Emerging trends in Canadian forest policy¹

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Introduction

Forest Policy initiatives follow from desires to meet objectives. In Canada, where the vast bulk of the forest is publicly owned, politicians respond to their perception of the public's objectives in promulgating policy. Politicians react to complaints and complainants almost always are special interest groups seeking to impose their will on the rest of society and gain an advantage. U.S. countervailing claims against Canadian lumber are a case in point. Other interest groups are trying hard to limit the realisation of sustainable site productivity from Canadian forests. This paper considers how these initiatives are likely to fare in Canadian Society.

Policy review requires a framework against which to assess whether a given policy is likely to be beneficial or not.

The Future World of Timber

The consensus of informed analysts is coalescing around three notions:

- there is no general shortage of wood globally (only regionally)
- real timber prices will not rise much, if at all
- supply sources will become polarized in:
 - the boreal (where the opportunity cost of land is close to zero and natural succession produces trees at no cost)
 - the warmer, not too wet zones (where trees can be grown profitably as a crop. The eucalyptus and pine farmers in large measure).

This latter zone may be expanded in two ways:

- northwards as competitive short rotation trees are developed in the temperate zones (e.g., poplar)
- use of non-traditional fibre sources (not trees) for structural building materials. How these will contribute is not yet clear.

Global Policy Trends

Sustaining site productivity at the global level is a similar issue to that of timber production: regional problems, some irreversible, but no global crisis. It is self evident that, if trees are the natural vegetation on a site, then provided the productive potential of the soil is not impaired and quality water in sufficient quantity is available, denuded forest lands, given time, usually will grow new forest crops. And provided sources of forest flora and fauna are available, these too will be sustained and enhanced through the provision of more forest habitat. This is the situation through much of the boreal region (that portion likely to produce successive crops of marketable timber).

Although we are warned by the green autocracy, of the impending disasters attendant upon intensively managed plantations, as long as the hydrological integrity of these sites is not

destroyed, they are no worse off under tree crops than sitting idle after agricultural abandonment (it is on such lands where most of the new commercial plantations are established).

The mixture of species supported by the land in its best use is then the logical and acceptable biological outcome (i.e., biodiversity is not a real problem in the forest).

Freer Trade seems to be the order of the future.

Canada, a huge net exporter, will benefit provided we can compete on the production side. This is a challenge for our public policy makers in the forest sector.

Canadian Forestry in the World Scene

If the forgoing describes the future world of forestry, where does Canada fit in?

On the production side, we have somewhere between 150 million hectares and 300 million hectares of economically accessible, naturally forested land, with an opportunity cost of close to zero. Perhaps 100 million hectares is administratively available today.

Canada has a relatively small area of land, where intensively managed, short rotation tree crops can compete successfully (both for use of the land and in the international wood market).

Finally there is a large area, currently used for subsidized agriculture which may be more profitably used for agro-forestry or for growing non-woody crops for use in products that substitute for traditional forest products.

Our future as a supplier of timber or timber substitutes ought to be assured.

Appropriate Policy Directions for Canada

These general directions fit the world just described:

- allocate forest land to its best use (or combination of compatible uses) to maximize the net present value (NPV) of forest resource outputs.
- retain the productive potential of forest soils and water,
- promote regulatory directions that produce a net benefit to Canadian society.
- minimise costs of forest renewal and tending where financial rotations are long — say more than 25 years.
- dismantle Canadian trade barriers, both inter-provincially and at the international border. Do not raise new barricades.

Actual Forest Policy Trends

1. Land Allocation

Few provinces have come to grips with this politically charged issue.

The theory of Crown land use allocation is simple enough: allocate to the combination of mutually compatible uses that produces the highest NPV to the referent society. Unfortunately, there is not much information on market prices for the goods produced under some use categories e.g., hunting, sport fishing, recreation. And there is no market information for aesthetic, bequest, option and other intrinsic values.

The referent group is also problematic. Although it is usually local citizens that are most directly affected by local land

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allocation decisions, the residents of distant, often urban communities, even those in other countries, all demand a voice in the process.

The Crown owner must select from competing land uses with an incomplete knowledge base. In B.C., attempts to find true consensus amongst all interests have been doomed to fail because opposing ideologies that cannot ever reach real consensus were called upon to reach one. Unless extreme green views are marginalised, or the majority of voters are prepared to accept a significantly lower living standard, similar failures will occur in other provinces.

The B.C. Committee on Resources and the Environment (CORE) was established with good intentions. Unfortunately on Vancouver Island the conclusions were pre-selected by politically-appointed members of the green autocracy. The B.C. public will be living with the unintended consequences of this for some time. In the Cariboo, the communities took over the process from the green ideologues and a real compromise was achieved.

