

# Falldown

**FOREST POLICY IN  
BRITISH COLUMBIA**



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## EXECUTIVE SUMMARY

# **T**he forest tenure system is an organization of leases that define rights

to extract timber from the public forests of British Columbia. The system is due for a major change. No interest group in the province defends the status quo. How the system should be changed is open to much debate, opinion varying according to whether, and to what degree, the proponents support industrial forestry as it is currently practiced.

This study provides detailed information about forest policy. It examines the legislation, the history, and the consequences of current arrangements. It also provides information about the companies, employment trends, markets, and communities associated with the forest industry. Then it assesses the range of proposals for change that industry spokespersons, academics, government commissions, non-governmental organizations, and others have put forward over the past few years. Finally, it recommends far-reaching changes to protect the forest ecosystem and a sustainable forest industry in British Columbia.

Our report shows that:

**WITH RESPECT TO THE FOREST ECONOMY:**

- Tenure provisions in the *Forest Act* are designed to promote economic and political objectives, not to sustain the forest.
- The Allowable Annual Cut (AAC) allocated by the Ministry of Forests to tenure holders is substantially higher than the Ministry itself deems to be economically sustainable. By Ministry calculations, there is insufficient timber to sustain the level of logging currently undertaken, even if all other values of the forest are ignored. In the province as a whole, the Ministry estimates that current allocations of timber-cutting rights exceed long-term timber supplies by about 20 per cent. In some regions, the excess is very much above that level.
- The AAC provisions in the *Forest Act* prevent companies from reducing their cut when there are changes in markets, utilization standards or other technological changes, species, or other conditions that make a previous level of logging excessive.
- Mill capacities in many regions of the province already exceed available timber supplies.

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- Ten companies each control over two million cubic metres of AAC. Their combined share represents nearly 68 per cent of the total volume committed to corporate licensees.
- Even with high volumes of committed timber, many forest products companies are not producing profits. Some companies have undertaken substantial restructuring over the past decade; others have reduced their operations in British Columbia.
- Market downturns in the late 1990s are due to several causes, including the Softwood Lumber Agreement with the United States, declining demand for British Columbia wood products in Asian markets, global overcapacity in pulpmills, and growing competition from plantation-based pulpmills in southern regions.
- Costs of production have increased in part because of the reduced accessibility of mature timber.
- Reliable projections about timber yields cannot be generated. Thus estimates of future harvests are essentially guesswork.

**WITH RESPECT TO FOREST ECOSYSTEMS:**

- Neither governments nor companies holding long-term replaceable tenures have adequately restocked logged-over forests. Governments have failed to apply sufficient stumpage fees to reforestation. Companies, even where provided with public funding, did not undertake adequate intensive management to seeded areas prior to 1985.
- Reforestation has been undertaken since 1985, through agreements between the provincial and federal governments, but these plantings will not produce mature second-growth forests for another five to seven decades.
- Lacking adequate supplies of second-growth fibre, the forest industry continues to log in naturally generated forests, and the Ministry continues to allocate cuts in these forests.
- Logging in naturally generated forests at the rate undertaken throughout the past decade, and with current technologies and practices, results in severe ecosystem damage and destruction.
- Predictions about the ecological impacts of logging in large ecosystems are unreliable; controlled and replicated experiments are impossible to perform.
- Old-growth forests have high levels of productivity apart from merchantable wood. They sequester large quantities of carbon, conserve nutrients, protect soils, regulate hydrologic regimes, and provide habitat for many species of flora and fauna. The costs of liquidating them include loss of genetic material; loss of structural diversity; loss of herbivorous insect regulators; loss of carbon storage; and loss of scenic, recreational, tourism, spiritual, aesthetic, and cultural values.
- Ecologically sustainable forestry is possible, and there are models and viable proposals for practicing it. The Scientific Panel for Sustainable Forest Practices in Clayoquot Sound provided a plan for making the transition from management of forests for products to management for sustainable ecosystems.
- The Scientific Panel recommended a 70 per cent reduction of harvest levels in the most sensitive areas of Clayoquot Sound. This and other recommendations resulted in an overall reduction of the AAC in Clayoquot Sound of 62 per cent. Two proposals for other regions have recommended reductions in local AACs ranging from 38 to 94 per cent. There is much regional variation in the volumes that can be sustainably logged, but overall, significant downward adjustments to the AAC are essential for the future development of a healthy forest resource and economy.

