



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on Natural Resources

RNNR • NUMBER 049 • 2nd SESSION • 41st PARLIAMENT

EVIDENCE

Thursday, February 26, 2015

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Chair

Mr. Leon Benoit

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• (1535)

[English]

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

We're here to continue our study on the renewal of Canada's forest industry. This study was started as a follow-up to a report tabled by this committee in June 2008. We spent a number of meetings working with the industry, with a considerable number of witnesses, to come up with what the industry thought would be a logical blueprint to move the industry ahead. This is the follow-up meeting to evaluate that, to see where the industry is today, and what's expected in the years ahead.

With that small introduction, I'm delighted to say we have four witnesses, all of them here with us today, which is very unusual nowadays. We tend to have a number by video conference, but thank you all for being here today.

We have with us, from the Assembly of First Nations' Chiefs in New Brunswick Incorporated, Cecelia Brooks, research director, indigenous knowledge; and Luke deMarsh, research coordinator. We have from the Maritime Lumber Bureau, Diana Blenkhorn, president and chief executive officer. From J.D. Irving, Limited, we have James D. Irving, co-chief executive officer; and from Medway Community Forest Co-op, William Martin, chair.

I see we have Blake Brunsdon from J.D. Irving, Limited, at the table as well.

Welcome, everyone, and thank you for coming.

We'll start the meeting with the presentations from each group for up to seven minutes, and then we'll get to the usual questions and comments from members.

We'll go in the order that you're listed on the agenda today, starting with, from the Assembly of First Nations' Chiefs in New Brunswick Incorporated, Cecelia Brooks, research director, indigenous knowledge. You can share the time between the two of you as long as you get it done in around seven minutes.

Go ahead, please, with your presentation. Thank you again for being here.

Ms. Cecelia Brooks (Research Director, Indigenous Knowledge, Assembly of First Nations' Chiefs in New Brunswick Inc.):
Thank you.

First the assembly would like to address these guiding themes that were set up by the committee for this study on the renewal of

Canada's forest industry. However, we note with concern that the limits on the presentations hamper our ability to fully address the specific themes that this committee has proposed. Further, we insist that any government policy or legislation arising from the work of the committee regarding forestry must comply with the legal duties of the crown to consult with and accommodate first nations. In addition, the crown must comply with the legal burden of justification required of it due to the fact that the Mi'kmaq and the Maliseet/Wolastoqiyik people have a number of court-affirmed rights.

On the first guiding theme of sector and market diversification, the committee states that it is particularly interested in learning about the renewal of the Canada-U.S. softwood lumber agreement. The assembly's view is that the softwood lumber agreement was developed without input from first nations and is an example of the crown's failure to consult aboriginal peoples and accommodate their rights and interests. If it is to be renewed, first nations must be directly involved in that process from the earliest stages.

The forest industry across Canada is often provided by the crown with a wide range of subsidies that are contrary to international law and that are unconstitutional. Some of these subsidies include rights subsidies. In many jurisdictions, aboriginal and treaty rights are unlawfully impacted by forest legislation, policy, and practice. This is most recently evident in the release of the 2014 Alward government's New Brunswick forest strategy and the subsequent signing of the MOUs with forest companies. These actions have taken place without consultation and accommodation, and have not been justified as required by law. Further, we note that federal legislation and policy in relation to forests and the forest industry is also flawed.

Another subsidy is environmental subsidies. Despite improvements in some provinces, it remains true that in many jurisdictions forestry practices harm fauna and flora, habitat, biodiversity, and human health.

The final subsidy that I'll talk about is the financial subsidies. The assembly is concerned that the above-noted forest management MOUs and any resulting agreements might be construed as providing financial benefits to the industry, which could be contrary to the purpose of the Canada-U.S. softwood lumber agreement.

On the theme of regional economic development, the committee says that it wishes to hear from aboriginal organizations regarding the impact of forest products on the peoples and economies of Atlantic Canada. The assembly is very interested in full participation in a sustainable forest industry.

I will set out our view of sustainability, but first I want to briefly deal with the current problems of access to the forest industry for first nations. Also, please keep in mind that six of the 10 poorest postal codes in Canada are first nations communities in New Brunswick. The historic exclusion of first nations from a viable forest economy has abetted that poverty. Recent attempts to address such exclusion have had negligible positive results, and dramatic change is absolutely necessary.

There are a number of reasons for the historic and continuing exclusion of first nations from meaningful participation in the forest industry and the manufacturing of forest products. Sadly these reasons include systemic and even direct racism, which essentially bars inclusion for many first nations members. There are cultural values conflicts and misunderstandings that inhibit inclusion. More than a century of federal and provincial policies promoting the assimilation of aboriginal peoples is another fundamental reason for lack of participation in the industry.

These problems are exacerbated in the Atlantic region, and in particular in New Brunswick where aboriginal peoples do not have the same access to forest tenure and to training and programs that exist in other parts of Canada, such as British Columbia.

For many decades, the industry itself has received all manner of government subsidies of various kinds that have made it fully reliant on Canadian citizens who are not only asked to pay for government handouts to industry for the development of plants, infrastructure, and other things, and for the many operational costs associated with the manufacture of forest products, but also to pick up the costs tied to market fluctuations, mill closures, and environmental damage.

• (1540)

At the same time, government programs, including federal programs that could assist aboriginal peoples to participate in the industry, either do not exist—for instance, the terminated first nations forestry program—or are underfunded, not coordinated, and difficult to access.

In 2013 the assembly produced a literature review. We'll provide a copy of this review to the committee. A key finding of this study was the need to expand the view of the forest industry and forest-related education beyond timber extraction and related activities. The cultural values of first nations are often not in sync with these endeavours. Instead, educational support and training should be moved toward industries such as non-timber forest products.

The first nations harvesting agreements in New Brunswick, established in 2002, which assign approximately 5% of the annual allowable cut to first nations, are not leading to meaningful inclusion in the forest industry, nor are they allowing for forestry practices that first nations believe are environmentally sustainable. This lack of inclusion comes with many negative consequences, including poor economic growth for first nations, and indeed, for the provincial and federal economies. Poverty is an unnecessary and exorbitant cost for everyone.

On the final guiding theme of strategic innovation, the committee states that it is particularly interested in initiatives that correspond to a number of sub-themes, including those that contribute to the development of Canada's bio-economy, maintain the future health

and sustainability of Canada's forests, and optimize the value of forest resources.

A brief outline of our view of sustainable forest development is that we believe that all natural resource development must be sustainable. Natural resources are an integral part of the traditional lands and waters of the Mi'kmaq and Maliseet/Wolastoqiyik peoples of New Brunswick. Those resources belong to Mother Earth. We may use them, but we are also their custodians. Natural resources are not simply here for the taking. Rather, they must be managed carefully so as to provide benefits today while guaranteeing the rights and needs of generations to come. This requires truly sustainable development.

There are four pillars to this sustainable development: environmental sustainability, social sustainability, cultural sustainability, and economic sustainability. Each pillar supports the others. They must be kept in balance. The Mi'kmaq and Maliseet peoples are committed to the cultural, social, and spiritual importance of lands, waters, and natural resources. We lay out the 10 specific goals in our 2010 "Statement on Policy For the Wabanaki Forest". We believe that these goals will improve the forest industry. We will provide that document to the committee as well.

But we would also like to offer solutions. The solutions include our proposal to establish partnerships to develop and implement education curricula and training programs for first nations members regarding all aspects of the forest and our relationship with the Wabanaki forest. This includes academic, technical, and professional education of all types. Such education and training initiatives should be in accord with the Mi'kmaq and Wolastoqiyik values and provide meaningful career opportunities at all levels of forest management and development for our peoples. Education and training should be reflective of our culture and our rights. This goal is also in the earliest of stages of dialogue that we hope will lead to significant change.

In conclusion, the assembly thanks the committee for this opportunity to appear and make a presentation. We ask you to consider that the forest is the Creator's environmental manager. It provides habitat for numerous species. It is a home for animate and inanimate beings. It cleans and protects the air and the waters for all of us.

