. Anybody that wanted to build anything with it—houses, high-end furniture, anything from basically a pen to a cabin or a house—we had to get it to that level.

I didn't want to be only a supplier. I wanted to keep employees around all year, and add jobs. With basically controlling the raw product, we formed a supercluster with the businesses that I was selling it to. There are five of us working together. We have a timber frame company, a house-building company, a wood turner, and a custom CNC milling operation, and me, the tree guy.

We found that taking the raw product through all the steps was the best way to gain as many jobs as we could and obviously provide a varying degree of products and services.

Our last step, being the most crucial step that we do, is the replant. Working with municipalities in urban areas, we're not planting little seedlings. We use tree spades. We have a couple of different sizes of tree spades. It's urban reforestation and all the opportunities that the trees provide in the urban areas. There are some challenges and whatnot with urban forests being a quicker, I guess, takedown time. An urban forest typically lives for only a hundred years due to the strain of infrastructure and growth, so there is a good opportunity there for replanting our cities and urban areas.

Those are our four Rs in what we do in my company.

● (1650)

There are some challenges in urban logging and having a municipality take it back to the old way of doing things. We would clear a lot and instead of throwing it all away in the landfill we would do what grandpa used to do and build with it. It's a real challenge to convince the municipalities that this is good, stable wood, once it's kiln dried. We seem to order everything in from other countries. We throw our trees into the landfill and order building materials in. That's been our biggest challenge.

In the city of Red Deer, we're starting to make headway in building the products from the site back into the venue. The 2019 Winter Games are going to be in Red Deer. Just yesterday we used trees from one of our sites in the building that will house a skating oval. We have some projects we're pretty proud of.

There's a model that was done in Davis, California, called the Cannery. It sets a farm beside a neighbourhood, and the farm feeds the neighbourhood. Our approach is the same but with trees. We have a farm that recycles the lumber, and we build a neighbourhood beside it and then grow the food and the trees for the neighbourhood.

We also have a very cool education program we started called Sawing for Schools. We took a sawmill to the school. We cut up every kind of lumber or wood in our municipality and showed the students the processes and steps to getting it to a viable building material, and then we donated it back to the shop class. From there, we have started building unique cabins, live-edge Christmas trees, and other wood products with the students. We find that the education aspect of bringing it to the general public is very important, and we like to run it through the youth. We find they get good traction when you see a girl from grade 6 chainsaw carving at a home show. We're pretty proud of that.

That's what my company does.

I was listening to the comments of the other witnesses. Bioenergy is awesome, but if we extract everything we can for usable building materials out of the tree before we shred it, we can get a bit of bioenergy out of the wood, let it live for another couple of hundred years, and when that has to come out, we still have that biodiesel or bioenergy capability then. I like to use a tree to its fullest. We think this creates the most jobs and gives us the best value for our beautiful trees and forests. We can make products for export, but we can also keep our trees right here and make our neighbourhoods totally green.

Thank you.

The Chair: That's fantastic. Thanks very much, Mr. Moore.

Mr. Bagnell.

Hon. Larry Bagnell (Yukon, Lib.): Thank you very much, Mr. Chair.

Thank you for being here. This is very helpful for our study. I'm very impressed with the industry, first, because its cutting greenhouse gases, and second, because it's a big employer of aboriginal people, which is important for my area.

Mr. Moore, there are at least eight programs with over $1.5 billion in assistance for the industry, but it's more for the big industry and the workers. How could the government use this extra processing to build small businesses and manufacture products so that we get more jobs out of each piece of wood?

Mr. Shawn Moore: When you look at a large company that employs lots of people, the same can be accomplished with hundreds of small businesses doing the same thing. When you take a large approach, it's usually a big processing plant. When you go to bioenergy, wood chips, or large amounts of biomass, you tend to focus on the lower value. Urban logging everywhere presents challenges with small bits of forest here and there, so in making these big projects, it's not viable to pick up all the little bits and pieces of wood.

Therefore, if you rely on lots of investment or smaller investments in small programs, it's just like having gas stations across the country. If you had only one big gas station, you'd need a heck of a tank to drive coast to coast. If you create multiple tiny, little clusters or funnels for tree and wood products or wood waste to go into, that would be the greatest success.

It would create the same amount of jobs. When you look at a place like Banff with timber framing, and Prince George with the high-rises and cross-laminated timbers, I think a bunch of small businesses can handle producing those products and building green neighbourhoods within their communities very successfully.