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**WITH RESPECT TO EMPLOYMENT AND SOCIAL IMPACTS:**

- Employment of production workers in all three major sectors of the forest industry (logging, sawmills and planing mills, pulp and paper mills) has steadily declined relative to volume of logs produced between the early 1960s and the 1990s.
- There has been an absolute decline in number of workers in all three sectors of the forest industry since 1980, in spite of an increase in volume of logs, sawn lumber, and pulp produced.
- Forestry today employs about five per cent of the provincial labour force.

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- First Nations communities have generally been excluded from participation in the forest industry, and their lands have been taken over by forest and other companies. Many of these communities are now demanding the return of ancestral lands and compensation for losses.
- Many non-Native communities dependent on the forest industry are economically insecure and are suffering from high unemployment rates. Large companies and “sustained yield” policies have not sustained them.

- Some communities, however, are diversifying their local economies and reducing their reliance on the forest industry.
- There are other ways of using forests that are less intrusive than the logging of timber, and that use less wood more effectively. These alternatives would provide employment.
- There is a strong, demonstrated demand for community tenures, and some of these communities already have the expertise and feasible management plans to undertake ecosystem-conserving forestry.
- Social attitudes and values have changed since the 1950s, and cessation of clearcutting, overall reduction in logging, and the development of ecologically sustainable methods of intervention in the forests are now widely supported.

**WITH RESPECT TO LANGUAGE AND OBFUSCATION:**

- The Ministry of Forests, other government departments and agencies, and industry participants frequently use words that mask reality in the forest industry. Such terms include *mature forests*, *Long Term Harvesting Level*, *falldown*, and *sustained yield*. “Mature forests” are tree stands that are classified as ready to be cut. The term is not equivalent to “old-growth” and it does not connote any particular ecological condition.



“Long Term Harvesting Level” refers to the estimated availability of timber from existing mature and second-growth forests. It has no ecological meaning. “Falldown” refers to the difference between the allocation (AAC) and the Long Term Harvesting Level. A more accurate term would be “overcut.” “Sustained Yield” is an entirely hypothetical term that has had no concrete manifestation throughout British Columbia’s history in the form of new forests grown on a genuinely sustainable basis.

#### OUR TASK:

**We are not facing a choice between ecology and economics. If we do not reduce our assault on the forests, there will be no economic returns in the not very distant future. We have to save the ecological systems and enable them to return to a healthy condition so that there can be a small but viable forest industry for our children and their children. We take the position that there are large and small companies, communities, and Native bands in British Columbia that are able to take on the task of regenerating forests by introducing innovative ecosystem logging methods, developing new value-added products and products that are not timber-based, and providing leadership to move the provincial economy beyond its dependence on timber extraction. It is in this spirit that we make our recommendations for change.**

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We depart from many other studies in making a distinction between naturally generated forests and managed second-growth or plantation forests.

The rationale for and details of these recommendations are provided in the concluding chapter of this book. Here we provide a brief summary.

#### RECOMMENDATIONS FOR CHANGE IN NATURALLY GENERATED FORESTS

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- **All logging in naturally generated forests should be based solely on ecological criteria.** We make several recommendations regarding how such determinations could be made by scientific panels, and how administration of the system could be carried out with a minimum of bureaucratic organization.
- **While awaiting the recommendations of scientific studies, the Ministry of Forests should reorganize itself in anticipation of changes.** It could reasonably begin the

process of reducing AACs along the coast, based on the criteria stipulated for Clayoquot Sound (since other coastal regions are likely to be similar).

