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FORESTRY

CANADA/ NEWFOUNDLAND



APRIL 26, 1974

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NEWFOUNDLAND
FEDERAL-PROVINCIAL SUBSIDIARY AGREEMENT
FORESTRY

THIS AGREEMENT made this 26th day of April, 1974

BETWEEN:

THE GOVERNMENT OF CANADA
(hereinafter referred to as "Canada"),
represented by the Minister of
Regional Economic Expansion,

OF THE FIRST PART,

AND:

THE GOVERNMENT OF THE PROVINCE OF
NEWFOUNDLAND (hereinafter referred
to as the "Province"), represented
by the Minister of Forestry and
Agriculture,

OF THE SECOND PART.

WHEREAS Canada and the Province signed a General Development Agreement dated the first day of February, 1974 (hereinafter referred to as the "GDA") to achieve the objectives stated in section 3 thereof;

AND WHEREAS a strategy is provided in Schedule "A" to the GDA for achieving such objectives, which strategy includes the taking of inter-related initiatives aimed at management and protection of the forest resource, at access, harvesting and processing, and at marketing and increased local use of forest products;

AND WHEREAS Canada and the Province have agreed that public investments will be required to assist in the pursuit of this strategy;

AND WHEREAS the Governor in Council by Order in Council No. P.C. 1974-2/742 of the second day of April, 1974, has authorized the Minister of Regional Economic Expansion to execute this Agreement on behalf of Canada;

AND WHEREAS the Lieutenant Governor in Council by Order in Council No. 465-'74 of the eighteenth day of April, 1974, has authorized the Minister of Forestry and Agriculture to execute this Agreement on behalf of the Province;

NOW THEREFORE, the parties hereto mutually agree as follows:

DEFINITIONS

1. In this Agreement

- (a) "eligible costs" means those costs referred to in section 4 of this agreement;
- (b) "Federal Minister" means the Minister of Regional Economic Expansion of Canada and includes anyone authorized to act on his behalf;
- (c) "fiscal year" means the period commencing on April 1st of any year and terminating March 31st of the immediately following year;
- (d) "infrastructure" means physical facilities defined by the Management Committee as being components of the program items specified in this agreement and shall include, without limiting the generality of the foregoing, roads, bridges and buildings;
- (e) "Management Committee" means the committee referred to in section 7 of this agreement;
- (f) "Ministers" means the Federal Minister and the Provincial Minister;
- (g) "program" means the subject matter specified in section 3;
- (h) "project" means a subdivision of a program as defined by the Management Committee;
- (i) "Provincial Minister" means the Minister of Forestry and Agriculture of Newfoundland and includes anyone authorized to act on his behalf.

OBJECTIVE

- 2. The objective of this Agreement is to enable Canada and the Province to take advantage of opportunities for expanding and diversifying Newfoundland's forest industries and thereby increasing income and employment opportunities in Newfoundland.

SUBJECT MATTER

- 3. Schedule "A" attached to and forming part of the Agreement shall

consist of a list of program items that the Province shall arrange to have carried out under this Agreement, and which shall consist of the following:

- i) Acquisition of Forest Land,
- ii) Forest Management,
- iii) Harvesting and Utilization Research and Development,
- iv) Access Road Construction,
- v) Intensive Forest Inventories,
- vi) Protection of the Forest Resource,
- vii) Forest Improvement,
- viii) Administration of the Forest Resource.

FINANCIAL PROVISIONS

4. The eligible costs to be financed or shared under this Agreement by Canada and the Province in respect of the program items or portions thereof listed in Schedule "A" shall consist of:
- (a) with respect to the infrastructure components of the program items listed in section 3, all direct costs, including those relating to public information but excluding administration, survey, engineering and architecture costs, that in the opinion of the Management Committee have been reasonably and properly incurred for the implementation of the programs by the Province; plus ten per cent (10%) of these costs as an allowance towards the exclusions specified;
 - (b) with respect to all other components of the program items listed in section 3, expenditures for salaries, wages and eligible benefits for staff employed on a full-time basis as determined by the Management Committee, plus the cost of related support services; the cost of external services obtained pursuant to section 11; and other specific direct costs as approved by the Management Committee;
 - (c) eligible costs for staff assigned to activities under this Agreement shall cover gross salaries and wages and the employer's share of contributions for Canada Pension Plan and Unemployment Insurance, as well as reasonable travel and relocation expenses incurred in connection with

the program items listed in section 3 in accordance with applicable provincial travel and relocation policies and directives, and shall be limited to costs that are incremental to the Province for such activities under this Agreement and that are in addition to such staff, services and facilities as are normally available or already in existence within the Province, and shall not include costs for accommodation in provincial buildings or costs for provincial telephone and utilities systems and services or other similar costs.