The assembly and the Mi'kmaq and Maliseet peoples do not oppose development in the forestry resources; however, that development must be truly sustainable and in accordance with our treaty relationship and our rights. Consequently, we must be fully involved in that development and in the drafting and implementation of legislation and policy related to it.

We are very interested in establishing new and more environmentally sound ways of developing forest resources. This applies to both the timber and the non-timber resources of the forest. We are very interested in working collaboratively with other aboriginal peoples, the general public, the crown, and the stakeholders, including the forest industry. We look forward to substantive positive change and ensuring that we leave a healthy and productive forest for future generations.

Thank you.

• (1545)

The Chair: Thank you for your presentation, Ms. Brooks.

We will go now to Diana Blenkhorn, president and chief executive officer of the Maritime Lumber Bureau.

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

Ms. Diana Blenkhorn (President and Chief Executive Officer, Maritime Lumber Bureau): Thank you very much.

I'd like to begin by thanking you and the balance of the committee for the opportunity to appear here on behalf of the Maritime Lumber Bureau.

The MLB was founded in 1938 and for the past 75-plus years has represented the market access interests of our members who are located throughout the four Atlantic provinces. There are numerous areas in which we believe the Atlantic region is unique as compared to the rest of Canada, but one of those particular areas is that the provinces are members of the MLB and we are partners on most activities. Through the provincial memberships, the services provided by the Maritime Lumber Bureau are generally available to many producers in the Atlantic region.

Because the principal area of the MLB's representation is focused on producers of softwood lumber, my comments will be particularly representative of that sector. On occasion, I may reference the entire forest products sector in the Atlantic region, because, as you well know, all sectors are linked, but the focus of my remarks will be softwood lumber producers.

I will also focus directly on two of the three themes in your area of study: sector and market diversification, and regional economic development.

Your third area of study, strategic innovation, is supported by the Maritime Lumber Bureau and the provincial governments in the Atlantic region, but the proprietary projects are best outlined by the individual companies or the province-specific forestry associations.

I will begin with a few comments on regional economic development. I believe that you were all provided with two slides earlier today. The first is a bar chart produced by the Forest Products Association of Canada. It demonstrates the Atlantic region's dependency on the forest sector. New Brunswick is second only to British Columbia in the sector's contribution to the provincial GDP. British Columbia contributes 3.5% and New Brunswick, 2.3%. The contribution of Nova Scotia is only two-tenths of a per cent behind Alberta's, and is equal to Ontario's.

To put this into context, according to StatsCan, the population of British Columbia is 83.7% greater than that of New Brunswick.

Alberta's population is 77.1% greater than that of Nova Scotia, and Ontario's is 93% greater. I raise this fact because it's imperative that our elected representatives understand that we are not in a competition to determine who is most important. However, it's critical to demonstrate that the health of the forest products sector is essential to national and regional economies in Canada.

The forest products sector is a significant contributor to the economy in the Atlantic region. It is one of the largest employers of technology in Canada, indeed, in the Atlantic region. It's also a major employer, with over 600,000 individuals across the country. I would be remiss if I did not read into the record some factual information on employment relative to the wood products industry in Atlantic Canada.

According to NRCan, in 2012 the industry employed roughly 27,000 people directly and indirectly, and the breakdown is as follows. In New Brunswick it's 11,900 directly and 4,165 indirectly. In Nova Scotia it's 5,400 directly and 1,890 indirectly. In Newfoundland and Labrador it's 1,900 directly and 665 indirectly, and in P.E.I. it's 600 directly and 210 indirectly. That totals 26,730.

It is a generally accepted principle that over 70% of these jobs are located in rural areas and support 3.1 additional jobs in the local service stations, banks, restaurants, etc. If you accept that across the country there were 85,400 forest industry jobs lost between 2006 and 2009 and that the Atlantic region represents approximately 4.5% of the Canadian total employees, then the sector in the Atlantic region directly employed approximately 3,800 fewer people in 2014 than it did in 2006. This has resulted in a shortage of skilled labour and woods workers.

• (1550)

The labour shortage is a major challenge in securing a positive future for the sector in Atlantic Canada. The map that has been distributed to you demonstrates the impact of market conditions on the sawmilling sector in the Atlantic region. The map marks the number of active sawmills in the region in 2006, 2009, and 2012. The MLB had a sawmill membership base of 140 mills in 2003. When the bottom fell out of the U.S. market in 2006, our sawmill membership base dropped to about 52 sawmills. Counties within the region lost their entire population of sawmills, and with it the related numbers of employees.

The region's production has recovered by 47% from 2009 to 2014, although the number of producing facilities has levelled out at approximately 62. Although production may increase slightly if there is available wood supply, we do not envision any increase in the number of operating sawmills. The likelihood of a full recovery to 2006 production levels and the region's prevailing views on the future of the 2006-2015 softwood lumber agreement are directly related to the competitive position of softwood lumber producers within the region and with other producers of like products in North America.

This is a good segue to the second theme you asked me to speak on today, which is sector and market diversification. The downside of single market dependency has been exemplified by the impact on the Atlantic region's producers, and the economy in general, first in 1993, when the EU market was lost owing to phytosanitary barriers to trade, and again in 2006, when the U.S. market collapsed, owing to several economic factors, but directly related to the loss of housing starts due to the subprime mortgage crisis and the strength of the Canadian dollar at that time.

The effects of the U.S. market collapse on the Atlantic sawmilling region can be observed in the map referenced earlier. In 2004, Atlantic Canada shipped an all-time high of 1,836,837,000 foot board measure to the United States. This was 80.3% of total production. In 2009, this volume dropped off to approximately 700 million foot board measure, a 1.1 billion board foot or 62% decline, and today we ship to the U.S. approximately 72% of our total production, which is now 1.5 billion.

Recognizing the necessity of market diversification as a protection against single market forces, the region has invested in increased domestic consumption of locally produced wood products. The Atlantic Wood WORKS! project is industry-led and funded with additional federal and provincial funding of a project focused on expanding the use of wood in non-residential construction and increasing the permissible building height for wooden structures from four to six storeys. I note in the information you provided that you had hoped we'd talk to up to 10 storeys, but we have to get six in our building code first, and then we'll go to 10. We've also invested in export studies targeting non-traditional market opportunities where the region is well placed geographically to supply the demand, again on a competitive basis.

The Atlantic Wood WORKS! project completes a national presence of the Canadian Wood Council's Wood WORKS! initiative. It has offices in B.C., Alberta, Ontario, Quebec, and now Atlantic Canada. The project targets architects, engineers, and influencers to ensure that where wood can be specified within the limitations of the building code of Canada and the provisions of alternative solutions, it is.

Our deliverable since the project was conceived in 2011 has been an increase of 2% in domestic consumption as a percentage of total production. We have met or exceeded this target. It is important that any increase in wood use in the Atlantic region benefits producers of the products within the region. As we have just completed our fourth year of operations, this is a project that has already demonstrated returns on the modest investment.

Finally, we were asked to comment on the renewal of the Canada-U.S. softwood lumber agreement. In my opening remarks I mentioned that there are several areas where Atlantic Canada is unique compared with the rest of Canada.

• (1555)

In Canada 93% of timber is owned principally by the provincial governments, and stumpage is set by the governments using various administrative formulas. It is the difference in timber ownership that has set Atlantic Canada apart from the treatment of the rest of Canada in each of the trade disputes, negotiation and litigation, from 1986 to the current agreement—29 years. In the Maritimes, based on

current data, approximately 67% of all softwood lumber production is generated from private land.

Since 1987 the Atlantic region has been excluded from any trade remedy imposed against the rest of Canada through either litigation or negotiated settlement in the ongoing softwood lumber wars. As stated previously, this is largely owing to the unique circumstances relative to land ownership in the region.

Should the softwood lumber agreement expire on October 12 and be followed by litigation or a different negotiated settlement, the Maritime Lumber Bureau has a stated objective of securing exclusion for Atlantic Canada from managed trade, which is defined as any measure imposed by agreement or litigation that results in quotas, taxes, and duties, while at the same time ensuring the competitiveness of the Atlantic region's softwood lumber industry. Owing to the large volumes of private land-supplied raw material for the production of softwood lumber, Atlantic Canada has the highest wood costs in the country. Our ability to be competitive and continue to contribute to the economic well-being of the region is one of the greatest challenges in determining the renewal of our region's forest sector.

