The Canadian forest products industry's emerging industrial model for sustainability

by Avrim Lazar¹

Over the last decade, the Canadian forest industry has evolved towards a new industrial model that acknowledges the interconnectivity of environment, economy and society. The emerging model rests on two pillars, “**Embracing Sustainability**” and “**New Partnerships with People and Communities**” that support a pro-active, scientifically driven approach to sustainable management and a flexible, collaborative attitude to stakeholder relations. It is based on increasingly sophisticated strategies that recognize the global and local influences on resource management, community requirements and consumer behaviour. Gradual, voluntary adoption of this model is improving environmental stewardship, strengthening industry's commitment to the social needs of partner communities, protecting economic investment and future profitability, and improving stakeholder relations in resource management. The factors influencing this evolving industrial model are both global and uniquely Canadian. By voluntarily investing in co-operative research and policy development, by advocating and adopting international standards and certification, and by adopting a corporate social responsibility framework, the Canadian forest products industry is pushing itself and other stakeholders to build a future based on environmental, social and economic sustainability.

Key words: Canadian forest industry, Forest Products Association of Canada, industrial model, corporate social responsibility, sustainability, communities, accountability, partnerships, environment, forestry, forest science, forest research

Au cours de la dernière décennie, l'industrie forestière canadienne a évolué vers un nouveau modèle industriel qui prend acte de l'interdépendance de l'environnement, de l'économie et de la société. Le modèle émergent repose sur deux piliers, « Faire place à la durabilité » et « Forger de nouveaux partenariats avec les gens et les collectivités » qui témoignent d'une approche prévenante et conforme aux avancées de la science et d'une attitude souple et coopérative dans les relations nouées avec tous les acteurs concernés. Cette démarche se fonde sur des stratégies de plus en plus élaborées et attentives aux influences qui s'exercent à l'échelle mondiale et locale sur la gestion des ressources, les exigences collectives et le comportement des consommateurs. L'adoption graduelle, volontaire de ce modèle améliore la gestion environnementale en renforçant l'engagement de l'industrie à l'égard des besoins sociaux des collectivités partenaires, dans le souci de protéger l'investissement économique et la rentabilité future et d'améliorer les relations avec les intervenants sur le plan de la gestion des ressources.

Les facteurs qui influent sur ce modèle industriel en transformation sont à la fois globaux et spécifiquement canadiens. En investissant volontairement dans la recherche coopérative et l'élaboration des politiques, en prônant et en adoptant les normes et la certification internationales dans un cadre admis de responsabilité sociale des entreprises, l'industrie canadienne des produits forestiers progresse et associe les intervenants à l'édification d'un avenir axé sur la durabilité environnementale, sociale et économique.

Mots-clés: Industrie forestière canadienne, Association des produits forestiers du Canada, Modèle industriel, Responsabilité sociale des entreprises, Durabilité, Collectivités, Responsabilité, Partenariats, Environnement, Foresterie, Sciences forestières, Recherche forestière

La industria forestal canadiense ha evolucionado en la última década hacia un nuevo modelo industrial que reconoce la interconectividad del medio ambiente, la economía y la sociedad. El modelo emergente se cimienta en dos pilares, “Adhesión a la sustentabilidad” y “Nuevas asociaciones con personas y comunidades” que son los que dan soporte a un enfoque proactivo, basado en los resultados de investigaciones científicas sobre manejo sustentable y en una actitud flexible, de colaboración en las relaciones con los diversos actores. El modelo está basado en estrategias cada vez más sofisticadas que reconocen las influencias mundiales y locales en la gestión de los recursos, las necesidades de la comunidad y el comportamiento de los consumidores. La adopción gradual, voluntaria de este modelo está mejorando la administración en asuntos del medio ambiente, fortaleciendo el compromiso de la industria con las necesidades sociales de las comunidades socias, protegiendo las inversiones económicas y la rentabilidad futura y mejorando las relaciones entre las partes interesadas en lo que respecta a la gestión de los recursos.

Los factores que inciden en este modelo industrial en evolución son al mismo tiempo de alcance mundial y únicamente canadienses. Invirtiendo voluntariamente en investigación cooperativa y desarrollo de políticas, propugnando y adoptando normas y certificación internacionales y adoptando un marco de responsabilidad social corporativa, la industria canadiense de productos forestales está empujándose e impulsando a otros interesados a construir un futuro cimentado en la sustentabilidad ambiental, social y económica.