5. (1) Unless otherwise agreed by the Ministers, the eligible costs of each program item shall be limited to the estimated costs specified in Schedule "A".
 - (2) Except for the express provision of item (i) of section 3, the costs to be financed by Canada shall not include any costs relating to the acquisition of lands or interests in lands, or any costs arising from conditions of acquisition.
 - (3) If, at any stage of a program, it appears to the Province that the costs thereof will exceed the estimated costs specified for any program in Schedule "A", the Province shall promptly so inform the Management Committee and state the reasons for such increase.
 - (4) Upon being informed, the Management Committee shall consider the circumstances which have contributed to the increase in the estimated costs and shall prepare and present a report and recommendations to the Ministers in respect of the action proposed to be taken.
6. Notwithstanding anything in this Agreement, the total amount payable by Canada under this Agreement with respect to the program items listed in Schedule "A" shall not exceed 90 per cent of the total eligible costs up to an amount of \$30,062,000.

ADMINISTRATION AND MANAGEMENT

7. Each of the Ministers shall designate one or more senior officials to be responsible for the administration of this Agreement. These officials shall constitute the Management Committee whose function it shall be to oversee the implementation of the programs specified in section 3, define infrastructure components and projects for the purposes of the Agreement and to fulfill responsibilities identified for the Management Committee elsewhere in this Agreement. The Federal Minister and the Provincial Minister shall respectively appoint one Federal and one Provincial official from the members of the

Management Committee to act as Co-Chairman.

8. Canada and the Province agree to provide the Management Committee with all information necessary for the performance of its function.

PAYMENT PROCEDURES

9. Subject to section 10, payments by Canada shall be promptly made to the Province on the basis of progress claims setting out the costs actually incurred and paid for the project submitted in a form and verified in a manner satisfactory to the Federal Minister.
10. (1) In order to assist with the interim financing of projects, Canada may, if the Province so requests, make interim payments to the Province of 100 per cent of Canada's share of claims submitted, based on estimates of costs actually incurred as certified by a senior officer of the Province.
(2) The Province shall account for each interim payment by submitting to Canada, within 120 days after such payment by Canada, a detailed statement of the actual expenditures incurred and paid, verified in a manner satisfactory to the Federal Minister. Any discrepancy between the amounts paid by Canada by way of interim payments and the amounts actually paid by the Province shall be promptly adjusted between Canada and the Province.
(3) Payment of claims under sections 9 and 10 shall be augmented by ten per cent (10%) for infrastructure projects as provided for in paragraph (a) of section 4.

TENDERS AND CONTRACT AWARDS

11. (a) Unless the Management Committee otherwise agrees, all construction, purchase and other contracts shall be let pursuant to tenders invited by public advertisement;
(b) opening of all tenders shall be public and the Management Committee shall be supplied with copies of each advertisement for tender, together with notice of the time and place for tender opening, in sufficient time to enable any member of the Management Committee or his representative to be present at all tender openings and to participate in the evaluation of tenders;
(c) all contracts shall be awarded to the responsible and responsive tenderer who submitted the lowest evaluated tender, unless otherwise agreed by the Management Committee;

- (d) all contracts for professional services shall be supervised in accordance with procedures to be approved by the Management Committee, and reports produced by consultants or resulting from such contracts shall become the property of both parties;
- (e) all announcements of contract awards shall be made jointly by Canada and the Province.

IMPLEMENTATION

- 12. (a) All substantive amendments to contracts shall require the prior approval of the Management Committee;
 - (b) any member of the Management Committee or his representative shall be permitted to inspect the project at all reasonable times for the purpose of verifying progress claims and obtaining any other information concerning the project which may be required by the Federal Minister or the Provincial Minister;
 - (c) the Province shall forward to the Management Committee a report as to the progress of the work, in such detail and at such time as may be required by the Management Committee.
13. Contracts and purchases made and work done prior to the date of this Agreement and after June 1st, 1973, in respect of programs listed in Schedule "A", may be accepted as complying with the provisions of this Agreement if they are approved in writing by the Federal Minister on the recommendation of the Management Committee.

