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Policy Problems with Multi-Product Logging in Ontario

By A. J. HERRIDGE

Timber Branch
Ontario Department of Lands and Forests
Toronto, Ont.
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Abstract

The development of multi-product logging in Ontario has long been recognized as desirable for the forest economy as a whole. However, the growth of multi-product logging practice has been hindered by technical considerations in logging and transportation, by the resistance of organized labour to handling materials produced by non-union workers, and — most important — by constraints arising from the system of land tenure and timber licences. Flexibility and cooperation are needed among pulp and paper companies, other forest industries, and the provincial government.

Introduction

One of the most frequently quoted recommendations of the Ontario Royal Commission on Forestry in 1947 dealt with forest operating companies whose major objective would be to provide for the most efficient flow of forest products, — that is, integration. Integrated or multi-product logging is intended to mean the removal of more than one type of forest product in the form of roundwood from an area usually though not necessarily at the same time.

The following comments refer exclusively to the present situation in Ontario, the area in which the writer has worked, without implying that this area has any advantage or excellence with respect to integrated operations.

Historically in Ontario the pulp and paper industry and the sawmill industry developed independently and, originally, in physically separated locations. However, development of logging and milling equipment resulted in a changed situation. So much so, that in the early 1950's in the interests of integration, an attempt was made to define sawlogs by size. Where a stated number of these were located within a given area they were to be delivered to a sawmill.

Readers can well imagine the difficulties, both real and imagined, that could occur in attempting to enforce and implement such a policy on a pulpwood operation of the fifties. My purpose in referring to this incident is that it indicates the limitations of achieving integration through a specific directive.

Present Situation

Recent developments in sawmilling such as the canter-chipper and chip-n-saw have made an attempt at separating sawlogs and pulpwood, on the basis of a diameter limit, meaningless. Thus technological developments may force integration despite social and organizational resistance.

Indicative of the increasing inter-relationship — though not necessarily inter-dependence — of the lumber and pulp and paper industries, is the information in the following table showing the principal statistics on wood chip production and distribution in Ontario —

Year	1963	1964	1965	1966	1967	1968	1969
No. of Mills Producing Chips.....	40	44	50	54	61	75	75
Quantity B.D.T.....	264,815	325,853	411,505	438,749	530,792	670,764	700,255
No. of Mills Purchasing Chips.....	11	10	13	17	20	20	21

Present indications are that the total chip production will reach one million tons by 1975, an impressive growth rate.

The present growth rate has been achieved in the face of considerable difficulties. Lumber markets tend to fluctuate rapidly and adjustments in production cause irregularity in the flow of chips to dependent pulp mills. Conversely, sawmills that increase utilization, and profit levels, frequently have to ship chips long distances due to the reluctance of some pulp mills to reduce limit operations, install the necessary chip handling facilities and agree on a price.

Certain factors could be resolved by realistic bargaining by both parties. Amongst these are: the rationalization of chip transportation; long term contracts; a method of species separation, quality control and realistic pricing. Others, such as transportation costs and more importantly, the refusal of organized labour to permit the use of residual pulp logs produced on a non-union sawlog operation, involve third parties and thus complicate an already difficult position. The greatest area of criticism, however, has resulted from the systems of tenure available to industry in Ontario.

Licensing System

As noted earlier, the sawmill and pulp and paper industries originally developed in separate areas. It was only after the expansion of the sawmill industry into the boreal forest area and the greatly increased production of spruce and jackpine lumber that the problems of allocation of supplies became critical. With a few exceptions, timber licenses to the large pulp companies gave them rights to all species — generally white and black spruce, jackpine, poplar and white birch — on the area under licence. They were thus in a position to effectively control all logging on the licence area. With increasing demand for timber, a system of third party arrangements evolved a few years ago to permit more complete utilization of both species and volume.

Arrangements, subject to the approval of the Minister of Lands and Forests, are entered into by the original licensee and another party. These may take the form of an agreement, under which the original licensee remains responsible for all Crown charges; or a third party licence under which the original licensee is released from all liability and the Crown deals directly with the third party.

Normally the original licensee is permitted to make a charge per unit of volume utilized by the third party to cover costs such as management, administration, etc. It is frequently argued that such charges represent an unwarranted additional cost to the third party. Nevertheless, the number of third

party arrangements has tripled during the past three years.

In Ontario mills have been reluctant to establish without an assured area of supply — a timber licence. For a company utilizing a specialty or premium product such as poplar peelers, area licensing is not practical. However, the financial community appears to consider that a lack of a licence area indicates a weak supply base and company woods people do not like obtaining their basic wood supply from non-company areas. There have been several ways of meeting such problems: volume agreements; ministerial directives as to allocation of specialty products, agreements between companies and integration of industries.