Palabras claves: Industria forestal canadiense, Asociación de productos forestales de Canadá, Modelo industrial, Responsabilidad social corporativa, Sustentabilidad, Comunidades, Rendición de cuentas, Asociaciones Medio ambiente, Silvicultura, Ciencia forestal, Investigación forestal

Introduction

A global understanding of the link between sustainable life on Earth and healthy forests has evolved with stunning rapidity over the past decade. This new global consciousness has grown

from the confluence of emerging scientific, social, cultural and communications technologies that are now shaping our world-view of the forest in the 21st century.

In Canada, our understanding of the relationships between forest economies, forest ecologies and broader social and cultural values has led to significant changes and improvements in forest management practices over the past decade. The

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Canada that was built on a vision of endless forest resources requiring little stewardship and yielding unlimited prosperity has changed.

Today, Canada's forest products producers are beginning an industrial revolution based on a new vision for its forests—one that is built on a solid understanding of the links between environment, economy and society, one that approaches forest management as a global, national and community responsibility. The corporate social responsibility model being created by the forest products industry is a pro-active framework that is both scientifically driven and collaborative in its relationships with stakeholders, communities and governments.

The Canadian forest products industry knows that sustainable stewardship is good business. Forest products companies have learned—in sometimes painful lessons—that partnerships work better than protests, that it has to grow a tree to harvest a tree, and that the community of consumers is global, informed, and watching. Further, only a modern, healthy, dynamic workplace can attract the skilled workforce required to be competitive internationally.

Canada's forest sector is at the forefront of innovation. This paper touches on several key issues that this industry is addressing, with a focus on two areas; **"Embracing Sustainability"** and **"New Partnerships with People and Communities."** These two areas of innovation provide the evidence that fundamental changes in the knowledge base and expectations of consumers and citizens demand a new industrial model with profound implications for forest sector companies, governments and other stakeholders.

Towards a New Industrial Model

The evolution of Canada's forestry sector undoubtedly reflects changes that are driven by global factors, while others are closely tied to the unique Canadian situation. To consider how Canada's forestry sector is moving towards a new industrial model, it is helpful to capture some of the distinguishing features of the situation:

- 94% of Canada's forests are publicly owned (Neave *et al.* 2002);
- federal/provincial jurisdictions overlap—sometimes creating duplication;
- the forest products industry is the single largest contributor to Canada's economy, representing 3% of GDP (PwC 2002);
- the industry employs approximately one million Canadians in 1200 communities across the country (PwC 2002);
- Canada's share of world pulp and paper exports is now about 32%, yet Canadian companies are relatively small on a global scale—Canada's largest forest products firm is one tenth the size of the world's largest firm (FPAC 2002b).

For over a century, Canada has thrived on the economic contributions of its forests. But competition has required the industry to move beyond the natural advantages offered by Canada's abundant resource base.

In a country where the forest resource base is largely publicly owned, in a climate of increasing government and citizen/consumer scrutiny, and at a time when global communications make international comparisons nearly instantaneous, an industrial model that meets these challenges head-on is imperative.

There is no single policy, program or initiative taken by the Canadian industry or by a Canadian government that decrees a new industrial model for Canada's forestry sector. Howev-

er, armed with an important range of innovations—the National Forest Strategy and a clear focus on Embracing Sustainability and New Partnerships with People and Communities—a strong case can be made that both among individual companies and at the national level, Canada's forest products industry is well on its way towards a new industrial model.

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Embracing Sustainability Sustainable management of the forest and beyond

Less than 4% of all Canadian forests have ever been converted to agriculture or urban development (CCFM 2000). Canada harvests less than one quarter of 1% of its forests annually, and actively pursues an aggressive program of forest regeneration. Canada maintains the largest area of protected forest on the planet, more than Sweden, Finland, the UK, Germany and Russia combined. Indeed, added together, Canada's protected forests would completely cover Germany [World Resource 2000 -2001, Data tables; The World Resources Institute; Earth Trends Searchable Database, "Forest Extent, non-tropical forest, protected area", June 25 2003 (www.earthtrends.wri.org)].