PUBLIC INFORMATION

14. Canada and the Province agree to cooperate in the development and implementation of a program of public information respecting implementation of programs and projects under this Agreement, and further agree to supply, erect and maintain:
- (a) during the course of construction of each project, a project sign or signs specifying that the relevant project is a Canada-Newfoundland Regional Development Project financed by contributions by the Department of Regional Economic Expansion of the Government of Canada (and any other federal agency, where relevant) and the Government of the Province of Newfoundland, or such other wording to the like effect as may be agreed to by the Ministers; and

- (b) where relevant, upon completion of each project, a permanent sign or plaque to the effect set forth in (a).
15. Any public announcement of the measures covered by this Agreement and any official opening ceremony for each project outlined in Schedule "A", shall be arranged jointly by the Ministers.

GENERAL

16. This Agreement shall terminate on March 31, 1978 and Canada shall not pay any claim received after March 31, 1979.
17. The Management Committee shall provide to the Joint Federal-Provincial Manpower Needs Committee (Newfoundland) and its Forestry Industry Sub-Committee, information relevant to projecting woods labour requirements; and Canada and the Province agree to provide for the required quantity and type of training through federal, provincial and federal-provincial programs necessary for the execution of this Agreement.

EVALUATION

18. During this Agreement, Canada and the Province shall jointly effect an assessment of the programs listed in Schedule "A" with regard to the stated objectives. Annual progress reports shall be submitted by the Management Committee to the Ministers on or before the annual meeting of the Ministers as prescribed under subsection 9.1 and section 10 of the GDA. In addition, Canada and the Province shall also jointly effect an evaluation of this Agreement with respect to the general economic and socio-economic development of Newfoundland.

AMENDMENTS

19. This Agreement, and Schedule "A" thereof, may be amended as agreed from time to time by the Ministers, and relevant amendments to be made by an exchange of correspondence between the two Ministers. Each program item added to Schedule "A" shall form part of this Agreement and shall be governed by the terms thereof as fully and effectively as if it had originally been included in this Agreement. It is expressly understood and agreed, however, that any amendment to section 6 shall require the approval of the Governor in Council.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of Regional Economic Expansion, and on behalf of the Province by the Minister of Forestry and Agriculture.

GOVERNMENT OF CANADA

Witness

Minister of
Regional Economic Expansion

GOVERNMENT OF THE PROVINCE
OF NEWFOUNDLAND

Witness

Minister of
Forestry and Agriculture

SCHEDULE "A"

| PROGRAM ITEMS | ESTIMATED TOTAL COST (\$'000) | TOTAL FEDERAL SHARE (\$'000) | PROPOSED FEDERAL EXPENDITURE DISTRIBUTION BY FISCAL YEAR | | | |
|---|-------------------------------------|---------------------------------------|---|---------|---------|---------|
| | | | 1974-75 | 1975-76 | 1976-77 | 1977-78 |
| 1. <u>Acquisition of Forest Land</u> Selection and evaluation of alienated Crown lands, and purchase of strategically located free-hold land. | 2,245.0 | 1,124.0 | 1,124.0 | - | - | - |
| 2. <u>Forest Management</u> Establishment of community reserves, Crown and company management units, and the design of a stumpage appraisal system. | 371.9 | 334.7 | 183.2 | 83.0 | 33.1 | 35.4 |
| 3. <u>Harvesting and Utilization Research and Development</u> Establishment of experimental cable logging and integrated logging operations, woods labour and management training, and sawmill expansion and hardwood utilization feasibility studies. | 489.3 | 440.4 | 229.3 | 170.0 | 31.2 | 9.9 |
| 4. <u>Access Road Construction</u> Identification and construction of priority forest access roads. | 15,138.4 | 13,624.6 | 4,619.5 | 3,979.0 | 2,676.5 | 2,349.6 |
| 5. <u>Intensive Forest Inventories</u> Conduct detailed forest inventories. | 2,837.0 | 2,553.2 | 528.1 | 639.9 | 669.2 | 716.0 |