● (1655)

Hon. Larry Bagnell: That's very interesting.

I'll go now to the United Steelworkers' Wood Council.

Obviously, the softwood lumber issue is a huge challenge for all of us, and we're trying to do it with a lot of representation in the United States. Would it be harder for you with your colleagues in the United States? What type of relationship do you have? I suppose it's a competitive thing, because what helps them doesn't help us.

Is there any way of interacting that can help us in getting some sensible equality in the supply of wood?

Mr. Bob Matters: When you reference it being harder for me, I'm assuming the question is for me as a member of the steelworkers. With our merger with the steelworkers, the steelworkers understood the significance of our role in Canada, and they made it crystal clear that we were going to be the voice of forestry policy for the steelworker union, North America-wide.

With respect to the softwood lumber agreement, our president, Leo Gerard, has made it painfully clear that he understands very clearly that the American coalition is off base. They are wrong. It's not that they don't understand the Canadian system. It's that they do not want to understand the Canadian system. We could not have a better ally in Washington than our president, Leo Gerard.

Hon. Larry Bagnell: That's excellent. We really appreciate that.

On another topic, you brought up a great point about the pine beetle. I have a couple of questions. Of course, the heat is bringing in insects, and there are other parts of Canada where there are some negative effects. Could you comment on that?

Also, there are species being changed because of the heat. I don't know if it's big enough to affect your industry, but obviously there are negative effects. Do you have any suggestions for us with regard to greenhouse gases? We did announce this week $155 million for the forest industry and other industries to develop clean technology, but do you have any suggestions?

Mr. Bob Matters: One unique characteristic of harvesting the pine beetle.... I think almost everybody in this room is very familiar with the file. You know that you are not getting top-quality lumber from beetle-killed timber. That is why the export market and the Chinese market were so critical in the last eight to 10 years, particularly 2006 to 2009. As many of you know, having access to the Chinese market completely, utterly saved the Canadian industry.

The pine beetle issue is not gone. It has resurrected itself on the east side of the borders. It's going to take a bit of time to get it fixed, but that's going to come only through more controls and more harvesting of that fibre, and then finding the appropriate home for that fibre.

I was in China last week. Ironically, China banned the harvesting of natural forests, which is why they are importing so many logs and so much lumber. They are doing that to protect and enhance their forests. They want to maintain them for the future, for the long term.

To your point about replanting, government initiatives and policies are critical so that when the industry is replanting the trees—including what Mr. Moore was talking about—we replant the appropriate species. It might, in fact, be a different species from what we harvest, depending on what the environmental models show the climate is going to be. The luxury of that, of course, is that those trees are going to take 100 or 200 years to reach their full maturity.

I have a bit of faith left in this industry that it will be able to adapt to that new fibre in 100 or 200 years, so I think the future is still good.

● (1700)

Hon. Larry Bagnell: Thank you very much.

The Chair: Thank you, Mr. Bagnell.

Mr. Falk, go ahead.

Mr. Ted Falk: Thank you, Mr. Chairman.

Thank you to both of our witnesses for their presentations.

Mr. Matters, I'd like to begin with you. You mentioned in your presentation that the amount of raw timber or unprocessed logs that is being exported, primarily to Asian markets, has increased from 200,000 cubic metres to 5.5 million cubic metres in a very short period of time. Is there a reason we are not adding value here in Canada, we are not doing further processing here and selling it to those same markets?

Mr. Bob Matters: Unfortunately, there are a whole bunch of reasons. The first is obvious from the presentation that you got earlier, prior to this one. These guys, FPI, are doing phenomenal work. They are doing it largely because governments, provincial and federal, are helping them. I forget who it was, but there was somebody who used to be at one of the pulp companies mentioned earlier. I include them, and I include MacMillan Bloedel from the west coast. They used to do amazing things with their research and development of the products. Frankly, I think it died before the 2008-09 crisis. It was long before then that they quit doing that. It's a shame, because B.C. and Canada were pioneering a whole bunch of things, but it all just went away.

Mr. Ted Falk: In markets like China, which is a big consumer of our logging industry, most of it is going into dimensional lumber once it reaches China. Would that be accurate?

Mr. Bob Matters: Yes.

Mr. Ted Falk: Why wouldn't we cut it into dimensional lumber here? Is it the cost of labour?