Despite the numerous challenges that have emerged during the last decade, the forest sector in the Atlantic region has demonstrated that ours is not a sunset industry. We have accepted numerous challenges and we have emerged, after a great deal of industrial rationalization, as a sunrise sector. Much work remains, particularly in the area of competitiveness and market diversification.

I'd like to close, though, with a quote from Winston Churchill, "There is nothing wrong in change, if it is in the right direction."

Thank you for the invitation to appear before this committee.

The Chair: Thank you very much, Ms. Blenkhorn, for your presentation.

We will go now to J.D. Irving, Limited, and to James D. Irving, co-chief executive officer.

Mr. Brunson, if you're involved in the presentation, that's fine.

Go ahead, please, Mr. Irving, for up to seven minutes or so.

Mr. James D. Irving (Co-Chief Executive Officer, J.D. Irving, Limited): Mr. Chairman and members of the committee, good afternoon. We're pleased to be here, on behalf of J.D. Irving, Limited, to participate in this panel.

I'm accompanied by Mr. Blake Brunson, our chief forester. He came along this afternoon to give me a hand if there were any questions I couldn't really answer on the forestry side of things.

Before I try to answer your questions, which we received in your request, I'll give you a little bit of background about J.D. Irving, Limited. We're in different businesses, but the forest products business is an important business to us. We've been at it since 1882, a long time, down in the Maritimes predominantly. We're perhaps a substantial player in a very small part of Canada, that being the Maritimes. But on a global basis, we're a very small company, and it's a global world we're all living in and competing in today.

Just by way of background, our New Brunswick jobs, direct and indirect across the province, are about 7,500. In direct and indirect employment, the income is about \$464 million. Our New Brunswick wages are approximately 73% above the provincial average. In Nova Scotia we have 362 direct and indirect jobs, about \$19 million in direct and indirect income. In Ontario we have 340 full-time equivalents, and about \$34 million in wages. These are 2013 numbers.

In terms of suppliers—because I think this is important—in New Brunswick we have about 1,700 over 250 communities, with an annual purchase of about \$425 million. The majority, over 80%, are small enterprises with less than 20 employees. For Nova Scotia suppliers it would be \$20 million. That's just by way of a bit of background.

In 2014 we made the biggest forestry announcement in Canada since 1993: a \$513-million capital upgrade and modernization to a number of our facilities. That was recognized by the Royal Bank of Canada, the Conference Board of Canada, and the Atlantic Provinces Economic Council as having a very positive impact on the 2015 economic forecast in GDP for the province of New Brunswick.

Before I get into our thoughts on the opportunities and recommendations you've asked for, I'll respond to your request regarding J.D. Irving's view on the softwood lumber agreement, the SLA. As Diana said, we support the maritime exclusion, but we do not support the current agreement in its present form. Our Canadian competitors are not paying any duties, and the Maritimes, as Diana said, is paying the highest stumpage rates in Canada, 40% higher than most other jurisdictions. It's a substantial penalty to us; stumpage, or royalties, if you will, represent about 40% to 45% of the value of timber.

But we think there are opportunities. As Diana mentioned here, there has been about a 45% reduction in the Canadian exports to the U.S. since 2006. That's substantial. Where Canada shipped about 19.5 billion board feet to the U.S. market, today in 2014 it's about 10.8 billion board feet. Perhaps there might be an opportunity to create a different solution at this time.

We think the federal government should be proactive on this file rather than wind up in litigation. Canada has a lot of experience at this...as the industry players and the association folks. A lot of money has been spent, and time and energy wasted, on litigation. At the end of the day, we'll wind up in a negotiated settlement, I would assume. We should try to prevent a protracted and expensive legal battle, if we can afford it, but come to a deal with the United States that we can live with. We would like to see the federal government be proactive in that endeavour. It takes leadership to make it happen, to pull it together.

With regard to strengthening the future—I'll try to answer some of the questions from you folks in terms of input on the future of the forest products business here in Canada—one is value-added. We need to add value to our products. That's no secret. We need to add value to our timber. We have one of the largest forests in the world after Russia—I guess we're number two—so we have a great resource, but we have to add value from our trees.

● (1600)

In our business, we go from the tree all the way to the consumer shelf. I'll show you this box of Royale tissue. This is made in New Brunswick and our Toronto plant, but basically it is just about 100% from New Brunswick trees, both hardwood and softwood. The packaging that this cardboard box is shipped in and the pallet it's shipped to the market in are from logs that go through sawmills, which produce chips that go through a pulp mill, get converted into jumbo rolls of tissue, and are converted into retail packaging, and then there are all the jobs associated with that. It's a great success story for Canada. It's one that we can do and be competitive in if we have the will to compete and to make the investment.

As I said, it adds about 35 times the value of a tree when you get to this box versus the raw timber. If we were to load those logs on a truck and ship them to the United States or on a boat as they do in some parts of the Pacific northwest... We've added substantial jobs and value. For us, as we've said, it's over 7,300 direct and indirect jobs in our forestry business.

Take milk as an example. I'm going from memory on this, and I'm a little bit vague on it, but we did the comparison. Take milk at the farm gate. It's roughly three times in value from the farm gate to the grocery shelf. For potatoes that are made into french fries, at the retail position it's about six to seven times the value. That gives you a relative comparison for the value of a raw product versus a finished product and what it does for us.

Also, it's an integration of communities and manufacturing. A great number of different operations are impacted by what we're doing. That's on the value-added side.

Training and education is a critical part. We think that training is primarily an industry responsibility, with support in the training efforts. As a company in the forestry business, we spend about \$5 million a year of our own money in training and education for forestry operations. We think this is a critical part. We'll have a recommendation for you on that at the conclusion of these remarks.

On doing things right environmentally, we have to be right. There is no substitute for that. We have to be right. Our customers hold us to account, our employees hold us to account, the communities hold us to account, and we hold ourselves to account. We're proud of that record. We have third party certification. We have about 150 professional forestry management people on our staff

We also have partnerships. Some examples include watercourse and habitat protection. They are priorities for us, but our doing it and saying it are not enough. We have partnerships with the Atlantic Salmon Federation, the Miramichi Salmon Association, the Canadian Rivers Institute, and Ducks Unlimited, just to name a few. We're partnering on how to make things better, and they are active partnerships.

We have award-winning voluntary conservation programs with 1,155 unique sites on our timberland. We're very active on that. Also, we're the major partner for the maritime provinces with the Nature Conservancy of Canada in areas set aside for reserves and unique areas.

We spend about \$20 million a year of our own money on silviculture activities—planting, thinning the land, and managing the timber—because it's a sustainable resource and we have to look after it. You have to walk the talk. We plant approximately 50 million trees a year on our own land—our own money and our own trees on our own land—to make sure the job gets done properly. It's very good work.

We have a voluntary scientific advisory committee. We've had that since 1998. It's made up of senior academics and the deans of a number of maritime universities and the University of Maine. They come every summer with third party graduate students. They're there to scrutinize the management. We're managing our land intensively—that's how we keep our costs down and how we are competitive—but we have to be environmentally right. They come and they scrutinize our business on the ground. We've had a lot of information that's published in peer-reviewed science, which we're proud of, but we have to be proactive and progressive and not run away from criticism. We have to face it head-on and get the facts.

With respect to climate change, a couple of years ago we employed a UNB independent scientist who mapped our carbon footprint in our value chain, right from the tree all the way to the box of tissue. We found out that we are a net carbon sink, which is very good, and that was internationally published and recognized by the National Round Table on the Environment and the Economy. That's the first time it's been done from the seed to the shelf, as we say, so we think that's a great thing. It's a good news story about trees and forest products for Canada. The forestry business is a renewable natural resource, and we should treat it as such.

• (1605)

We're planning for the long term. Blake and his organization are looking 80 years down the road on what the cycles are going to be in our forests. We want to do it right and we can do it right.