| PROGRAM ITEMS | ESTIMATED TOTAL COST- (\$'000) | TOTAL FEDERAL SHARE (\$'000) | PROPOSED FEDERAL EXPENDITURE DISTRIBUTION BY FISCAL YEAR | | | |
|---|--------------------------------------|---------------------------------------|---|---------|---------|---------|
| | | | 1974-75 | 1975-76 | 1976-77 | 1977-78 |
| 6. <u>Protection of the Forest Resource</u> Assess feasibility to maintaining or replacing the present waterbomber fleet; build up an effective radio communications system; and initiate an effective aerial surveillance system. | 1,620.4 | 1,458.4 | 801.5 | 293.2 | 175.9 | 187.8 |
| 7. <u>Forest Improvement</u> Undertake fertilization, thinning, reforestation and afforestation. | 5,827.4 | 5,244.7 | 963.0 | 1,261.4 | 1,494.7 | 1,525.6 |
| 8. <u>Administration of the Forest Resource</u> Recruit additional technical administrative and professional staff; undertake in-service training and education; and provide equipment and accommodation. | 5,868.9 | 5,282.0 | 617.4 | 1,339.0 | 1,718.2 | 1,607.4 |

(A background paper to the Canada-Newfoundland
Forestry Subsidiary Agreement)

1. NEWFOUNDLAND FOREST DEVELOPMENT STRATEGY

In 1972, the Department of Regional Economic Expansion conducted an internal policy review in order to assess the Department's progress to date in combating regional disparities and, in particular, to provide a basis upon which to meet the challenges of regional development in the mid 1970's. Based on this review, a series of papers were produced assessing the economic situation and development opportunities in each province. The assessment of the problems and prospects of Newfoundland identified a number of developmental opportunities which, if realized, would lead to substantial employment and income gains for the province. One of these involved the increased harvesting and utilization of the forestry resource.

Many changes have evolved out of the policy review of the Department. The most important of these has been the establishment of General Development Agreements (or GDA's) and Subsidiary Agreements. The purpose of the General Development Agreement is to facilitate joint federal-provincial cooperation in initiatives for the economic and socio-economic development of each province. The purpose of the subsidiary agreements is to undertake programs related to social and economic development and in particular to provide a mechanism for realizing specific development opportunities.

The General Development Agreement between Newfoundland and Canada was signed on February 1, 1974. The objectives of the Agreement are to:

- (a) increase the number and quality of viable long-term employment opportunities and improve access to those opportunities by the people of Newfoundland; and
- (b) increase opportunities for people to live in the area of their choice with improved real standards of living.

In pursuit of these objectives, Canada and the Province have agreed to achieve a coordinated application of relevant federal and provincial programs through continuing:

- (a) identification of development opportunities and assistance in their realization through coordinated application of relevant federal and provincial policies and programs, including the provision of specialized measures required for such realization; and

- (b) analysis and review of the economic and social circumstances of Newfoundland and Newfoundland's relationship to the regional and national economy, as these may be relevant to achieving the objectives of the General Development Agreement.

A number of development opportunities were identified in the schedule to the General Development Agreement. These included:

- (a) increased harvesting of the fisheries resource and further processing of the catch, including opportunities in specialty products;
- (b) development of a rationalized and integrated agricultural-industrial sector;
- (c) tourism;
- (d) major scientific and research services related to ocean science and technology;
- (e) construction and housing;
- (f) additional mining opportunities and further processing of mineral products;
- (g) manufacturing opportunities with emphasis on processing resources to final form, and the manufacture of goods for the local market; and
- (h) increased utilization of the forestry resource.

The proposed forestry redevelopment program in Newfoundland is based to a large extent on the recommendations of the Federal-Provincial Task Force on Forestry, which submitted its report to the provincial government in March, 1973.

Between July 1972 and March 1973 the Task Force on Forestry made an exhaustive study of the Newfoundland forest resource and the forest based industries. The objectives of the Task Force were:

- (1) to identify and analyze the factors affecting the management and utilization of the forest resource;
- (2) to draw technical conclusions and evaluate alternative approaches which the Province may use in formulating a Provincial Forest Policy.

The Task Force, composed of four provincial members and three federal members, accomplished its task through a system of working committees which prepared comprehensive analyses of:

- (a) wood requirements and supply;
- (b) land capability and land use;
- (c) forest land tenure and taxation;
- (d) forest administration;
- (e) wood utilization, product development and marketing;
- (f) forest improvement and protection;
- (g) capital and labour productivity and availability; and,
- (h) environmental quality.