Mr. Bob Matters: The claim by the industry on the west coast is that this particular fibre is expensive to access. The only way they can access other fibres, such as cedar, is to harvest a profile, which is absolutely a must for our industry to be sustainable. In harvesting a profile, they get other wood that they don't want to manufacture.

Government policy must be reintroduced. Previously, there was a policy in British Columbia on what you had to do with your licences. That changed in 2000 and beyond.

Mr. Ted Falk: You are suggesting that if the policy changes, where we would have to do further processing or value-added here, we could benefit from policies like that.

Mr. Bob Matters: The primary industry could certainly profit greatly and that would provide fibre for all these other wonderful products that are being talked about and under development, absolutely.

Mr. Ted Falk: I would certainly think that we have the capability here in Canada to do that value added and that secondary processing, even on the dimensional side, which is sometimes considered primary processing, but I really think it's part of secondary processing as well. Somehow I think between industry and labour, they should figure out how we can be competitive in that Asian market and do that processing here and keep the value here in Canada. Sell them a finished good just like they do to us.

Mr. Bob Matters: It's critical to keep in mind that we ship as much lumber to China, so if we can do it and be cost competitive, then certainly we can do it with more logs than we're already doing it.

Mr. Ted Falk: Sure. Good. Thank you very much for your testimony.

Mr. Moore, I'd like to ask you a few questions. Based on your biography, I'd really like to get some advice on ATVing and snowmobiling, but we're talking about forestry, so we'll talk about that.

You harvest urban forests, urban trees. You do tree removal. What kinds of species are you looking for? Is it anything and everything?

● (1705)

Mr. Shawn Moore: We take anything and everything. When you build everything from a pen blank all the way up to cabins and housing, you can use everything. We do take more of the structural spruce and pine. We don't have any fir around where we are. Typically that goes into our timber framing, beams, and glulam-type stuff. The hardwoods go into most of our furniture and decorative stuff, and vary quite.... There's quite a high market, if you've ever ventured into a Windsor Plywood lately and checked out the board footage price of live-edge lumber. It is quite an attractive market and very easy to make money there.

Mr. Ted Falk: You talked about wood turning. What is that?

Mr. Shawn Moore: It's lathe work. Because of what I do, a woodworking guild found me right away in my very first few years. We host different types of meetings at our facility because they have access to local woods. They were always buying these awesome imported woods, and as people learned and had their projects fail, they realized that when you import some of the woods from different countries and different growing conditions, they fail way faster. We have really competitive, if not the most beautiful, wood products right in our own backyards. People don't know that. They think to get a beautiful hand-turned bowl or piece of furniture that it must come from somewhere else. If I said local box elder or Manitoba maple, it would be exotic Manitoba maple from Canada if it were in China or somewhere else. It's only exotic if you're not standing in the country that it comes from.

Mr. Ted Falk: You're making me feel bad. I just cut down one of my maples and I cut it into board lengths for a fireplace. I probably could have added more value than I did.

Voices: Oh, oh!

Mr. Ted Falk: You've also talked about replanting the forests that you harvest. I think our commercial forestry industry replants three to one. This is the number we've heard here at committee before. What is your ratio like?

Mr. Shawn Moore: We're such a small company we don't really have a ratio. Say, we took 10 trees to build a little project or 100 trees to build a cabin or something like that. We like to recognize our plantings as that. When we plant, we're typically planting with our smaller spade, a 36-inch root ball, so that's about a three and a half inch to four-inch trunk, which would be about a 12-foot tree. Then with our big 68-inch tree spade, we're planting in the neighbourhood of 20 to 25 feet tall, with a seven-inch trunk on that. We're putting back in the ground already ready-to-go, carbon-reducing trees, a larger size.

Mr. Ted Falk: Good.

I think I'm just about out of time, but I do want to thank you for the really good work you've done and for being a good steward of our resources.

The Chair: You are out of time, actually. Thanks.

Mr. Cannings.

Mr. Richard Cannings: Thank you both for being here. It's been very interesting.

I'm going to start with Mr. Matters.

I want to pick up again on the raw log exports, because it is an issue that I hear a lot about from British Columbia, especially Vancouver Island. The trouble, I think for us, is that this is primarily a provincial issue in most of Canada anyway, but I've also heard that there are federal angles to it, especially when the logs are taken off private lands. I wonder if you could expand on that and maybe give us a little more detail on why that.... I know that in British Columbia it used to be that forest companies that harvested the trees had to process them locally, and that went by the wayside, but that was a provincial decision. There are mills on Vancouver Island that want fibre but can't get it because the logs are going off.