Research and innovation are very important for all of us in Canada. I'd like to give you a few snapshots of things we are doing as examples of what can be done, because we don't talk enough about it. We spend about \$2 million of our own money every year and then it's leveraged into partnerships with other groups. An example, CFS, the Canadian Forest Service, one of your federal government organizations, has been a good partner in modelling applications of lidar. If you're not familiar with lidar, it's the latest technology. It's like an MRI that gives you topography and geography, and it's a great measurement tool. It's a game-changer. So we're partnering with CFS and Leading Edge Geomatics in

Fredericton. We're doing world-class research with CFS and our other partner in Fredericton about the forestry application of lidar.

Forest modelling, inventory modelling research in Fredericton with Remsoft, a New Brunswick company, they've been a strategic partner in the fuelling of inventory of forests—when you harvest trees, and so on—and this technology has now been sold around the world. They're viewed as the world leader in that technology.

We have our forestry lab in Sussex, where we have international patents from discovery to commercialization, which is important. It is important, I think, that the research be commercial in nature, if it's good. On the endophyte discovery for budworm resistant trees, it's great to have patents on this type of thing coming from New Brunswick.

People don't thank the federal government very often, and we'd like to thank them for their IFIT program. It's an investment in forest innovation and technology. It's helped us and other companies innovate, and that's a well-run program that we think Canada is getting good value from. It helped address some of our challenges and improve our competitiveness.

The federal government has also been proactive in partnering with the eastern region, the maritime provinces, on early intervention in the spruce budworm program. That's a 2014 program using the best technology and changing the way we attack a forest pest, which has been a big debilitating bug for eastern Canada for a long time.

In summary, before we come to the recommendations, we have to understand that we have to be competitive. We live in a fiercely competitive global market. It's not an academic exercise. This is hardball business, and Canada has the scars to prove it, as a lot of jurisdictions do, with the mill closures across the country. So the forest industry needs a stable economic wood supply and innovation to be able to stay ahead. But we need to know where the wood supply is coming from, recognizing that's provincial jurisdiction, but nonetheless if we're not competitive, it affects Canada as a country. Wood and energy costs are 40% to 60% of any mill's costs. You go to Brazil today, and they will grow a tree 60 feet tall in six years, rule of thumb. We will grow a tree in New Brunswick 60 feet tall, and it will take us 35 to 40 years, if we have great success and everything's going well. So that's the competition. We have better quality trees, different quality trees, but nonetheless volume is important.

The forest products business is not a dead business. Segments are certainly under intense competition, like printing, newsprint, and printing and writing grades of paper. We were in the newsprint business 15 years ago; we got out of it. We went on to make value-added paper for *People* magazine and *Sports Illustrated*, and such publications, by deciding that we were going to compete, invest the capital, and move forward, and it can be done. But printing and writing grades, no question about it, are under pressure. Market pulp is a growing segment used in tissue and all kinds of flexible packaging, from hospital gowns to grocery bags, a growing segment that is increasing in value. All types of packaging are continuing to grow with the growth of the Internet, the shipping through Amazon and their packaging, and so on. Other segments are growing, so there are opportunities if we invest properly.

● (1610)

In closing, we have some recommendations. First, we would ask the federal government to continue the accelerated capital cost allowance. This was an effort that was put in by Mr. Jim Flaherty in 2013. It's due to expire in 2016. This allows for accelerated depreciation. Simply what it means is that for tax purposes we can write off our capital equipment, capital expense, in two years, rather than a protracted time. It allows us against taxable income to reduce that bill. Those dollars can be put towards capital investments, which are essential. If we're going to compete in the global market, we have to capitalize our industries. Canada, I would say, is lagging in that regard. We're behind. We're not spending enough capital to keep up.

Second, on the training point, we'd ask that the federal government allow the flexibility so if you're on EI you could be on a training program. As I said, we spend \$5 million a year training. However, we might pay for the training course and the equipment that's involved, and so on, but the individual can't afford to get trained because he gets disallowed if he's on EI. We say if he's on EI and getting a new career and moving forward in life, why not? Let's get him skilled up to do something productive. In our forestry, for example, the jobs are \$45,000- to \$50,000-a-year jobs. You can drive a truck, drive a piece of logging equipment, or do something else. We need that skilled labour. Diana mentioned that. We have a shortage of labour. We want to train people, but they shouldn't be penalized so that they can lose their EI benefits because they're taking up training.

There's a lot of talk of a possible national energy strategy amongst the provinces. We think there maybe should be a national forestry strategy. We think that's quite important. We're a bit lost on leadership, we think. In every province forestry's a provincial jurisdiction, but there's nobody pulling us all together. We have some common problems in this country on this one. We'd like to bring the three pillars together on that. We have the economic, the environmental, and the communities, and they're all interwoven on this one. We think that perhaps the opportunity is to have the industry and government, and universities as the place, perhaps, to do the work.

We have some very good universities in this country, but from my perspective—and I could be wrong, I can't speak for the rest of Canada—and I just get what I hear anecdotally, but I can certainly vouch for the Maritimes that we don't have the analytical capacity inside government that recognizes what's going on globally, what's

happening environmentally, what are best practices. We need some hub where money gets in—if it's universities that's fine—to do it. But it's practical, very practical, results-based forestry. It should be a partnership. The money shouldn't just come from the federal government to the universities and it's gone, has no value. It should be a partnership between the provinces, the federal government, and industry. Industry should have money into it so we're helping drive the agenda, all with a focus of how we're going to be competitive. We need practical, timely, and results-based information.

In closing, we have to understand that being competitive is one of the reasons why we've lost so many jobs. We're just not competitive, from a policy perspective, from training, from investment. The money moves. Unfortunately, it leaves. We're Maritimers. We're Canadians. This is home and we'll fight as hard as anybody to make our business go. I think that's demonstrated through products like this and having a great group of men and women. But we can't drag a boat anchor of, I would say, misinformation. Too much political policy, as far as we're concerned, gets decided without the facts, and we really need these results to be fact-based so that we can compete.

Thank you very much.

● (1615)

The Chair: Thank you for your presentation, Mr. Irving.

We go now to Medway Community Forest Co-op, William Martin, chair.

Go ahead, please, sir, with your presentation.

Mr. William Martin (Chair, Medway Community Forest Co-operative): Thank you very much for the invitation to appear before this committee. I really appreciate the inclusion of a business like ours in a discussion on the renewal of Canada's forest industry.

The Medway Community Forest Co-op is a new business venture, piloting community-based forestry management in Nova Scotia. We are the first community forest in the Atlantic region. Just so people know what a community forest is, it's based on four key principles: that there be direct governance by the community over the land base, that the lands be managed for multiple values, that the economic benefits of managing those lands stay within the community, and that they be managed under the highest standards of environmental sustainability.

Our co-op has been established and we've been given licence to an area, initially of about 37,000 acres of public land in Nova Scotia, which we will manage for timber production, recreation, and a range of other community benefits. We are also building our business to provide services to private woodlot owners, adding much-needed capacity for good forestry in the local area. We are working to innovate a new business model that can support multiple values in the forest and create community benefits over the long term.

On the themes presented here for discussion, I would start with the discussion on regional economic benefit.

I would like to encourage this committee to recognize the importance of supporting a diversified products industry, both large scale and within smaller localized markets. Working at different scales is a potential source of resiliency for forestry-dependent communities. This is particularly true in jurisdictions with a high percentage of private land, like Nova Scotia, where 70% of the wood supply for Nova Scotia's forest industry comes from private land.

Resource management needs are very different on a landscape of family woodlots than they are on large blocks of crown land. Supply chains are more fragmented, and operational capacity needs to be flexible and right-sized to each job. Although this can be a challenge, it also supports opportunities to capture added value in niche markets and create significant employment through many smaller local businesses.

The Government of Canada has played an important role in this space in the past by investing in private land silviculture programs, model forests, and forest management group ventures. In a renewal of the Canadian forest industry, these types of investments would have significant benefit in our region.