Participating in the preparation of comprehensive reports on the above subject areas were professionals from the Canada Departments of Regional Economic Expansion, Environment, Agriculture, and the Newfoundland Departments of Forestry and Agriculture, Community and Social Development, Tourism and Justice. Others that participated were retired executives of Price (Nfld.) Ltd. and Bowaters Newfoundland Ltd., the retired Assistant Chief of the US Forest Service and experts from Memorial University of Newfoundland and the University of New Brunswick. In addition, the Task Force received and studied 23 briefs from interested individuals and agencies.

The Task Force Report was submitted to the Provincial Minister of Forestry and Agriculture in March, 1973. A Provincial Cabinet Committee on Planning and Priorities subsequently screened the recommendations by priorities. The projects proposed for inclusion in a Canada-Newfoundland Forestry Subsidiary Agreement are based on these priorities. The following section of this paper on Newfoundland's forest development strategy, discusses the highlights of the Task Force's report. Section 3 outlines the objectives, strategy and projects of the forest subsidiary agreement.

2. NEWFOUNDLAND'S FOREST INDUSTRIES - CURRENT STATUS AND POTENTIAL

2.1 Current Status of the Forest Industry

The current situation of the forest industries in Newfoundland can be summarized as follows:

(1) Employment - Value of Production

Approximately 8,500 people were employed by the forest industries in 1970. This amounted to 15 per cent of all employment in the goods producing sector, and, most significantly, provided 40 per cent of all wages and salaries paid in that sector. The value of Newfoundland's forest production in 1970 was \$85 million, and this will

increase by \$135 million when the Stephenville liner-board mill reaches full production.

- (2) The manufacture of pulp and paper is the Province's major forest industry. Three companies are involved - Bowaters Newfoundland Limited at Corner Brook, whose mill has a current annual capacity of 354,000 tons and planned expansion to about 400,000 tons by 1985; Price (Nfld.) Ltd. with an annual capacity of 305,000 tons; and Labrador Linerboard Limited at Stephenville which operates Canada's largest linerboard mill with a design capacity of 1,000 tons per day. Practically the entire production of newsprint and linerboard of these mills is exported.
- (3) The sawmilling industry centres around 96 conventional and small softwood sawmills and numerous (900-1,000) small, push bench mills which together produce 30 per cent of Newfoundland's lumber needs, making the Province a net importer of lumber.
- (4) There are about 16 small secondary wood processors including the manufacture of mobile homes, boats, furniture components and the usual sash, door and millwork items.
- (5) Under present economic conditions, Newfoundland's forests can sustain a net annual cut of 1.90 million cunits of pulpwood and sawlogs per year - 1.65 million cunits from the Island and 0.25 million cunits from Labrador. Only 1.3 million cunits of softwood are currently being utilized, leaving an unused surplus of 0.6 million cunits.

2.1.1 Management of the Forests

The current status of the management of Newfoundland forests deserves special consideration since it constitutes an important barrier towards achieving optimum utilization of the forest resource.

Impetus towards industrialization in Newfoundland's forestry sector came originally from the lumber industry. At the turn of the century, the Island was a net exporter of lumber. When supplies of sawlog-sized timber became scarce, the once prominent position of the lumber industry in the economy was taken over by the pulp and paper industry. Buoyant pulp and paper markets, the availability of accessible pulpwood-sized raw material and the Island's strategic location with respect to markets on the Atlantic seaboard, the United Kingdom and

Western Europe, and South America were prime factors in attracting these industries to the Island.

The availability of pulpwood was to a large extent influenced by generous tenure terms and low or nonexisting royalties. Control of large tracts of forest land was passed to private ownership for long periods of time, even for infinite periods in some cases. None of the tenure agreements bear any relationship to the economic life-span of the industry involved, nor is there any provision for timber rights to revert to the Crown should operations cease.