If these recommendations are adopted, then the rest of the system for naturally generated forests would be based on:

- **a much smaller cut from these forests overall on an annual basis;**
- **more selective logging (with the strongest trees being saved); and**
- **some areas being reserved until they are sufficiently healthy to support limited logging.**

All other recommendations follow on these. Governments and government ministries or agencies would have changed responsibilities. They would be required to steward the

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forest rather than treat it as only an economic resource. The *Forest Act* and other legislation would be revised to reflect changed conditions. The stumpage collection system would be altered, and application of rents would be directed entirely to reforestation and silviculture until restoration of health in forests has been achieved. Eco-certification would be required, and both timber auctions and log markets would become features of the economy. We also make recommendations with respect to compensation issues. We strongly recommend that

communities and small businesses that are able to utilize non-timber values in forests be given priority for new tenures, and that there be greater diversity among tenure holders in future. Among these recommendations are the following:

- **A set of ecological standards should be established by a panel of appropriate natural scientists. A government should be expected to meet such standards.**
- **The *Forest Act* should be revised to reflect a shift in priorities to ecosystem-based forestry, with appropriate changes made regarding tenures, manufacturing facilities, AACs, and stumpage.**
- **Volume-based logging should be scrapped altogether.**
- **The present exclusive nature of tenures for timber cutting should be discontinued, and tenures for non-timber operations should be granted on the same land base as current timber licences.** Negotiations would be required to provide opportunities





for communities and small businesses to develop alternative economic activities in forests. Co-management between companies and communities should be encouraged.

- AAC allocations should be substantially downsized on an annual basis until the Scientific Panel acknowledges that the remaining allocations throughout the province are ecologically sustainable.
- **Tenures should be separated from manufacturing capacities, as described below.**
- **As new legislation is introduced, the Crown should move quickly to establish both timber auctions and log markets, with a view toward steadily increasing the proportion of standing timber and logs sold at market prices.**
- **Companies that choose to sell their mills should be informed that their tenures are not transferable to mill buyers. (Current legislation provides such companies with no assurances to the contrary.)**
- **Performance standards should be established through eco-certification permits.** Eco-certification should be conducted by third parties who do not depend on any existing tenure holders for their employment. They must have credibility with citizens who are concerned about the environment.

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## RECOMMENDATIONS FOR UTILIZATION OF MANAGED SECOND-GROWTH FORESTS AND PLANTATIONS

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Managed second-growth forests are limited attempts to “mimic nature” yet maximize the growth of commercially valuable tree species. They include some species and undergrowth that are not commercially valuable. Plantations, in contrast, are simply attempts to maximize the yield of commercially valuable tree species, with no other species in evidence (these forests and plantations are discussed in Chapter 2).

With respect to managed second-growth forests, we suggest that where companies have substantially invested in planting and management, they should benefit from their investment. These forests were created with the intent to provide timber, and other values were not entrenched in them. They do not constitute a high proportion of the total forest

lands in British Columbia at this stage, and few are of commercial size at the end of this century. However, a limited-sized forest industry could be sustained by them when they reach (commercially defined) maturity, without doing new damage to existing naturally generated forests.

- **Companies that planted and managed second-growth coniferous forests should retain the right to harvest the yield in accordance with principles for sustaining the forests that may be less stringent than the principles applied to naturally generated forests.** And, as long as the companies replant and sustainably manage the second-growth (and subsequent-growth) coniferous forest, they should retain rights to the harvest.
- **Where governments (through the Forest Service and its contractors) have replanted and managed a second-growth forest, the resulting forest should be treated as having no claims against it.** It may be used for allocation to First Nations and other communities or to small businesses or co-managed operations that provide appropriate ecosystem-based management plans. It may also be allocated to companies as compensation for foregone cutting rights because of reallocation or establishment of parks (as required under current legislation).

Plantations are not forests in the traditional sense; they are agricultural crops. Only commercially useful trees are included, and they are grown in highly standardized fashion (in some plantations, the trees are clones) under conditions where they can be cut at shorter intervals. Our objective is to shift this industry to *marginal* agricultural land where trees would be a better utilization than alternative crops and where timber plantations would, overall, be the *optimal* use of the land. To facilitate this shift, we make the following recommendations:

- **Companies should be encouraged to purchase land that is *external* to forests, where plantations would be the best use of such land. This land may currently reside in either Crown or private holdings, and might be currently classified as agricultural land.** (The Ministry of Agriculture, Fisheries and Food has designated some land throughout the province as marginal for agriculture.)
- **Local area land use committees, relying on standard criteria and with the aid of “expert panels” where necessary, should have the power to determine where plantations would be optimal land use.**