On the topic of strategic innovation, I would again encourage a broadening of the perspective. When innovation is discussed, there is a tendency to focus solely on product or process innovations. While these are, of course, essential, in the context of our business, I would also argue that social innovation is critically important.

Public debate and scrutiny over resource management exerts tremendous influence on the development of our industries. We are only seeing increasing levels of public pressure on forestry companies and governments in Canada, and this is certainly reflected in the current experience in our region.

When I talk of social innovation, what I'm referring to is the need for new thinking on how we effectively engage the public and stakeholder groups in resource management. Effective engagement means achieving practical results that are beyond special interests. It also means willingness to collaborate across diverse perspectives. We do not have a strong practice of genuine consultation, let alone collaboration, on resources issues. In forestry, we have seen how poorly handled engagement results in entrenchment of views on all sides of the issues.

The Government of Canada has an opportunity to show leadership in genuine and effective engagement in resource management. For renewal and growth in the forest industry, we need to see better collaboration with aboriginal communities, stakeholder groups, and the broader public. In our business as a community forest, we are

certainly working hard to innovate in this type of collaboration, and we'll be happy to share our learning as we go.

Also on strategic innovation, the health and sustainability of our forest must be a primary focus in any renewal of the sector. While many issues are dealt with regionally by individual provinces, the federal government can play a vital role on difficult issues within our working forests, such as species at risk, protected areas, and large intact forest landscapes.

• (1620)

Innovation is needed in these areas too. What are the practices and management strategies that will allow our forest industry to flourish while not compromising the health of the ecosystems we depend on? How can we design mills, products, and harvest capacity to match the diversity of the forests we manage? The Government of Canada can support research in these areas, show leadership in hosting multi-stakeholder forums, and promote third party certification systems like the Forest Stewardship Council.

In closing, I would like to reiterate that the renewal of the forest industry in Canada will depend on a broadening of perspectives and innovation from some unlikely sources. We need to test new business models, host each other in new types of dialogue, and work from a value proposition based on the health of our ecosystems and the communities that depend on them. I firmly believe that if we work together to innovate in these areas, they will become the very source of a global competitive advantage for the Canadian forest industry, rather than a perceived risk or impediment to our industry's growth.

Thank you very much.

The Chair: Thank you very much, Mr. Martin, for your presentation.

You've heard I think a diverse group of presentations from our eastern panel today. I would remind members that we had some discussions at the start of the meeting, and we will have to set half an hour aside at the end of this meeting to deal with some issues, including the motions that Ms. Duncan gave notice of at the last meeting and other future business issues. We'll thus have an abbreviated question and comment period.

Mr. Leef, go ahead, please. You have up to seven minutes, sir.

• (1625)

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

Thank you to all our witnesses. There are some interesting points here. I'm not an expert in forestry, and I'm certainly not an expert in Atlantic Canada, being as far west as you can possibly get from your neck of the woods. I'm up in the Yukon Territory.

Mr. Irving, you raised an interesting point around the royalties, their being 45% higher than in other provinces. I have familiarity with resource revenue-sharing agreements in a different vein, more on the mining front in the Yukon. How are those royalties allocated in New Brunswick? Do they go back to the province and then back into the industry? Do you know if there's a resource revenue-sharing agreement on that front?

Mr. James D. Irving: No, that's what's paid to the province for the value of the timber. The province uses that to fund their various programs or whatever they're doing with the money. That's what is charged for the trees.

Mr. Ryan Leef: So it's a general coffers return.

Mr. James D. Irving: It goes into general revenue, yes.

Mr. Ryan Leef: Okay. That's interesting to know.

This is for Mr. Martin or Mr. Irving. I was thinking about the Canadian brand, and Mr. Martin talked about niche markets. What are those niche markets, if they're out there? Is there a Canadian brand cachet that could allow us to get at those niche markets, that might help us realize some higher pricing with lower volume? Is that possible or...?

The Chair: Go ahead, please, Mr. Martin.

Mr. William Martin: One of the issues we're trying to address in the community forest is that, actually, rather than us necessarily anticipating what all those niche markets are, we want to make sure that the available wood supply is flexible and available so that businesses can develop around those niche markets.

One thing we're piloting in Nova Scotia is an open-tender bid process on wood volume coming from crown lands. It sounds like a simple idea, but it actually isn't traditionally what has been used in the maritime provinces. That will mean, then, that someone with a great business idea for one of those niche markets all of a sudden has direct access to the crown land supply, where previously they would have had to work through one of the established dominant players on that crown land supply chain. It's one of the pieces of our business that we're working with.

Just to give a tangible example—this is a very niche product, and very hard to source—I work in supplying guitar tops out of high-quality red spruce, which grows in the eastern part of Canada. We're talking about a piece of wood that fits in an envelope being worth \$150.

Mr. Ryan Leef: That's a good example.

Mr. William Martin: It's a really niche product, but you only get guitar tops from old-growth forests, so the sustainability of your management has to be very strong.

Mr. Ryan Leef: I was seeing if that was the kind of example that was out there. Like I said, I'm not an expert. You make assumptions. There are probably a lot of products kicking around day to day that you just don't realize are coming from Canadian forests.

Mr. Irving, you were talking about the importance of training in one of your recommendations. We see some of those existing investments, and I'm speaking again from a northern context. Our Red Seal trade programs are working very well. We've invested in the underground mining training program, Centre for Northern

Innovation in Mining, up in the Yukon. That's a good model, supported and then funded by the Government of Canada.

Is that the kind of idea you're thinking about in terms of recommendations to the federal government coming in with industry-paired support? I guess one of the challenges is that training investment should also dovetail nicely with the available jobs in the market.

In that vein, what are the job prospects now? Are there lots of open and available jobs? Is that something where governments would say there's a major gap? If we just support the skills shortage in this field, we could take tremendous advantage of that through either colleges or industry training.

• (1630)

Mr. James D. Irving: If you permit me, I'll just answer complementary to the answer on the value-added.

There's no question about value-added. There would be things that are very niche-specific, like guitar tops or something like that, a very specific niche market that has a lot of value. But if you want to take a tree, there are all kinds of products in that tree. There are wood chips and there is lumber, and there's all kinds of value. The unfortunate part is that the bulk of the tree can't be used for something as specific as a guitar top, so how do you create value out of the whole tree? To do that, some of the businesses have to be very globally competitive, like pulp or paper for tissue, because we have global competition.

To me, if there's one thing we should keep focused on in Canada it's how we compete globally if we're going to have high-paying jobs that pay the taxes and support all the infrastructure we have. We don't talk about it enough at the provincial level; I don't think we talk about it enough at the federal level.

We'll have very good niche things and they are very important; we should develop those markets. But the bulk of the value and economic activity has to come out of things we have to be globally competitive on. At the end of the day, it's going to be about item and price, quality—very fundamental principles.

As far as the training goes, we don't have the answer to that. We just tell you what we see. We spend a lot of money on training. We partner with the community college on the hard trade skills: pipefitters, welders, those types of things. We have a shortage of skilled labour like a lot of places in Canada, but we can't get enough basic things like truck drivers, where the job is \$40,000 to \$50,000 a year. They are very difficult to get, even though we run about a \$30-million line of credit.

You come in. You went to school. You got your truck driver's licence. The bank's not going to finance you because you don't have any credit, and so on. We'll go on the note for 25%, 50%, 75%, to make sure the individual can get the right piece of gear because we have to have the best gear. We have to be technology sophisticated and fuel efficient, and all of those other things. We'll do that, but we find it very disturbing that the individual can't go and get his EI funding while he's learning a new skill. We think that's contrary to being smart.

Industry should pay their share because otherwise we find the money gets squandered in programs that are not really good value.

There are different ways to come at it.

Mr. Ryan Leef: Super. Those are good points.

Thank you.

The Chair: Thank you, Mr. Leef. Your time is up.

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

Go ahead, please.

Mr. John Rafferty (Thunder Bay—Rainy River, NDP): Thank you very much, Chair.

Thanks to all of you for being here today.

