Uncertainty in Quebec’s forests

New forestry regulations coming into effect in Quebec have created a mood of uncertainty in an industry that is still emerging from the economic downturn.

By Martine Frigon

It’s been six years since the forest crisis first took hold in Quebec. Mill closures and jobs losses have deeply transformed the structure of the provincial forest industry, which formerly played a leading and iconic role in the Quebec economy.

According to statistics from the Quebec Ministry of Natural Resources, 201 primary, secondary and remanufacturing plants have been closed or have had to cut their staff since April 2005. That has meant an estimated 15,510 jobs lost in the industry.

Over the decades since 1986, the public forest—and private forests—that the industry’s jobs came from were regulated. Along the way, new laws have been applied and new organizations created related to forest management and the protection of the resource. In 2006, for instance, Quebec introduced forestry regulations which have since resulted in a 20 per cent reduction in the allowable annual cut of softwood in the public forest.

In 2007, there was serious concern about the sustainability of the province’s forests. In December of that year, about 400 industry, union, native, outfitters, and government representatives attended the first Summit for the future of the Quebec Forest Industry. Among the main conclusions was that consolidation, innovation, and co-operation with local communities was needed. At the summit, people also started to talk about the local forest concept, dedicated to promoting the social and economic development of communities by giving them certain aspects of land and resource management.

While the current regime is now ending, a new one will be effective on April 1st, 2013. What is new in these guidelines? And how will the industry deal with the changes?

According to some, there is a cloud of uncertainty over the Quebec forest industry, added to that a forest products market that remains lacklustre. It could mean additional challenges for the industry.

“This is a model largely inspired by the one implemented in British Columbia,” explained Luc Bouthillier, professor of Forest Policy, Department of Wood Science and Forestry, Université Laval. “This is a positive move since we have to change the way the forest has been managed during the last thirty years.”

Among the main changes, the new law, entitled the Sustainable Forest Development Act, abolishes the concept of logging roads, which now become multi-purpose roads, introduces the concept of “local forests”, that will require separate management, and replaces the former timber supply and forest management agreements (FSFMA) with a timber supply and forest management agreements (TSFMA).

The Quebec Government will retake the management of the public forest in terms of allowable annual cuts, the preparation of forest management plans, and forestry certification. In addition, 25 per cent of the allowable annual cuts available in the public forest will be sold at auction by a new government agency called the Timber Marketing Board.

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Instead of having a Timber Supply and Forest Management Agreement (TSFMA), sawmills and secondary processing plants are expected to try to obtain timber supply guarantees. The difference? A timber supply guarantee allows its holder to purchase a volume of timber each year from the public forests, in one or more specific regions. In addition, the holder doesn’t need to carry out forest management work.

More clearly, the new act transfers responsibility for all forest management work to Quebec’s Ministry of Natural Resources and Wildlife. In practice, it is already working, since forest companies had to apply by January of this year to receive timber supply guarantees.

This whole situation creates a reasonable doubt about the way Quebec is going to manage its forests and re-appropriate the expertise in forest management. With this new regime, companies won’t make the decisions on the way they intend to harvest the wood assigned to them anymore. Instead, it will be managed by the regional offices of Quebec Natural Resources and Wildlife, after consultation with the members of new regional organizations called Integrated Resource Management Tables. These tables will include representatives from various organizations, such as elected officials, industry, government, forestry contractors, outfitters, and native representatives.

“The problem is that these organizations will only be consultative and ultimately the government will make the final decision,” explains Bouthillier.

With the new regime, comes the Timber Marketing Board, which was announced this past January. It will sell 25 per cent of the timber available on public land throughout the province on the open market, which translates into roughly five million cubic metres a year. The purpose of this would be to make timber from the public forests available at market value.

“To me, this is positive,” says Bouthillier. “No one has historic rights, and it will be possible for new companies to come into the market.”

This is not so positive for the industry, since it could create an uneven playing field, according to Andre Tremblay, CEO of the Quebec Forest Industry Council. “Sawmills located in the same area will be in competition, while others located elsewhere will not have such problems since there are only two sawmills in their area or they are simply the only sawmill. The control system is not yet fully developed.”

In addition, a reduction of around 10 per cent of the allowable annual cut for the beginning of the next forest management cycle—and especially for 2013-2014—was announced by Quebec Chief Forester Gerard Szaras this past December. According to Tremblay, there is real concern amongst the industry. “The fact is, the industry does not want to see an increase in their operating costs. We are concerned about escalated costs.”

Added to this, however, comes a long overdue new strategy for the industry. In July, Clément Gignac, minister of Quebec Natural Resource and Wildlife, announced an investment of $268 million for projects focused on diversification, and especially on smart papers, bioplastics, and chemicals. Of this, $170 million will go to a technology enhancement program for wood called Fonds Valorisation Bois. “This strategy will give the forest industry a second wind,” says Gignac. “The future of the forest industry lies in innovation and diversification.”
This announcement has been welcomed by the Quebec Forest Industry Council, FP Innovations, and other associations that represent manufacturers and producers.

Although he welcomes the initiative, Bouthillier thinks it is not enough.

“For deep change in the forest industry, it’s going to take time.” he says. “We must have new players and change the mentalities of the existing companies. New products such as smart paper are a must.”

The industry, and province, have only five to eight years to get out of a production mode that has sustained it for a century, he says.

The new regulations are creating uncertainty in the industry. “We don’t know what is going to happen,” says Robert St-Martin, general manager of Forex, which runs a sawmill in Ferme Neuve in the Laurentians. “We remain on track, we’re doing our best with up-to-date equipment.”

Frederic Verreault, spokesperson and Director of Corporate Affairs and Communications at Chantiers Chibougamau, is waiting for the results of the government changes. As with others in the forest industry, the company lives with still-struggling markets, and has seen a huge drop in demand, especially from the American market. “We are living with uncertainty at the moment. We don’t have any idea of what will happen, but it will certainly be a period of adjustments.”

Private forest owners also have concerns. “To be a success, the new forest regime will have to allow the companies to make profits with their activities, while allowing their suppliers to do the same,” stated Pierre-Maurice Gagnon, a woodlot owner himself and president of the Quebec Federation of Forest Producers, which represents woodlot owners.

For the time being, all eyes are now on this new regime, which will come into force in the coming year.