I'm wondering if you could comment on what you think the federal government could do to alleviate this situation somewhat. What kinds of actions could we be taking?

Mr. Bob Matters: You're absolutely right, with respect to the exports. Most of the exports from the west coast are coming from private lands. Ironically, a lot of those private lands were initially held by public companies that had manufacturing facilities. They got access to those private lands way back when, most of it for railway. In terms of other private lands, there were always volumes that were attached to existing sawmills.

The provincial government of the day, after 2000, changed the requirements for tenure and allowed companies to change their tenure, sell their tenure, and even stratify their tenure, without having any public review processes.

I don't want to be trashing any particular company. The model was.... MacMillan Bloedel, as everybody knows, was a world leader in forest products. They had mills everywhere on Vancouver Island. They had some problems and they sold to Weyerhaeuser. When they sold to Weyerhaeuser, MacMillan Bloedel had their private lands and their public lands all feeding—this is what's critical—their own mills. Weyerhaeuser then spun off. With the government changing its regulations, they spun off their public lands and their private lands. The government regulations then allowed them to do, frankly, whatever they wanted with their private land volumes. With those private land volumes, the company started closing mills.

Now we have a third or a quarter of the mills we used to have. Pretty much the same volume is being harvested by the same players, if you go back and follow their heredity, but instead, they're harvesting it and exporting, because they closed their sawmills.

● (1710)

Mr. Richard Cannings: Perhaps I'll switch to softwood lumber and move away from that, as well.

I want to pick up on something that Mr. Bagnell said about the steelworkers in Washington, in the United States and Canada. I just have to say that when I went to Washington to talk to congressmen and senators about softwood lumber, it was the steelworkers who helped me make those political connections down there and who guided me through the maze of offices on Capitol Hill. They were very helpful, and I appreciate that.

One of the things about softwood lumber is that we can export some of these secondary products that we're talking about without being hit with the tariffs. I'm thinking of the engineered wood that other people have mentioned. You mentioned Structurlam. I assume it is at Chantiers Chibougamau—

Mr. Bob Matters: Yes.

Mr. Richard Cannings: —that is also steel.

I'm wondering what you thought of the prospect of federal government procurement policies that might incentivize or de-risk the expansion of that industry. It seems to be a very good way to move forward and not only export our lumber but also add value to it before we export it, whether it's to the United States or China.

Mr. Bob Matters: Those procurement policies that favour wood construction and innovative...whether it's mass timber or whatever, are critical for two reasons. One that's obvious is that it creates jobs in Canada. One that's less obvious I learned about when I was over last week. We were trying to get the Chinese to do certain things with our wood products, to build in a certain way that our building codes didn't actually allow in Canada. If we think these products are viable, and they are, it certainly makes sense that Canada would showcase those through their policies to show the rest of the world that, yes, they do work and it's a sound product. That way, we get a big lift also.

Mr. Richard Cannings: I'll move to Mr. Moore.

I want to thank you for your presentation, as well. Like Mr. Falk, I have an acre of land with trees that my father planted about 40 years ago, and I do a fair bit of logging off that. It's amazing how much wood you can get off a small lot like that.

What I find in my riding is that a lot of the forestry industry people talk about getting the best log to the best purpose. We lose that, I think, when we have the big companies that are set on just making two-by-fours or making paper. They're often using the wrong log for their purpose.

I'm wondering if you could comment on your model, on how that works, and perhaps on how you could expand that kind of model across the country.

● (1715)

Mr. Shawn Moore: When you want to go for a good cup of coffee, quick, cheap, and still have a great cup of coffee, Tim Hortons has that solution. If you pictured the Tim Hortons of the forestry industry, with a shop that you could step into to pick the right log for the right purpose and get a wonderful product out of it, that's what I envision. There's forest all across Canada, and we need these micro, very well-done franchises that we can figure out how the flow....

We've obviously had our challenges with our kiln and getting it up and running well. However, when you figure it out, if I can, as a tiny little company, cut a two-by-four on a small scale almost cost-effective to what I can buy it in the store, we could stop all these logs from going anywhere, and pick and choose where we send what value of each step of the process. That's what I envision with our little model.