At present the Crown exercises control over all productive forest land in Labrador. The most accessible forest lands in western and central Newfoundland, approximately 5.7 million acres, or 60.6 per cent of all productive forest land on the Island, are controlled by Price (Nfld.) Ltd., Bowaters Newfoundland Ltd., and Reid Newfoundland Ltd. The Crown controls about 3.5 million acres, mostly in scattered areas and with lesser productivity. Two aspects of the present tenure system merit special consideration:

- (1) The present long-term tenure system is very attractive to industry since it allows retention of extensive areas of forest land at a minimum cost for expansion purposes. However, there is always the threat that industry may not expand and may even close down while still holding the tenure rights. Use of the limits by other developers is thus made very difficult or in some instances even impossible;
- (2) It is claimed that industry uses its limits as collateral for borrowing funds. In fact, the position of the industry can be as well protected by the Province guaranteeing a continued supply of raw material. Furthermore, there are the following specific disadvantages to the current tenure system:
 - a) the current system severely impedes attempts to consolidate on the Island sufficient wood supplies to reduce wood costs for the Stephenville mill;
 - b) incentives are lacking for maximum utilization of timber supply. Existing companies have not utilized their full annual allowable cuts, nor do they harvest all commercial species;
 - c) there is no obligation for the pulp and paper industry to process quality sawlog material into lumber. Thus, while the Province imports most of

its lumber requirements, good sawlog material is being put into pulpwood;

- d) the tenure system does not require approval of management plans by the Crown. Consequently there is no guarantee that tenants on occupied Crown lands are practising responsible forest management;
- e) the goals of the profit-oriented private companies may not be compatible with those of the people of Newfoundland. Companies have relatively short-run objectives. Government goals in forest development should be long-term and attuned to deriving maximum social and economic benefits from the resource. There is always the inherent danger in the present tenure system of a sharp conflict between company and government objectives;
- f) the present tenure system lacks the flexibility to adjust to changes in land-use, changes in the technology of forest products manufacturing and the increasing intensity of environmental protection and multiple use. Ownership of freehold forest land is perpetual, that of leasehold land is virtually so, and timber licenses have been issued for 99 years with the first expiry date being the year 2002.

The above brief discussion of some of the features of the current tenure system indicates that even with buoyant market conditions, it will be extremely difficult to increase the contribution of the forest resource to the economic well-being of the people of Newfoundland. Changes in the tenure system have to be an integral part of any action program to accelerate forest development in Newfoundland.

2.2 Potential of the Forest Industry

Based on the market prospects for newsprint, linerboard, lumber and wood-based panel products, there exists an opportunity to generate approximately 2,400 net new job opportunities, in addition to the current employment of 8,500 jobs. The creation of these jobs requires the modernization, expansion and diversification of Newfoundland's forest industries. Industrial expansion in turn has to rest on a forest policy which releases to new and old industries the full productive potential of the Province's forest resources.

2.2.1 Opportunities for Expansion and Diversification

Newsprint - Principal markets for the output of Price (Nfld.) Ltd.

are Latin America and Europe, with negligible amounts going elsewhere. Fifty to sixty per cent of the output of Bowaters Newfoundland Ltd. is sold in the United States, with about 30 per cent going to the United Kingdom. Only small tonnages are shipped to Latin America and Australia. The outlook for world newsprint in these markets traditionally served by Newfoundland is encouraging. According to the Task Force the Latin American market is particularly bright, with a forecast increase in consumption at 6.8 per cent annually up to 1985. The North American market is listed as having a growth rate of 2.8 per cent annually. Western European markets are expected to increase at a rate of 4.4 per cent.

The future of the two newsprint plants on the Island is secure provided adequate volumes of wood can be made available at competitive costs to the industry and the industry itself maintains a high level of logging and manufacturing technology.

Linerboard - There appears to be a definite short-fall in production vs. consumption even with new European capacity coming on stream. Labrador Linerboard appears to be in an excellent position to take advantage of present high prices and shortages of linerboard. However, it is essential that ways be found to reduce the plant's dependence on high cost wood from Labrador and to obtain an adequate and assured wood supply from the Island. At the present time, a large proportion of the more productive forest lands of the Island are held under lease or license by Price and Bowaters, and only scattered blocks of Crown land are available to Labrador Linerboard. Action to correct this problem, to ensure adequate supplies for all three mills and full utilization of all the Island's forests, is a major element of the proposed program.

Lumber - Provincial demand for softwood lumber is estimated to be between 80 and 86 million board feet. At least 75 million board feet of the potential market of 86 million board feet of softwood lumber can be produced on the Island. Achieving this goal requires modernization and expansion of the provincial industry to produce accurately sawn and kiln dried lumber at favourable prices.