Canadians are justifiably proud of this record, especially when Canada is also one of the world's largest producers of high-quality forest products.

Evolution of the regulatory framework

This duality of significant conservation and high production is no accident. A key driver is Canada's complex legislative and policy framework, which places forest-related economic activity within the context of a publicly owned national resource. Ninety-four percent of Canada's forests are publicly owned, and Canada's forestry and forest conservation laws are among the toughest in the world.

Significantly, forest management is mainly within the provincial jurisdiction. In every Canadian jurisdiction, for instance, the law requires that harvested areas be promptly regenerated. An average of approximately 650 million trees (CCFM 2002) is planted every year. Provincial legislation provides for other key measures, such as strong protections for riparian buffers, sensitive wildlife habitats such as raptor nests and heron rookeries, and requirements for sustainable Annual Allowable Cuts (AACs). In addition, Canadian forest companies present their forest development plans for public review, and consult with a wide variety of land users, such as hunters, trappers, recreational users and other industries.

Science at the service of sustainability

Canada's governments, researchers and industry have worked together and in co-operation with the world on a number of groundbreaking processes and policies to improve forest stewardship, including biodiversity. Examples include:

- In 1992, the Canadian Forest Service launched the Model Forest Program, the world's largest study in sustainable forestry. Today there are 11 "learning forests" across the country where industry, environmental

groups, communities, aboriginal peoples and governments work collaboratively on the 9.4 million hectares in the program. Today, Chile, Japan, Mexico, Russia and the United States are implementing their own Model Forest programs, and Canada continues to share results of the program with the world.

- In 1995, the Canadian Government first provided funding to the Sustainable Forest Management Network. Based at the University of Alberta, the SFM Network has over 55 partners including 23 Canadian Universities, 12 forestry companies, 5 provincial governments, 4 First Nations and 1 non-government organization. The Network provides internationally recognized interdisciplinary research to meet today's and future needs in sustainable forest management. To date, more than 200 graduate students have completed their research, and over 100 researchers and 200 graduate students are currently involved in research projects.
- In 1995, Canada hosted the United Nations-sponsored Working Group on criteria and indicators for the conservation and sustainable management of temperate and boreal forests. The resulting Montreal Process led to a made-for-Canada set of more than 80 criteria and indicators that have been approved by the Canadian Council of Forest Ministers, and offers detailed guidance to the industry on the conservation of biodiversity, soil and water quality, ecosystem health, contributions to global ecological cycles, and socio-economic and cultural values.

Actions by Canada's federal and provincial governments in pursuit of sustainable forestry practices are themselves a reflection of the rising expectations of consumer-citizens. Canada's policy and regulatory frameworks have a critical impact on the health of the industry and its capacity to adopt more sustainable practices.

In the fall of 2002, the Organization for Economic Co-operation and Development (OECD) published one of a series of national reports considering regulatory systems and their impact on economic growth. The OECD found Canada's regulatory system is "one of the most transparent in the world," lauding the key role played by public consultations. One other significant characteristic of the Canadian system, according to the OECD study, was its leadership as an innovator in regulatory systems (OECD 2002).

Policy and regulatory frameworks such as these have worked well in providing the guidance and requirements for the Canadian industry to improve its sustainable forest management practices. Between 1988 and 1998, the Canadian industry's forest management expenditures nearly tripled, and over the last 10 years, cumulative spending on forest management totalled \$24.3 billion.

According to a 1999 Statistics Canada study on technology adoption in Canadian manufacturing, the forest sector is one of the top five of integrating high tech equipment into the work environment. The advanced technology purchases of the sector exceed those of the Canadian automotive, aerospace, metal, transport, and chemical sectors combined (Sabourin and Beckstead 1999).

While the Canadian forest products industry is mindful of the importance of the regulatory framework, and a determined contributor to its ongoing evolution, it continues to work with its government partners in pursuit of further improvement. The federal and provincial governments have overlapping areas of jurisdiction that frequently contribute to delays, uncer-

tainty and unintended consequences. The Canadian industry continues to promote greater clarity in the delineation of federal and provincial roles, a streamlining of accounting and reporting requirements, and a move from the command and control approach to a results-based system.

