Overview of the BC Forestry Industry

Forest Management
Sustainability
Certification

Industry
Considerations with
Aboriginal Title

Increasing
Global
Competitiveness
Surrounding yourself with the top talent is always a wise strategy. CPA Students and Candidates have the insight to see the big picture and the business know-how to help you realize your organization’s vision and goals.
The Chartered Professional Accountants of British Columbia was formed through the amalgamation of ICABC, CGA-BC, and CMABC. CPABC was officially established when the CPA Act came into effect on June 24, 2015.

About
CPABC Industry Update is the organization’s online magazine for members working in industry. Published quarterly, Industry Update is distributed to over 36,000 members, candidates, and students in British Columbia. Opinions expressed are not necessarily endorsed by CPABC. Copyright CPABC Industry Update 2015.

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Overview of BC’s Forestry Industry

**British Columbia has 55 million hectares of public forest land**

**Canada has 348 million hectares of forest**

**Canada’s Forests Represent:**
- **9%** of the world’s forests
- **24%** of the world’s boreal forests

**BC Forestry Sales**
(Based on 2013 sales)

- **$8.1 billion** in wood product manufacturing sales, of which
  - **$5 billion** was sawmill sales
  - **$2.4 billion** was market pulp sales
  - **$4.2 billion** in paper manufacturing sales, of which
  - **$195 million** wood pellets, exported primarily to Europe
  - **$802 million** logs

**Top Three Export Markets: US, China, Japan**

- Since 2009, China has been a key driver of the forest sector’s sales recovery.
- China receives 61% of BC pulp exports, and 54% of exported logs.
- In 2013, BC forest product exports were $11.7 billion.
  - 43% to US
  - 31% to China
  - 14% to Japan
  - 12% Other
  - $5 billion
  - $3.7 billion
  - $1.7 billion

**Source:**
- Canada’s forests: Key facts, Natural Resources Canada, 2014.
Overview of BC’s Forestry Industry

**BC Forestry Sales*** (Based on 2013 sales)

- $8.1 billion in wood product manufacturing sales, of which $5 billion was sawmill sales
- $4.2 billion in paper manufacturing sales, of which $2.4 billion was market pulp sales
- $802 million logs

Half of Crown Forest is Considered Harvestable.**

Area harvested on:
- **public forest land:** averaged 180,000 hectares per year since 1990
- **private forest land:** 20,000 hectares annually

By law, all forest harvested on public lands must be regenerated.

Who Owns BC’s Forests?**

- **95%** Crown Provincial (89,512,571 ha)
- **4%** Private ownership (4,188,346 ha)
- **1%** Federal (1,037,102 ha)
- **0.1%** First Nations (134,878 ha)

Total provincial land base: 94,872,897 ha

The BC forest sector continues to recover from 2009, the sector’s worst year of the recession, and one of the worst years for BC forestry in recent history.

The Allowable Annual Cut (AAC)**

is the maximum amount of timber that may be harvested per year from a specified area of land. Currently, the overall AAC in BC is 85 million cubic metres. The AAC is set at a sustainable level for a 10-year period. The Province’s Chief Forester reviews the timber supply on a regular basis, normally every ten years. Following that review, the AAC may increase, decrease, or remain unchanged.

Economic Impact

(Based on 2013 percentages)

- Forestry accounts for 24% of direct manufacturing employment.

25%

- One out of every four manufacturing jobs is related to forest products manufacturing.

- Forestry consists of more than 7,000 businesses in BC.
  - Most are small businesses, with 83% employing less than 20 employees.

- Forestry is a major customer for BC’s transportation industries – trucking, railway, and shipping.
  - An estimated 14 million metric tonnes of forestry cargo is shipped through BC ports to more than 25 countries.

- 40% of BC’s regional economies are forest-dependent.

**Green Energy**

BC’s forestry industry is a world leader in sustainable forest management. BC has more land certified to internationally recognized sustainability standards than any other jurisdiction in the world.


**Forest’s Environmental Impact**

Each 10% increase in tree cover in an urban area can have the effect of cooling that area by 1 degree Celsius.

Source: Canada’s forests: Key facts, Natural Resources Canada, 2014.

About 2/3 of Canada’s plants, animals, and micro-organisms live in the forest.

More than 65% of Canadians get their water from river systems, lakes, and reservoirs – sources that largely originate in forested areas.

The forest industry supports 6.5% of jobs in BC, equal to one out of every 16 jobs in industry, or 145,800 jobs.


**Highly Unionized**

38.5% of workers employed in the forestry and logging industry were under union coverage in 2013, higher than the provincial average of 31.5%.

Source: WorkBC Industry Profile, Forestry & Logging, workbc.ca

**Projected Labour Demand:**

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<th>2012</th>
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<td>Demand growth (2012-2022):</td>
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Source: WorkBC Industry Profile, Forestry & Logging, workbc.ca

**Risks to the BC Forestry Sector**

- Slow recovery in the US economy
- Diversification into Asian markets
- Canada-US exchange rate
- International commodity prices

**What is Deforestation?**

Deforestation is the clearing of forests to make way for new, non-forest land uses, such as urban development or agriculture. Land that temporarily has no trees is still considered to be a forest when the trees are expected to grow back – such as after fires or harvesting.

Source: Canada’s forests: Key facts, Natural Resources Canada, 2014.

**First Nations Participation**

Since 2002, the BC Government has signed forest tenure agreements with 175 of the 203 First Nations in BC.

Agreements provide $324 million in resource revenue-sharing and access to 63.2 million cubic metres of timber.