Once we get it up and running effectively, it can be done over and over again within a couple of hundred miles. We can have lots of businesses. When you have a mass company, they only need a couple of clients to move large volumes. If you have a small business, it's attached to lots of other businesses and whatnot. Those logs and that product can easily be used up within a community. If you ask the city of Red Deer whether they could take six million board feet that a monstrous factory...it wouldn't even be in consideration.

It's the many different Subways or Tim Hortons of forest products all across Canada that I think would be a success.

The Chair: Thank you.

Mr. Hébert.

[*Translation*]

Mr. Richard Hébert (Lac-Saint-Jean, Lib.): Thank you, Mr. Chair.

I have a series of questions, and the first is for Mr. Matters.

I come from a big forestry region, Lac-Saint-Jean, which has the largest forested area in Quebec.

We know that secondary and tertiary processing are a possibility, but my question is about wood chips. Given the drop in demand for newsprint, companies have major surpluses of wood chips.

Mr. Matters, what new uses might be considered?

[*English*]

Mr. Bob Matters: I think the long-term future, the bioenergy and the bioeconomy that the previous speakers were talking about, has tremendous opportunities, not just in northern Quebec but all through the northern boreal, where the forest type is such that a two-by-four or a two-by-six aren't the primary end products.

In time, when we get the proper research and the proper experimentation done, those mills will have an outlet for those chips. I'm no expert, but I don't think there's going to be an outlet tomorrow.

[*Translation*]

Mr. Richard Hébert: Okay, thank you.

The next question is for my neighbour opposite. What are the difficulties in developing the secondary and tertiary transformation of wood?

[*English*]

What are the difficulties in transforming the second and the third transformation of the wood?

Mr. Shawn Moore: Sorry was that for me?

Mr. Richard Hébert: Yes, it's for you.

Do you want me to repeat it?

Mr. Shawn Moore: Yes, please.

Mr. Richard Hébert: What are the principal difficulties for the development of the second and the third transformation of the wood?

● (1720)

Mr. Shawn Moore: Our difficulties were in drying it and having the space to dry it properly.

In an urban application, you don't necessarily get the choice to harvest it at the proper time. You could be harvesting trees full of water, different species that have lots of water in them. When you go to extract large amounts of water, with green leaves and all that sort of stuff, you have to slow down the drying process or you risk devaluing the lumber.

It's the ability to slowly air-dry it first and then finish it off in the kiln, and having the space to do that. The process of cutting it is fairly easy. When you want to dump moisture and control your moisture because of taking it down in an inappropriate season, that's where we run into our challenges. It's a little longer drying process because of that.

[*Translation*]

Mr. Richard Hébert: Thank you.

Mr. Matters, how do you see the labour challenge in the future?

In the Saguenay—Lac-Saint-Jean, the problem is not a shortage of wood, but rather a shortage of workers. Outside the Produits forestiers Résolu company on Quen boulevard, right now there are signs advertising an urgent need for labour and that women are welcome.

What is your response to that?

[*English*]

Mr. Bob Matters: Unfortunately, we see it right across the country, to be honest with you. Particularly because of the economic downturn—I keep referring to 2006 to 2009—the forest industry has not had any great track record of having a few consecutive good years. Subsequently, employment was quite precarious unless you had been a very long-tenured employee. For a while, many claimed that the industry was dead and/or dying. The image of the industry for a long time was that it was not a place you wanted to be.

I think the industry has done a very good job recently of trying to change that. I know that they've been working with various agencies, both provincial and federal, to try to do that. Ironically, the problem we have today with softwood.... I know that it's hitting Quebec in particular, more than it's hitting anywhere else at this point in time. Despite that, I believe the future is great for the forest industry, for those companies that remain viable in the short term.

Mr. Richard Hébert: Thank you.

For my friend from Edmonton, what is the perspective for the future, for the emergence of products that could help the traditional forest enterprise be more diversified?

Mr. Shawn Moore: I'm not sure I understand your question.

[*Translation*]

Mr. Richard Hébert: I will repeat it in French.

What is the outlook and what emerging products could help traditional forestry companies diversify?

[*English*]

Mr. Shawn Moore: As I said, I think that if we process more of the lumber here.... I had a small forestry company that just took down trees. I had to add the next steps in house in order to be able to overcome some of my challenges, namely, keeping employees, versus the seasonality of logging or tree take-down.

Some of the solutions would be to add more of the processes, rather than just making the two-by-four. Make the two-by-four, and then take the two-by-four and turn it into something else within the industry to sell as a value-added product, not just as raw material.