Mr. Irving, I was pleasantly surprised to hear your call for a national forest strategy. I've been calling for one since 2009, as forestry critic for the NDP. Without sounding too partisan, I've been stonewalled for the last six years with the Conservative government on my call for a national strategy, so I'm glad to hear you say that, and perhaps the other side will take note.

I understand that relationships, for lack of a better phrase, are not good between first nations in New Brunswick, private enterprises, and various levels of government.

My question is for Ms. Brooks or Mr. deMarsh, or both. What role do you see or envision the federal government playing in resolving the serious and outstanding issues? What role can the federal government play?

The Chair: Go ahead, Mr. deMarsh.

Mr. Luke deMarsh (Research Co-ordinator, Assembly of First Nations' Chiefs in New Brunswick Inc.): Thank you.

I think we see, as Ms. Brooks mentioned earlier, the attention to support for first nations. One thing I'm seeing as a connection between our presentation and Mr. Irving's presentation is that there is a job shortage in skilled labour. This is something, in particular, that first nations.... Poverty is a major issue. So how can we connect these things up? There's something they need. There's something first nations need. What kind of increase in funding can be put into those areas?

The literature review that Cecelia mentioned in her presentation was one of the things we looked at. There are training programs, such as truck driving, that have been tried across the country for first nations. Some specific cultural awareness seems to be needed as part of these programs, to make them successful. There need to be things that are specific to communities, which we're not thinking about in

the general context. It's, I think, very important to say that each community is very distinct.

Often people talk about a pan-first nation approach. Within New Brunswick we have 15 first nations. Cecelia and I have spent a lot of time travelling to these communities. In each of the communities there are unique things that need to be thought about, so...people and a support system for those things to really happen. Child care—these things are major issues in first nations communities. How can training programs take these things into consideration?

• (1635)

Mr. John Rafferty: Actually, I'm glad that both of you, and also Mr. Irving, talked about training.

Earlier we heard from a witness from British Columbia who spoke of the success of his organization and of having a pilot project for aboriginal youth. The project was funded by the province and a private industry partner. The provincial government provides the funds for the education, while the private partner provides summer jobs and mentoring for students. The modules of this program covered everything from forest technician to skilled trades training for the forestry sector, to forestry management and forestry business, that sort of thing.

Would this sort of program be welcomed by first nations in New Brunswick? Can you envision the federal government playing an active role in such an initiative?

Perhaps Mr. Irving might want to comment on this, too.

Ms. Cecelia Brooks: Yes, I think that what Mr. deMarsh is talking about needs to be considered as being foremost.

We had a program, the first nations forestry program, where there were subsidies paid to hire first nations, and there was training. The sad part was that, once the subsidies were taken away, the jobs weren't there. The last individual who was working on that said there was one individual who still had a job, and I think he was driving a truck.

It's a cultural shift that we need to see. We need to have education, and not on just one end, where we're educating first nations in the various fields. We need to have a cultural awareness with the industry, as well.

Mr. John Rafferty: This isn't a dating site, but Mr. Irving, I wonder if you'd like to comment on this.

The B.C. example had a private industry partner. Is this the sort of thing—you were talking about shortages—the sort of programming you or other private partners might be interested in?

Mr. James D. Irving: Yes. I don't know what has gone on in B.C.

Anybody who wants to work and is dedicated to it...how do we facilitate that? We're spending our own money to train people. If the aboriginal community has folks who want to go at it, get on board, come with us, and work at this. We're wide open in that regard.

We do job fairs. I don't know where we are today, but I know we've posted online with the aboriginal community about our jobs, and so on and so forth. We're running a very competitive business. We need folks who say, "Yes, I'm willing to commit and I want to get on board." That's great, and away we go.

Mr. John Rafferty: I probably have only one more question left. It's about the softwood lumber agreement.

We've heard differing things from witnesses. We had some witnesses from the western part of Canada who thought the status quo was fine—if nothing happens and the agreement just continues, that's good.

You have a different opinion, Mr. Irving.

I wonder if Ms. Brooks or Mr. deMarsh could just expand a little bit. I didn't quite understand what you said about your views on the softwood lumber agreement. I wonder if you could just expand a little bit on that. I heard you say that consultation was needed.

Ms. Cecelia Brooks: Yes.

Mr. John Rafferty: But what else?

Mr. Luke deMarsh: In reference to the briefing note, I think we're talking about full consultation with first nations. In our New Brunswick context, the 2014 provincial strategy has just been released. This is something that first nations were not fully involved with. It's leading to a major shift forward in the forest industry, and we did not have proper consultation in that process.

That's an area where we feel the rights of first nations in terms of the duty to consult were not put in place the way they should have been.

Mr. John Rafferty: Are you expecting—

The Chair: Sorry, Mr. Rafferty. You're out of time.

We'll go to Mr. Regan for up to seven minutes.

Hon. Geoff Regan (Halifax West, Lib.): Sorry, Mr. Rafferty.

Voices: Oh, oh!

Hon. Geoff Regan: Thanks very much, Mr. Chairman.

Let me turn to you, Ms. Brooks. Perhaps you'll want to answer both this question and the other one and do Mr. Rafferty that favour.

When you speak of wanting to move to non-timber forest products, can you lay out for me what you foresee in that regard? What kinds of products do you have in mind?

• (1640)

Ms. Cecelia Brooks: B.C. is a really good model, I think. It's a very large province, of course, and there's a lot more land there. We see potential in New Brunswick in the hardwood forests and the more diverse forests, but not the farm trees. You can't get mushrooms to grow in these tree farms. Certain mushrooms will grow; I shouldn't say none. But we look at mushrooms as being a potential industry. We look at nutraceuticals. We look at some of the essential oils that are extracted and being used elsewhere. I mean, the essential oils industry can be expanded upon without even cutting the trees, right? It comes from the leaves, the needles, things like that.

Of course, if you look at non-timber forest products, we're talking about ecotourism as well. That has a large potential for expansion. We have some folks who are working out of the communities and in the first nations communities who are just doing some guiding, but we don't have a huge industry there any longer. It used to be, long ago, there was a lot of guiding going on where people would come in and do hunting and be involved in fishing guides and things like that.

Hon. Geoff Regan: Thank you. I only have seven minutes, so I have to be quick.

Ms. Blenkhorn, can you tell me about the strategies that some of your members have in terms of dealing with the labour shortage? What strategies have you seen that are the most successful?

Ms. Diana Blenkhorn: Overall, the labour shortages that we've identified...and they touch virtually everything, right from getting wood out of the forest to truckers, as Mr. Irving talked about, to something a little bit more advanced, which is applying building techniques.

The one that I think I would draw your attention, Mr. Regan, is the facility that just went up in Truro. It was supposed to have been built out of wood. There was no available labour to construct it with wood, so it was redesigned out of steel.

I'm not answering what our members have done in particular, but —

Hon. Geoff Regan: So nothing comes to mind in terms of particular programs that any of your members have used that have been really quite effective.

Ms. Diana Blenkhorn: No, it's just in general.

Hon. Geoff Regan: It's a real big challenge.

Ms. Diana Blenkhorn: We've raised it for, I think as Mr. Irving said, some leadership from the federal government, but it is an issue.

Hon. Geoff Regan: Mr. Irving, I marvelled at hearing that a box of tissues adds about 35 times the value of a piece of wood, or of the tree. I mean, I would have had no idea. I don't know how that compares with what the various plastics are related to the value of a barrel of oil, for example, or natural gas.

It seems to me that part of the challenge going forward is going beyond that multiple, going to higher multiples, obviously. What do you foresee as the opportunities, in terms of the innovation and R and D that you're aware of, that hold promise for the future?

Mr. James D. Irving: I think from a value perspective tissue is a very good example; it's a tangible example, today's example. In the future, bio-fuel, bio-something. There's a lot of money being spent and there's a lot of research being done on it, but nothing has really come up on a commercial scale yet. Where is that going? I don't know. It should take us someplace positive, but there are lots of places around. Bio is based on fibre, and certain characteristics of fibre. There is lots of fibre in Brazil or Indonesia or the southern U.S. or other jurisdictions, too, where they have cheap, low-cost fibre, and they can convert it to bio-something.