Voluntary actions: Industrial leadership in investment and certification

While these policy and regulatory frameworks are important drivers for industrial investment in sustainable management practices, it is significant to note the industry's track record of voluntary commitment to sustainability.

The Canadian industry voluntarily invests both time and money in policy development and research:

- The Forest Products Association of Canada worked with conservation and industry groups, such as the Sierra Club of Canada, Canadian Wildlife Federation, Canadian Nature Federation, and with the Mining Association of Canada to develop Species at Risk legislation: a long-term collaborative effort that began in 1998, and culminated in the passage of new legislation in Canada's House of Commons in June, 2003.

The industry, together with government, co-operatively funds three research institutes for technological and environmental improvement: the Forest Engineering Research Institute of Canada (FERIC), which focuses on silviculture, transportation, and forest harvesting practices and technologies; FORINTEK (Forest Industry Technology), which is a leading force in the technological advancement of the Canadian wood products industry; and the Pulp and Paper Research Institute of Canada (PAPRICAN), whose research addresses critical technical needs in the areas of the environment, product quality and cost competitiveness through research into subjects ranging from environmental impact, pulping, fibre supply and fibre quality, and even engineering.

Accountability, transparency and standardization are essential tools in the global search for sustainability, and third-party audited certification to internationally recognized standards is one of the best mechanisms to achieve them.

Since 2001, Canada and its forest product producers have worked to certify over 126 million hectares of (third party) certified forestland to one of the following standards: ISO, the Canadian Standards Association (CSA), the Sustainable Forestry Initiative (SFI), and the Forest Stewardship Council (FSC). That's more than the landmass of Norway, Finland and Sweden combined. As the national industry association, FPAC and its members are voluntarily setting the certification bar higher. In one of Canada's boldest industrial sustainability strategies, FPAC in 2002 committed all its members to third party, audited certification to internationally recognized sustainable forest management standards by 2006 (FPAC 2002a). Canada is the only major forest nation whose national forest products association has made third party verification to a forest-specific standard a condition of association membership.

Interest convergence = sustainable management

The evolution of sustainable forest management regulation and practices in Canada is driven by the shared values of both industry and government and their relationship with their respective stakeholders. Both parties need to sustain the long-term economic stability of the resource and both value the acceptance of the citizen-consumer. As a result, a largely co-operative relationship between government and industry is evi-

dent in many processes, and industry is providing strategic leadership in sustainability initiatives.

New Partnerships with People and Communities

Change drivers

The change dynamic that has driven innovation and investment in new sustainability practices also impacts the forest products industry's external relationships.

The emerging understanding of the triangulation of interests between government, industry and citizen/consumer/community is changing decision-making processes. Governments make resource allocation and management decisions, mindful that they are accountable to an increasingly informed citizenry. Industry understands that those same citizens are also informed consumers. The citizen-consumer's ability to influence both market and political outcomes has increased enormously with the advent of more sophisticated global communications and more organized interest groups.

Citizens, consumers, workers, aboriginal people, industry and governments all share a need to manage the resource, the economy and the community for long-term stability. The shared values of sustainability are the change drivers that both increase conflict and offer a framework for resolution.

Producers of Canadian forest products are—of necessity—taking risks and experimenting with new accountability and public consultation models. The industry has rejected old confrontational models that led to historic battles such as the stand-off in British Columbia's Clayoquot Sound in the early 1990s. There, forest companies, communities, government, Aboriginals, environmental groups and citizens were pitted against each other in a dispute that led to Canada's largest-ever civil disobedience experience, in which over 800 people were arrested. That experience, among others, was a catalyst for all stakeholders to find better solutions. The recent joint solution achieved among industry, government, Environmental Non Governmental Organizations (ENGOS) and First Nations for the management and conservation of the BC mid-coast is an excellent example of this new approach. The process of healing those communities and finding new models to work together continues, having produced some positive outcomes in the forest products sector.

Evidence of change

Over the past decade, the search for better models of sustainable management and public engagement has been articulated at the macro and micro levels across the country. Large-scale strategies, such as the National Forest Strategy, and individual acts of trust and co-operation have led to a decade of creative mechanisms to "do better":

- Public engagement in resource planning and management is now the norm in Canada. Across the country, forest products producers are now working closely with the public on nearly every aspect of resource management, with certification's requirement for public involvement and reporting spurring on this trend.
- In the 11 Model Forests across the country, industry is committing time, expertise and resources to find collaborative models and new ideas for forest management. In these experiments, industry relinquishes its traditional roles and works co-operatively with government, communities, First Nations, researchers and environmental groups.