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## RECOMMENDATIONS FOR MANUFACTURING CAPACITY

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- **Government and companies should work together to create more efficient processing of reduced quantities of timber for higher-value products.** Companies with demonstrated records of performance in this respect should be given priority for timber-cutting rights, and should be released from stringent application of appurtenancy requirements if mills outside the area of the cut (but still in British Columbia) are better designed to produce the higher-value products.
- **Studies should be undertaken to determine how much manufacturing capacity of the kind currently established (sawmills, pulpmills, paper mills, plywood mills, shake and shingle mills, etc.) can be supported on the basis of ecosystem-based forestry in naturally generated and managed second-growth forests over the next 20 years, on a regional basis.**
- **Where excess capacity exists in a region, government should undertake negotiations with companies that have replaceable tenures, to establish a level of fair compensation in return for expropriation of facilities** (see recommendations for compensation below).
- Mills on plantation land should be governed by regulations pertaining to control of water quality, air pollution, pesticide and other chemical use, and other environmental conditions. These would not come under the *Forest Act*.
- **Small businesses that produce such goods as furniture, musical instruments, kitchen utensils, and other manufactured items for which specialized markets exist or can be developed should be enabled to obtain wood supplies on well-regulated log markets.**
- **Exploration grants and seed money would be appropriate means of encouraging entrepreneurs to examine alternative possibilities and establish new firms.**
- **Banks, non-governmental organizations, and cooperative financial institutions should be encouraged to become active in financing initiatives for businesses that utilize wood more effectively and for non-wood-based businesses in rural forestry regions.**

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## RECOMMENDATIONS FOR LAND USE PLANNING AND COMMUNITY DEVELOPMENT

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- **Proposals on land use planning put forward by the Forest Resources Commission should be adopted and implemented.**
- **Native bands and other communities that have appropriate management plans for the creation of community ecosystem-based logging operations should be given priority in any new allocation of industrial forest tenures.**

## RECOMMENDATIONS FOR COMPENSATION

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- **If the Crown discontinues a tenure for ecological reasons, compensation should be provided to companies that have invested in mills in accordance with legislation requiring tenure holders to build such facilities, and that have invested in roads and other infrastructure on tenured land where governments or their agencies agreed to these expenditures. The level of compensation for facilities should take into account the performance of the tenure holder with respect to conservation of the resource and other environmental concerns, as well as the age and condition of the facilities and external estimates of future market demand for products from these facilities.**
- **If the Crown discontinues a tenure for ecological reasons, compensation for lost timber-cutting rights should not be provided because the Crown has continuously owned the resource and demonstrated ownership through collection of resource rents. However, the Crown should acknowledge an obligation to negotiate a diminishment of cutting rights over a three- to five-year period, so that the tenure holder can restructure its operations, and should provide retraining opportunities to employees. Further, the Crown should encourage a tenure holder to obtain wood supplies at timber auctions and on log markets, and to invest in plantations.**
- **If the Crown discontinues or decreases timber-cutting rights on a tenure for purposes of reallocation, or decreases timber-cutting rights beyond a level of five per cent for purposes of establishing parks or other public facilities, compensation is required under current forest legislation. Compensation should be in cash, not in naturally generated forests. However, the Crown could compensate tenure holders by allocating rights in second-growth forests that have been replanted and maintained by government, or marginal agricultural land deemed suitable by land use committees for tree plantations.**



## CONCLUSION

The practical questions facing us now are how a just society can persuade its industrial components to accept change, to acknowledge limitations on rights, to negotiate other presumed rights in good faith, and to move very swiftly and substantially in new directions. We need to come up with employment alternatives for people who have depended on the forest industry. We need strategies that enable communities to develop necessary skills for the long-term stewardship of forests. We need to establish organizations that will take forest stewardship as their primary task. And, perhaps above all, we need to consider how to oblige government to relinquish its role as collector of rents so that it can play a more positive and forward-looking stewardship role in an economy that is no longer dependent on the extraction of timber for its well-being.

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