I think it's good. We should support it, but we can't live in hope. People have to be employed today and we have to build our tax base today. Over time—and I think this is very important for Canada—if we look after our forests, they're a great asset. We tell the Province of New Brunswick, listen, you have crown land. That's a privilege, not a right. That's a privilege to have a piece of crown land. You should enforce good management of it. The company may come and the company may go. They might go bankrupt or they might stay for a hundred years, but if we look after the land, the province and the country, if it's universal in Canada, we'll have a great asset. We'll have trees growing. We'll have carbon sequestration. We'll have fish and wildlife. We'll have hunting, and we'll have value-added manufacturing operations. We'll have small, rural communities that will be able to sustain themselves. Those are all things that go with good management. But we have to start with managing the land with a vision of where we want to go.

• (1645)

Hon. Geoff Regan: Speaking of those small, rural communities, Mr. deMarsh talked about how each first nation in New Brunswick is unique and that you have to understand each community. What's your approach to this?

Mr. James D. Irving: In terms of how the rural communities fit into this?

Hon. Geoff Regan: Particularly with first nations, in terms of the labour shortage and trying to get more first nations people working in the industry...

Mr. James D. Irving: The aboriginal community want to work in the industry. We need people. We're training people. That's universal. I would even say that probably the aboriginal communities have better access to funding for training dollars than the rest of us in certain aspects. There are combinations that maybe will be successful. But I think, at the end of the day, the fundamentals are that we all have to recognize that whatever we're making we have to sell it on the global market, and it's very competitive. We have to have that in mind.

Hon. Geoff Regan: Mr. Martin, speaking of selling in the global market, you mentioned one product that sells terrifically. What other products and what markets do you have in mind? What markets do you already sell to or what products do you already produce, or which ones you foresee?

Mr. William Martin: I think it's important to clarify, too, that in the example of niche products, I went to the most extreme, right? It's great when you can do it. It is true that an industry has to operate actually at multiple scales. I think that's one of the challenges. The way our industries are structured, we tend to have either very large-scale, or increasingly large-scale, operators and mills, and they are not flexible enough to operate at the smaller scales or serve those niche markets. From a strategy perspective, we have to work across the different scales in the industry.

In terms of niche market opportunities, we can't anticipate all of the products that may be produced, but we can create a viable timber supply that is diversified and we can create market structures that are flexible and dynamic so that those best opportunities can be achieved.

The Chair: Thank you.

We go now to the five-minute round. We have Ms. Perkins, Ms. Crockatt, and Monsieur Aubin.

Ms. Perkins, you have up to five minutes.

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

There's been such a tremendous amount of information, and I appreciate all of it, and you all seem to tie into one another quite nicely in your presentations. I don't know if you noticed that, but certainly it all seems to tie together quite nicely.

One of the things that did come up was the IFIT program. I think it was you, Mr. Irving, who brought it up. It was a program that you did like. It's a program that you thought you would like to see continue. I would suspect that there have been some success stories with that program that you might want to share with us—I would hope there are anyway—with respect to any high-value products that came out of it, any strategies that came out of it.

Mr. James D. Irving: I referred to one on lidar. There are other things on our lab, on our budworm resistance in our...

Mr. Blake Brunson (Chief Forester, J.D. Irving, Limited): That's been supported through the IFIT program, so we're working to improve natural budworm resistance in the trees we plant. It's fairly risky work that's been—

Mrs. Pat Perkins: How far advanced are you with that work?

Mr. Blake Brunson: We hold patents on the technology, and we're working with it commercially ourselves, and we're selling the technology.

Mr. James D. Irving: Just last month we opened a \$3.2-million lab in Sussex for our genetics. We've been working with the lab at CFS in Fredericton for a number of years, and now we just opened this new lab, and a good amount of this work will be located there. Plus, further advancements are on how we further enhance the productivity of various species of trees. We're not talking about genetic engineering or anything like that. We're just working on how we improve the quality of a white spruce tree or a black spruce tree, the shape and branches, and budworm resistance. We're doing a lot of work. I don't believe that anybody else in Canada has spent any amount of money on it.

Your federal program, it's getting good value for those dollars, I can tell you. We're excited when we see the federal government partner on something that gets real, tangible results. That's great. It's good for Canada.

• (1650)

Mrs. Pat Perkins: When that funding flows, you obviously have to report back with some successes, and so on, with your process. Do you have to do that on an ongoing basis?

Mr. James D. Irving: With some of those programs, as we commercialize the budworm efforts, for example, on our patents, as we sell it we have to repay a certain amount of the money back to Canada. We can achieve a certain level of commercialization, then we pay more money back to Canada, which is good, which is the way it should be.

Mrs. Pat Perkins: On the value-added side, I really like some of the examples you've given. Are there any other value-added things we're seeing coming out of the industry?

Mr. James D. Irving: I think there's a large spectrum. If you talk about everything from the traditional hunting, fishing, and outfitting types of jobs through to very specialized grains and veneers types of things or to tissue, the good news is that the forest is very dynamic and we can adapt, as you pointed out, to do different things.

I think you need creativity and you need energy, as with anything else in life. The problem is that Canada had a big role at one time but we didn't really advance very far in the sophistication of value-added products. We were seen as quite complacent, and we stayed for 100 years making newsprint and lumber and craft pulp and didn't really get into the value-added chain very much.

The world has changed. Brazil is the dominant player in the pulp business today. It elbowed us out of the way. The Internet elbowed us out of the way in the newsprint business. Okay, now what else can we do? So we make tissue or we'll make the guitar tops or we can find other opportunities. But we have to have a fire in our belly to want to run in the race, because it's too easy to quit, and the money moves offshore and then we're left with communities that are decimated.

We can do it, but that's why we're back at the tax treatment, you know.

Mrs. Pat Perkins: You have other markets that you're looking at, international markets, and you're exploring there, but I'm hearing about this 45% royalty. Is that something that's static in the industry? You were indicating it was higher than others.

Mr. James D. Irving: That's right. This is in the context of the softwood lumber agreement. It's a fairly complex puzzle, but fundamentally, royalty rates in Atlantic Canada were always high because of our private land mixture vis-à-vis the percentage of crown land in the rest of Canada. Our stumpage rates were high while the rest of Canada had low stumpage rates, but they had a duty, which sort of equalized the whole calculation. Now, the duty has gone away because of the price of lumber. Once lumber got above a floor price then the duty disappeared, so we've resided with a high stumpage rate.

This is an internal problem in Canada and the Maritimes is a small player in this whole exercise, so we have to find out again how we fit in that world.

Mrs. Pat Perkins: So within—

The Chair: Thank you. Sorry, Ms. Perkins, you're out of time.

Ms. Crockatt, you have up to five minutes.

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

I'm going to pick up a little bit where my colleague, MP Perkins, left off here. This is a fascinating discussion. One of the people we recently had before this committee was Professor Chui from the University of New Brunswick, who described to us that really we're the envy of the world, as he put it, regarding this large Canadian innovation network that's been put together in Canada to talk about new innovations. Part of this, the wood science research centre, is the

only one in Atlantic Canada serving 30 to 40 companies from Canada and the U.S.

I'm wondering, Mr. Irving, if you're the beneficiary of that. It sounded like quite an interesting area of innovation that was being moved forward quite dramatically. Are you the beneficiary of any of that?

Mr. James D. Irving: I'm not sure which program particularly...

Mr. Blake Brunsdon: We worked with Dr. Chui, because he has a lab at the University of New Brunswick, to test processes or test wood properties and wood qualities. I'm not familiar with the exact initiative you're talking about, but yes, we utilize the services of his lab, which benefits from some of the innovation programs you're talking about.

Ms. Joan Crockatt: Okay.

We've also heard about basically the resurgence in the forest industry and that it's looking like it has quite an exciting future now, even though we've seen a decline in the U.S. market, which I think is similar to what's happened with oil and gas. They're becoming more self-sufficient and wanting to use their own products.

But there has been the expansion of the markets in Japan, in Korea, and now in China. Apparently there has been a 1,400% increase in the export of wood products to China since 2007. Is that a market that is accessible to you?