- Almost 80% of Canada's aboriginal people live in forested regions. By engaging them in forest management and production, the industry has gained new insights into traditional uses, and the cultural and spiritual values of the resource base. Incorporating this knowledge into formal forest management plans is now standard practice in Canada (Neave *et al.* 2002).
- Many forest companies are exploring new economic relationships with aboriginal people in an effort to build community trust and stability through economic capacity building. Over 50 new business partnerships worth hundreds of millions of dollars have been established between Aboriginal Canadians and forest companies in the past five years. Many of these projects are linked to the Canadian government's First Nations Forestry Program, which has trained approximately 4000 First Nations workers since 1996 (Natural Resources Canada 2001).
- FPAC members are committed to being a world leader in environmentally sustainable manufacturing and forestry practices, and a model of social and corporate responsibility. This is linked to a policy of public disclosure and public consultation in the belief that good information will lead to better decision-making. The association tracks its member companies' environmental performance to measure the industry's collective progress. For years, Forest Products Association of Canada (FPAC) member companies have voluntarily opened their doors to the public to invite scrutiny of their mills and forest operations in over 115 different public tours across the country. This Open Doors Outreach Program is matched by an industry-produced Web site that offers virtual tours and educational products. In addition, 70% of FPAC's member companies offer public environmental reports, and 20% have citizen advisory panels.

The practice of openness and respectful engagement between industry, government, aboriginal peoples, citizens, communities and interest groups is challenging, but it is yielding positive results for all groups. The positive outcomes for industry ensure that it is more than just a willing partner in the exercise, but also an advocate for change.

A new relationship model – Multilateral CSR

The Canadian forest products industry is demonstrating increasing acceptance of new definitions of corporate social responsibility (CSR), and making the strategic link between **sustainability, stakeholder engagement and market acceptance**. The evolving paradigm moves forest companies along the CSR continuum:

- **Unilateral CSR**—where companies assume a significant degree of control over their operating environment and policies and act accordingly, within their value structures.
- **Bilateral CSR**—where companies understand they operate in a complex environment with issues that are critical to business success but largely outside the company's control, and companies respond strategically by seeking alliances with diverse interests.
- **Multilateral CSR**—where it is understood that the issues facing industry are sufficiently complex and interdependent so that strategies, internal capabilities, corporate structures and power must shift to achieve business goals (Coady 2002).

Recognizing the potential for conflict over resource management issues, industry and stakeholders have led the way in investing into promising experiments in decision-making. A case in point is the process underway in British Columbia's north and central coast, where previously improbable alliances between forest companies, First Nations, government and environmental groups have resulted in reduced conflict and multilateral decision-making.

All parties recognized a new model was imperative because:

- Industry and ENGOs understood that neither side could win a long-term conflict, but both could be harmed.
- ENGOs did not have sufficient credibility within the province to unilaterally determine management of the resource.
- Industry and government did not have sufficient credibility outside the province to unilaterally determine conservation and management plans.

Overall recognition of this dynamic is leading to an ongoing dialogue between industry, communities, first nations, government and environmental groups. Indeed, while significant challenges remain, this more collaborative model holds promise for the future: the expectation is that there will no longer be a winner and loser in a battle to control development, but that a balance will be struck that meets some—if not all—of each party's interests.

New Direction

There are new standards of behaviour for industry, ENGOs and governments. The struggle of the Canadian forestry sector to adapt to the changing marketplace and public expectations has certainly not been without casualties, false starts and confrontations. However, the case can be made that over the past decade the Canadian industry has made a major start towards building a more dynamic and stable base for future growth.

Ten years ago a headline involving the Canadian forestry sector was almost invariably triggered by an environmental confrontation. Today's headlines are far more likely to cast the Canadian forestry sector in a more positive light, as an innovator in environmental stewardship or industrial relations.

The Canadian forest products industry's new industrial model is not merely a command-driven response to regulatory

frameworks, but incorporates a sophisticated understanding of the global, national and local interests linking economic, environmental and social issues.

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