Local markets for furniture, pallets and other miscellaneous uses of hardwood could consume more than 2 million board feet of hardwood lumber currently produced in Newfoundland. Initial enquiries have indicated clearly that hardwood lumber, squares, components and other manufactured products could be sold readily in the Montreal - Windsor corridor and the northeastern United States.

Woodbased Panels - At present, local consumption of panel products is in excess of 40 million square feet. A provincial particle board plant located near other wood conversion plants, for example on the West Coast, could secure one half of the provincial panel market of 75 million square feet in five years time. Another opportunity is the manufacture of birch veneer or plywood. A feasibility study by a prospective producer is now being undertaken.

2.2.2 Management of the Forest Resource

As pointed out earlier, industrial expansion can only take place within the framework of a forest policy which releases to new and old industries the full production potential of the Province's forest resources.

Adequate and economic supplies of wood raw material are a prime factor in maintaining, expanding and diversifying forest products manufacturing industries. The provision of continued supplies of quality sawlogs and pulpwood is one of the major objectives of forest management. The other major objective is the preservation of the intrinsic values associated with the forests.

The difficulties of increasing the intensity of forest management because of the current system of forest tenure have been alluded to previously. There are in addition a number of other obstacles to be overcome when increasing the levels of forest management on the Island. These obstacles are related to the forest itself rather than its ownership status.

It has been stated previously that on the basis of the average growth rate on all productive forest land a net annual growth rate of 1.65 million cunits can be sustained on the Island. Another 0.25 million cunits can be obtained from Labrador. It should be stressed that a cut off of 1.65 million cunits assumes full access (including steep slopes), utilization of all species, a proper age class distribution, adherence to correct rotation lengths, and adequate protection against fire and insects (or salvage of killed stands).

None of these requirements are being fully met at the present time. The requirements of a sustained net annual cut of 1.65 million cunits on the Island - 1.43 million cunits of softwood and 0.22 million cunits of hardwood - can only be met by the adoption of comprehensive management plans to provide for:

- a) increased access;
- b) integrated utilization;
- c) protection;
- d) salvage; and,
- e) single administrative control of the forests of the Island.

Because of the absence of reliable wood supply and growth rate data and the uncertain economics of harvesting and transportation, wood harvest in Labrador should, at least for the present, be restricted to the planned removal of existing growing stock at a rate of 0.25 million cunits annually.

As a first step to increase the annual cut, it is desirable to liquidate the existing overmature growing stock over the next 30 years at a rate well in excess of the long-term carrying capacity of the land it now occupies. The presence of overmature growing stock is a severe liability in Newfoundland - it serves as a centre for insect outbreaks, and has a high cull factor. The harvesting of the overmature stands will be scheduled to compensate for the present imbalance of age classes among stands below rotation age. A second step in increasing the annual cut in the short run will be the development of logging methods that permit the economic harvesting of timber from steep slopes. At present these stands are inaccessible because of the lack of adequate logging technology on the Island.

Simultaneously a number of steps will be taken to ensure that increased annual cuts can be maintained over the long term. These steps are related to increasing the future yields of sawlogs and pulpwood rather than the increasing of presently available growing stock as in the previously described operations. Among the methods of increasing forest production to be applied are:

- (1) pre-commercial thinning of overstocked young stands;
- (2) commercial thinning of overstocked semi-mature stands;
- (3) seeding or planting of productive forest areas that have failed to regenerate;
- (4) supplementary planting of understocked stands during the regeneration period;
- (5) the application of nitrogenous fertilizers to stands about 10 years below rotation age;

- (6) drainage, followed by fertilization and planting on potentially productive peat land sites; and
- (7) production of planting stock from superior seed trees to raise average growth rates.

3. OBJECTIVES, STRATEGY AND PROGRAMS

The potential of the forest industry and the opportunities for expansion and diversification outlined above, combined with the problems associated with the management of the forest resource lead to the determination of the following overall objectives with respect to the future development of the forestry industry in Newfoundland:

OBJECTIVES

- (1) To provide an adequate and economic wood supply for the existing forest based industries and for new developments;
- (2) to provide a wood supply for domestic users and small commercial operators in rural areas;
- (3) to encourage full utilization of the forest resources of the province and progressively bring these resources under sound management practices;
- (4) to provide for the multiple use of forest lands and integrated resource management;
- (5) to improve the utilization of the resource by integrated harvesting when practical;
- (6) to introduce a high standard of environmental quality and protection of recreation and aesthetic values for the people of Newfoundland;
- (7) to stimulate research in increasing the yields of the forest resources and regularly introduce proven methods of increasing the productivity of forested land.