Also, perhaps you could comment on the EU trade deal and whether you think that's going to benefit you.

•(1655)

Mr. James D. Irving: Are you asking me?

Ms. Joan Crockatt: Yes, I am, and then I'll go to Diana with the same questions, please.

Mr. James D. Irving: Predominantly, exports to China is a west coast opportunity. You get a big increase but from a very small base, so that's why you get the big percentage increase.

Notwithstanding all the innovation and all the things going on, I can tell you that it's still a very competitive business because we think we're doing a lot, perhaps, but I can tell you, everybody else is doing a lot and the bar keeps being raised, whether it's in Brazil or the southern United States or other jurisdictions around the world.

When you look at the mill closures and the capital that's been written off and the high-paying jobs that have been lost globally, this is quite a serious problem. So we have to really fight hard to hold on to what we have.

Ms. Joan Crockatt: Okay.

Diana, would you like to address that, as well as the EU trade deal and whether you see that as an opportunity?

Ms. Diana Blenkhorn: There are two things. The Chinese market is not a viable market for us—

Ms. Joan Crockatt: For the east coast.

Ms. Diana Blenkhorn: —for a couple of reasons. One is geographic, and the other is, as we've been talking about, the price. It is basically that our operating costs are so high that we're not competitive in that market. You have increased transportation, plus you have a price area you have to consider.

With regard to the CETA—and I will hopefully not offend anyone—we have been commenting on that to the department. CETA may have opened other doors for other sectors in Canada but for the forest products sector it actually has a deleterious effect on us. The market has been closed to us in a number of areas. We have to have notified bodies for market access for the European Union with the same standards that we apply in Canada, and that is very expensive. We have different grading requirements. I don't want to get too technical, but keep in mind that for kiln drying, which is an added-value process that was introduced some 20-odd years ago and is an internationally accepted process, Europe no longer accepts kiln drying. They want everything labelled “dry graded”.

My quick answer is that CETA doesn't work for the forest products sector in Canada.

Ms. Joan Crockatt: Not yet, and we have some work to do.

I want to get another quick question in here, so thank you for that explanation.

One of the things we are working on, as a government, is getting women into the skilled trades. One of the things we've seen, particularly in the area of truck drivers, is that we now have a high percentage of women who are driving those monster big trucks up in Fort McMurray. Apparently they're very good drivers. Their records are exceptional.

I just wonder if you have looked at women in skilled trades, and I can put this to all of you to see if that's a viable alternative, and if you've explored it. There are also some good programs available through the government that you might be able to access.

Diana, I'll start with you and work my way around.

The Chair: Thank you, Ms. Crockatt, but you're out of time.

You can keep that question in mind, and if you want to answer it if there is an opportunity through Monsieur Aubin's questioning you can try to do that.

Go ahead, please, sir, with your questioning, for up to five minutes.

[*Translation*]

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

I'll give the witnesses a moment to put in their earpieces.

I'd like to begin by thanking the witnesses for being with us today and sharing their expertise on the topic before the committee.

My first question is for you, Mr. Irving.

If I understood your presentation correctly, you said you spend about \$2 million a year on a variety of research and development projects.

I have the good fortune of representing the riding of Trois-Rivières. It was once the paper capital of the world. I would say

we've experienced the best and the worst of times. I'm referring to the industry's near-total disappearance, because a number of companies did not evolve to ensure their renewal. The cream of the crop stayed because they invested in R and D.

Right now, in our region, we're seeing basic research, applied research and industrial applications mesh, primarily with the help of the Université du Québec à Trois-Rivières.

• (1700)

The university is researching new types of paper called active paper, which, for example, would make it possible to detect pathogenic elements in packaging. You said earlier that you had gone from newsprint to more value-added paper for magazines.

In your research projects, do you collaborate with universities to develop new and innovative products?

Mr. James D. Irving: I can answer in French, if you'd like.

Mr. Robert Aubin: That would be great.

Mr. James D. Irving: Forgive me if I make mistakes.

[*English*]

Mr. Robert Aubin: That's fine.

[*Translation*]

Mr. James D. Irving: We work mostly with the University of New Brunswick, but the Université du Québec à Trois-Rivières also has an excellent lab. We work with the university on studies geared towards improving the quality of our pulp and tissue, as well as other grades of paper. The facilities there are great.

Even though Eastern Canada's pulp and paper capacity has diminished, it's very important that we keep those few well-equipped institutions to work on research. Going forward, if we want to increase our capacity to manufacture value-added products, it's vital that we have institutions like Université Laval and Université du Québec à Trois-Rivières.

Mr. Robert Aubin: Thank you.

Something else in your presentation caught my attention.

You said training should be available even to those on EI. On that point, I would invite Ms. Blenkhorn to join the discussion.

On the job market front, since the 2013 reforms were introduced, have you noticed a problem when it comes to retaining the existing labour pool, given the new EI requirements?

Mr. James D. Irving: No.

We believe unemployed workers should be given access to programs to receive proper training and earn a diploma in a field that is in high demand by the industry. That's why we partner with community colleges and institutions to create certain positions in the field. Generally speaking, people stay with us. They're glad to stay in their region, especially in the province's smaller communities.

Mr. Robert Aubin: But I would assume that forestry workers in your area are seasonal workers?

Mr. James D. Irving: Our season usually lasts about 42 weeks, especially for forestry equipment operators. They can work for 42 weeks and make between \$45,000 and \$50,000 a year, which isn't too bad.

Mr. Robert Aubin: Ms. Blenkhorn, do you have anything to add? [English]

Ms. Diana Blenkhorn: I don't have anything to add on that particular subject, thanks.

[Translation]

Mr. Robert Aubin: I have just a minute left, so my last question is for Mr. Martin.

I was really struck by what you said in your presentation about social innovation and the need for new thinking.

I'd like you to enlighten me and broaden my mind a little more, if you would.

[English]

The Chair: Please be brief, Mr. Martin.

Mr. William Martin: I'll give an example of what we're doing. Social innovation is creating opportunities within our governance structure to represent the diversity of interests. Our board of directors has allocated seats for specific interest groups, including first nations, so we maintain balance from the state of governance.

Literally we're in the middle of our management planning right now. We're running public meetings, which are the basis of the objectives for the management plan, and then going back to those communities once we have a draft. We're using pretty interesting methods of workshops that allow all the voices in the room to be heard. As you may see in a typical town hall meeting, usually the most vocal people are the only voices that get heard. We're using ways of designing meetings differently so you get to hear from the diversity of perspectives.

We're applying a lot of tools and pioneering them in the forestry space in our region.

●(1705)

The Chair: Thank you to—

Mr. James D. Irving: Sorry, Mr. Chairman, but could I add one thing?

The Chair: Yes, very briefly, Mr. Irving.

Mr. James D. Irving: To your question about women in the workplace, last week we announced Women Unlimited at the Halifax Shipyard. It's off topic for forestry but it's the NSPS, your shipbuilding program that you have here in Ottawa, and it's an exciting time. Our women in the workplace have increased, and we're working hard on that one, because we think it's a great opportunity.

Mr. Blake Brunson: We have a lot of women truck drivers.

Mr. James D. Irving: Yes, we have a lot of women truck drivers, and we're into the hard trades now. In the case of Halifax, it will be welding and so on.

Sorry, Mr. Chairman, but I thought it was important to address that.

The Chair: Thank you very much for that.

Mr. William Martin: I'll add that our chief forester is a woman.

Voices: Oh, oh!

The Chair: Thank you very much.

I want to thank all of you for being here today, for your presentations, and for answering questions: from the Assembly of First Nations' Chiefs in New Brunswick Inc., Ms. Brooks and Mr. deMarsh; from the Maritime Lumber Bureau, Ms. Blenkhorn; from J.D. Irving, Limited, James D. Irving and Blake Brunson; and from the Medway Community Forest Co-op, William Martin. Thanks very much to all of you.

We'll suspend for two minutes as the witnesses clear the room, and we'll come back for a session on future business.

[Proceedings continue in camera]

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