We suggest that provincial governments take the following approach to forest land allocation:

- select a fixed proportion of the province to be "protected" (in B.C. this is 12%) set rules for the selection of protected areas and work towards the target.
- select a target harvest for the province (based on government's economic expectations from the forest sector and the biological capacity of the forest).
- zone sufficient forest land as "primary use-timber production" to produce the target harvest in perpetuity.
- zone the balance of the forest as "multiple use-integrated resource management".
- establish procedures for demonstrating through an efficiency test, which areas within the integrated resource management zone could be assigned to uses other than timber production with benefit to provincial society as a whole.

2. Retain Productive Potential of Forest Land

In looking after the land and water the forest sector has not always behaved in keeping with its scientific knowledge. In some cases this has been a "tragedy of the commons" type of event. Without ownership there is no assigned responsibility for activities. In others, pursuit of one objective blinded the proponents to unintended consequences. For instance, the burning of slash in B.C. was done to reduce the likelihood of accidental wildfires spreading uncontrollably and destroying merchantable timber and real property. Practised indiscriminately, it also reduced soil productivity on certain sites.

The key in efficient regulation is to set suitable measurable standards to be achieved. All too often, regulators, failing to find an appropriate, measurable result, revert to "command and control" process that tells the operator how to do the job. This is the morass in which road building on Crown forest land has become entrapped in B.C. And, of course, every legislated procedure is open to legal challenge by those with money and a mind to deter industrial activity.

3. Regulations that Benefit Society

We have already been forced to compromise our ideals in allocating land uses. We are unlikely to do much better on publicly-owned lands in regulating the best mixture of products from our forests.

Regulations should produce a net benefit to society, but all too often regulations are just the government's response to some special interest group. After decades of reactive policy formulation, we find:

- conflicting policies entrenched in law.
- huge dissipation of rent (\$23/m³ in B.C. currently to no environmental benefit).
- many "free-riders" (special interest groups that do not pay for their privileges) e.g., tourism operators that tie up millions of dollars worth of timber in exchange for minimal net revenue contributions to society.
- government involvement at great cost in every phase of "how to" manage the forest.

From the viewpoint of economic efficiency we suggest that the effective way of managing Crown natural resources would be to:

- set firm, mutually compatible objectives.
- establish a rather lengthy period with limited regulatory change permitted.
- contract the achievement of objectives to the private sector.
- have government monitor the results (not the process by which they are achieved) and enforce the achievement of objectives.

In B.C. the Tree Farm Licence (TFL) system essentially functioned in this manner for almost 30 years with considerable success until politicians, responding to their perceptions of "public" desires, disrupted the balance by introducing regulations without consideration of their effects.

In Ontario, the fledgling SFL system seems threatened by endemic bureaucracy.

At the federal level the regulation attendant upon the environment has often been ill conceived, e.g.:

- the cost of meeting federal pulp mill effluent standards has far exceeded the environmental benefits.
- fisheries habitat has been protected, without regard to the costs and with no real attempt to measure the net benefits.
- the recently promulgated Endangered Species Act is similarly one-dimensional. For example, it requires the government to provide a recovery plan for any species threatened with extinction even though extinction (from Canada at least) may be the natural outcome of evolutionary succession.

We would urge governments at all levels to consider the costs and potential net benefits to society of any resource-focused legislation. The unintended consequences can be most damaging to society.

4. Invest in Forests Where Net Benefits are Likely

If we accept the assumptions of no real increase in timber prices, a long-term social discount rate of 4 percent and a public demand that harvested forests are renewed, then the calculus is not difficult. If rotations are long and site quality permits only slow growth (say 5 m³/ha year or less) then few investments beyond forest renewal are likely to produce a benefit. By and large our policies reflect this reality. The main exceptions have been policies that aim to reduce stocking. Often these will reduce future yield and value per hectare, i.e., they prevent realization of the sustainable site productivity of Canadian forests.

5. Dismantle Trade Barriers

We have not been too successful in dismantling trade barriers, either provincially or federally. Most of the arguments

for their retention involve special interests, or protecting the privileged. It is particularly hypocritical for Canada, a country so dependent on exports for its economic well-being, to persist with these policies. Why we continue to protect inefficient mills with regulation that guarantees their receipt of raw material and perpetuates their inefficiency, at a considerable cost to the public owner of the forest, is not rationally explicable.

Conclusions

Canada can have an important piece of the global forestry business. It would be foolish not to, given the unattractiveness

of the alternatives for most of our land base. And certainly the Canadian economy suffers needlessly if the sustainable productive capacity of our forests is not realised.

But the rewards are by no means assured. No globally-competitive forest sector has ever been developed in a welfare state, using publicly owned resources. Policies that avoid dissipation of rent are needed if Canada is not to be just a marginal supplier of forest products in all but the very best of economic times. Policy-making trends are not encouraging.