We found from the take-down right up to building a high-end product and putting the tree in the ground, that we could keep the jobs and keep the guys busy. That was our best success—taking it to some of the further steps that we weren't doing. It takes five minutes to take down a tree. You have to take down a whole bunch of trees to survive the whole year; whereas a house takes six to eight months to build. That's where we found we could stay on site with a few trees, and we would be employed for a whole year.

● (1725)

The Chair: Thank you.

Next is Mr. Schmale for five minutes.

Mr. Jamie Schmale (Haliburton—Kawartha Lakes—Brock, CPC): Thank you, gentlemen. We appreciate your comments so far.

Mr. Matters, I would like to pick up where you left off. At the beginning of your statements, you were talking about exports from Finland or the EU into the United States. Can you expand a bit more as to why that is and what's causing that new market?

Mr. Bob Matters: Well the primary cause—and I know it was talked about in the earlier presentations—is that we're currently enjoying some fairly high lumber prices, record territories, in fact.

To countries like Finland, whose industry is really built around pulp and paper, lumber is—as some companies here might think—more of an input than a final product. The fact that we have the record high prices, the fact that the industry in Canada has diversified and has continued to try to diversify offshore does leave holes in the U.S. marketplace. These guys, because of the prices, are able to avail themselves of that.

One of the critical pieces in our ask during the softwood lumber negotiations is that if we're going to have a quota system—which we didn't support—we need to have a hot market trigger mechanism so that we can re-access the market if there's a demand. Obviously, there's a demand today. If the Europeans can bring lumber in, there's obviously a demand. All of us in this room know that the U.S. production facilities cannot meet their needs.

Mr. Jamie Schmale: As this softwood lumber dispute drags on and on, is there a fear that the U.S. businesses will get very used to the supply coming in from the EU, and maybe not need Canada as much?

Mr. Bob Matters: For dramatic reasons, I'd like to say yes, but in all honesty, the Europeans are being opportunistic because of the high prices. My suspicion is if markets normalize—whatever that means—that price advantage could very well disappear, but that does not take away from the fact that if we have a quota, we have to make sure we can access those hot markets at the same time as these other guys do.

Mr. Jamie Schmale: Are you looking forward to the text of a deal for the TPP to be released? Would that be of help to you in terms of diversifying markets? If you can access an Asian market with an economy of trillions of dollars and a growing middle class, depending on the wording, would that be of benefit to you if you're looking for ways to diversify?

Mr. Bob Matters: My obvious answer would have to be yes, if we can access that kind of marketplace duty-free. I say that with the backdrop of this industry, with support from FPI, from the provinces, and from the federal government, having done a wonderful job of opening up markets, particularly China. If they can grow what they want to do today with China, it's conceivable that there's going to be a day when we're not going to need to rely on the U.S. for our lumber products, except we will because they're closer and we're lazy. The industry is lazy—marketers....

Mr. Jamie Schmale: You'd be calling for talks to resume ASAP with the TPP. I'm glad to hear that. I worry that the U.S. sees the market with the EU, since they're doing business with them now, and is getting very comfortable, but I'm hoping we're able to gain that market back should things change.

You talked earlier about support for sawmills in Canada and that type of thing. Can you expand a bit more on that? It was somewhere in the middle of your statement. Government support for sawmills.... I think it was you who said that, Mr. Matters. I just wondered if you could clarify that a bit. What did you mean by government support for sawmills?

Mr. Bob Matters: It's things like what was mentioned earlier, procurement policies so that we in Canada can incentivize more purchasing of our products. Even more important than that, it's getting our primary industry to diversify a little more. Maybe “lazy” was not the appropriate word, but the industry is comfortable. Two-by-four manufacturers are comfortable making two-by-fours. Two-by-six guys are comfortable doing two-by-sixes. They don't necessarily like stepping out of bounds.

I have talked to a number of CEOs in the last three months, trying to convince them that instead of investing in the U.S., they should be investing in CLT operations here in Canada. That kind of support and that kind of investment in Canada is what's going to stabilize the industry on a long-term basis.

● (1730)

The Chair: We're going to have to stop there. We're right on time.

Gentlemen, thank you both very much for joining us today from here in Ottawa and from Edmonton. We're very grateful for your testimony. It will be a tremendous help to what we're doing here, so we appreciate it.

The meeting is adjourned.