A volume agreement between a company and the Crown ensures the company of a specified volume to be produced from within an agreed upon area in a Crown Management Unit. This can result as a by-product from an operation or the company can operate under a short term licence.

Under certain conditions the Minister may specify by letter, or by a clause in the licence, to the pulp and paper company that they provide a plywood plant with the first right of refusal on poplar veneer logs produced on the licence area.

In several cases the plywood firm and pulp and paper company have negotiated long term supply contracts without the involvement of the Department. These are not without problems. Veneer log specifications are demanding and it is sometimes difficult for pulp company woods labour to adjust operations. This is further complicated by incomplete inventories on poplar veneer. On the other hand veneer company operations on the pulp licence can lead to difficulties about scheduling the operations, use of roads, sale of residual pulp and requirements for unionization.

More recently several pulp and paper companies have installed or acquired large modern sawmills. These increase the utilization of the allowable cut and are integrated operations. It also results in large viable companies marketing substantial volumes of lumber in competition with the more marginal sawmill industry. Thus such "integration" is not necessarily desirable from the lumberman's point of view.

Conclusion

The arrangements noted above have permitted more efficient utilization of the forest resource of Ontario. They have permitted the development within the past ten to fifteen years of an important plywood industry operating without any substantial licence areas. A variety of arrangements has permitted a large volume of wood to reach the sawmill industry from pulp and paper licences while the

former has reciprocated with a large volume of chips for the pulp industry. In a very few cases the two industries have been integrated.

While Ontario does not have any major formula in the field of multi-product extraction, it has a flexible licensing system that does permit integration of operations. The systems noted may have some deficiencies that result in difficulties for one party, or both. Regardless of the difficulties, I believe the public sector is going to, and must, demand an increase in integrated operations.

This can be best achieved if the private sector realizes that the public sector is serious about this matter. Problems arising from the extraction of two products from the same licence area are, I suggest, best resolved in the private sector. As an example,

an equitable charge for the use of roads and sale of residual products is preferable to an imposed arbitrary price. Would not a private sector approach to the resolution of price disputes be preferable to some other alternative?

Forest operating companies were proposed in 1947 to achieve integration. The pressure for achieving this aim is much more widespread now than then. To the extent that private industry is able to demonstrate its willingness and ability to achieve this aim, I would question the need for creating the type of public company recommended.

I would hope these comments might lead to further views on this subject on the part of readers or members who are able to speak from other vantage points.

Shelterwood Felling in Late Successional Stands in Alberta's Rocky Mountain Subalpine Forest

By R. J. DAY

Faculty of Forestry
University of Toronto
Formerly
Department of Forestry and Rural Development
Calgary, Alberta
ODC 221.02

"The success of uniform shelterwood felling for the reproduction of spruce and fir results from the provision of abundant seed and adequate environments for germination and growth that are not subject to excessive heating and drying of the seedbed."

Abstract

The silviculture of the spruce-pine phase of the Alberta subalpine forest is discussed in relation to ecological problems and previous work.

A trial of uniform shelterwood felling combined with seedbed preparation is described and followed to the third year.

The abundant regeneration confirms the importance of shelter for spruce reproduction and suggests that practical methods be advised to provide it.

Progressive strip cutting with scarification is suggested.

La coupe progressive en Alberta dans les peuplements quasi-climatiques de la forêt subalpine des rocheuses.

Résumé

La pratique sylvicole dans des peuplements rendus au stade épinette-pin de la forêt subalpine de l'Alberta est décrite en tenant compte des problèmes écologiques et des travaux antérieurs.

Un essai de coupes progressives combinées à une préparation du site a été suivi durant trois ans.

L'abondance de la régénération confirme l'importance du couvert pour l'établissement de l'épinette et incite à rechercher des méthodes pratiques de s'en pourvoir.

Des coupes progressives par bandes combinées à la scarification sont proposées.

Introduction

The main source of timber on the eastern slope of the Southern Alberta Rockies has been the late successional lodgepole pine — hybrid spruce stands that followed fires 150 to 250 years ago (Day 1965). A pattern of successive periods of domination by lodgepole pine (*Pinus contorta* Dougl. var. *latifolia* Engelm.), hybrid spruce (*Picea glauca* (Moench) Voss. X. *P. engelmannii* Parry) and alpine fir (*Abies lasiocarpa* (Hook.) Nutt.) has characterized the changing structure of these stands after disturbance by fire (Horton 1956). The regular and uniform pioneer pine canopy is maintained by ingrowth from a spruce understory for periods exceeding 200 years. Eventually the sporadic death of the aging pine and weaker spruce dominants gradually release fir and spruce advanced reproduction and induce an irregular canopy structure. Ecologically, the succession progresses from even-aged pine, through broadly-aged pine-spruce to irregularly-aged spruce-fir or fir-spruce. The rate at which the succession progresses depends on the fertility of the environment. The extent to which the succession progresses depends on time limits set by fire