STRATEGY

A number of integrated projects are proposed to enable the Province to implement the following key elements of the forest development strategy:

Related to the forest:

- (1) The acquisition of management control of the forest resource;

- (2) the establishment of forest management practices adequate to sustain a net annual cut of 1.9 million cunits.

Related to logging:

- (1) The provision of adequate access for more intensive utilization and management;
- (2) the development of steep slope logging to further increase utilization;
- (3) the establishment of integrated logging to achieve full utilization.

Related to industrial expansion:

- (1) The establishment of new and expansion or modernization of existing softwood sawmill capacity to serve provincial needs;
- (2) the establishment of hardwood-using industries to serve provincial needs and export markets.

Related to administration:

The restructuring and strengthening of the Newfoundland Forest Service to ensure that acquisition of management control can be made effective.

PROGRAMS

The following 8 program items are outlined in summary form in Schedule "A" of the proposed subsidiary agreement.

1. Acquisition of Forest Land

The objectives of this program are:

- a) to return to the Crown alienated lands which will not produce another timber crop during the lifetime of present tenure arrangements;
- b) to acquire for the Crown under-utilized free-hold forest lands.

The program aims on the one hand to accelerate the growing of commercial timber crops for future use and on the other hand to

release for present use commercial timber crops withheld by the current owners. Projects included are the selection and evaluation of alienated Crown lands and the outright purchase of strategically located freehold land.

2. Forest Management

The objective of this program is to provide the Newfoundland Forest Service with the administrative framework for forest management. Within these administrative units access road projects, intensive forest inventories and forest improvement projects are to be carried out. The outcome of these projects within forest management units would be improved regulation and efficient distribution of wood supplies to the pulp and paper industry, the sawmilling industry and secondary wood-using industries. Among the activities included are the establishment of community reserves, Crown and Company management units and the design of a stumpage appraisal system.

3. Harvesting and Utilization Research and Development

This program has the broad objective of upgrading the technical capability of both the Newfoundland Forest Service and private enterprise in forest management and utilization.

The projects which make up this program have been designed to increase efficiency in timber management, timber harvesting operations, timber hauling and timber processing operations.

Included among the projects are experimental cable logging on steep slopes, the establishment of integrated logging operations, woods labour and management training, feasibility studies related to the expansion of the sawmilling industry, transportation-destination study and hardwood utilization studies.

4. Access Road Construction

Access road construction has as its basic objectives:

- a) the provision of access to mature and overmature stands;
- b) the provision of access for forest improvement;
- c) the provision of access for intensified forest protection.

Adequate access in the context of effective forest management planning will make possible immediate increases in the annual cut necessary to expand the sawmilling industry, the increasing of future yields of the forest necessary to maintain the increased annual cut in the long run, and lowering the susceptibility of the forests to insect and disease.

5. Intensive Forest Inventories

Effective planning within the framework of forest management units requires as a basic tool detailed forest inventory information. This program has been designed to provide the necessary information to conduct and plan forestry operations within the management units.

6. Protection of the Forest Resource

The objective of this program is to provide the Newfoundland Forest Service with the capability to carry out its responsibilities with respect to centralized forest protection against fire, insect and disease.

At present the Newfoundland Forest Service carries out this function with an outdated waterbomber fleet, an inadequate radio system and only occasional aerial surveillance. There is an urgent need to:

- a) assess the feasibility of maintaining or replacing the present waterbomber fleet;
- b) build up an effective radio communications system; and
- c) initiate an adequate aerial surveillance system.

7. Forest Improvement

The objective of this program is to initiate, in the management units defined earlier, appropriate steps to increase future yields of the forests, including fertilization, commercial and pre-commercial thinning, reforestation and afforestation.

8. Administration of the Forestry Resource

At present the size and capabilities of the Newfoundland Forest Service fall far short of the requirements for implementation of the program outlined above. Without substantial increases in the size of staff, upgrading the technical and administrative capabilities of the individual staff members, and considerable improvements in central and regional facilities it will be impossible to implement the above programs which are fundamental to forest development in the Province.

This item includes allowances for staff expansions at technical, administrative and professional levels, in service training and education and improvement in new accommodation facilities at provincial and regional headquarters.