There was a time when BC’s economy rose and sank on the fortunes of forestry. The provincial economy is now more diversified, which is a positive development. Although its relative economic footprint has diminished with the expansion of numerous other industries, the forest sector is still one of BC’s most important economic engines. Critically, forest products are the largest source of export earnings for BC. And the industry is the economic backbone of dozens of communities all across the province.
The good news is that amid an uncertain global economic backdrop, the near-term outlook for the forest sector is quite encouraging. The ongoing, multi-year recovery in new residential construction in the US will boost the demand for wood products and other building materials and support product prices in North America. This upswing will be further reinforced by the lower Canadian dollar, which makes BC’s forest products more competitive in the US marketplace. The BC industry is also benefiting from the success it has had in diversifying into offshore markets in China and other parts of Asia.

Overview of the BC Forest Sector

The provincial government owns 95% of the land in BC and therefore exercises control over the majority of forest resources. Industry relies on the government, in the form of land tenure, for access to the resource, and in turn pays the government for harvesting trees. The very high proportion of public ownership of forest resources, coupled with private industry’s dominant role in harvesting the fibre, is unique in North America.

Another important feature of BC’s forest sector is that it is integrated. The logging and harvesting industry and forestry management (replanting and managing forests) feeds into the lumber and other wood products industries. At the same time, the byproducts from wood manufacturing (as well as lower-quality logs) provide fibre for BC’s pulp and paper industry. In the North American Industry Classification System (NAICS), forest-sector economic activity is tracked and reported in four distinct industries. But the practical reality is that in BC these four industries are interrelated and make up what we like to refer to as the “forest products cluster.”

Another important feature is that most of the sector’s component parts are very capital intensive. Heavy equipment is used to harvest trees, which are then transported to sophisticated, high-tech manufacturing facilities. Massive investments have been made in BC lumber-producing facilities to drive unit costs down and expand output. Pulp mills are also very capital intensive.

However, essentially all Crown land in BC is subject to unresolved Aboriginal claims, which can serve to fetter the province’s authority to manage both land and resources.

The large amount of capital equipment used in the forest products cluster means that most parts of forestry consist of high-productivity facilities and sub-industries that pay comparatively high wages and benefits.

The wood products industry is divided into two main regions, the coast and the interior. The coast produces a wide variety of higher-value products from larger-diameter logs and sought-after species, such as Douglas fir and western red cedar. Fibre costs are high in the coast region, and the industry focuses on making products that maximize value from this limited resource. By volume, the majority of BC’s timber harvest comes from the interior. Much of this is processed in large, advanced facilities.

While the near-term outlook for the industry is bright, over the medium term the aggregate size of BC’s forest industry will contract due to imminent reductions in the annual allowable cut (AAC). By 2016, the mountain pine beetle
Infestation in the interior is projected to have harmed or destroyed 58% of the harvestable lodgepole pine in the province. As a result, the total AAC will decline by 20% from historical norms. This reduction in timber supply will result in higher fibre costs, as sawmill, panel, pulp and paper, wood pellet, and bioenergy operations compete for a diminished supply of timber and some communities in the interior are buffeted by consolidation and closure of certain facilities. On the upside, however, a strong pricing environment (and a low Canadian dollar) should help to keep BC operations profitable and limit the job losses associated with a smaller AAC. Note that because of the extended growing cycle of interior trees, the AAC is not expected to return to its historic norm until 2080.

### The Forest Sector's Economic Footprint

By any measure, the forest products cluster remains one of the province's dominant economic engines. In value-added terms, the sector's GDP in 2013 amounted to $6.8 billion.\(^2\) About one quarter of this comes from logging while nearly half is from the manufacturing of wood products (mostly lumber, but also plywood and other panel boards and some specialty products). Pulp and paper makes up about 15% of the sector's total value-added production, while another 10% comes from support activities for forestry.\(^3\)

As is evident in Figure 1, output in BC's forest products cluster is cyclical. After the US housing bubble burst in 2006, GDP for the BC sector tumbled from more than $8 billion to $5.2 billion in 2009. The downturn would have been even steeper if BC wood product exports to China had not increased sharply during this period.

Back in 1997, forestry directly accounted for about 5% of total economic activity (real GDP) in the province. Even though the industry grew in the mid-2000s, the sector's share of total economic output slipped to about 4.5%, as other industries in the province expanded. The downturn in the wood products industry stemming from the US housing bust pushed forestry's share of GDP down to 3% in 2009. With the expansion and recovery in recent years, that figure has climbed back to 3.5% and it may edge higher over the rest of the decade thanks to buoyant lumber markets.

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2 Measured in 2007 dollars.
3 Note the industrial category for support activities for forestry includes support activities for agriculture as well.

- The BC forest products sector remains an important source of high-paying jobs and is one of the province's leading economic engines.
- The relative size of the forest industry has diminished gradually over time, but BC's forest products cluster is still the largest in North America.
- Forest products are the number one export category for the province and a key reason why BC's export base is geographically diverse.
- Because of the mountain pine beetle, the amount of timber available to harvest is poised to contract, which will lead to consolidation and shrinking in the size of the wood products industry.
- Far from being a sunset industry, the forest sector is highly innovative and utilizes advanced technology. The BC industry has exceptionally high environmental standards and is sustainably managed.
- The industry faces rising costs and other competitive challenges. Because of the sizable economic footprint and contributions of the forest products cluster, government must focus on establishing a climate that supports renewed investment in the forest sector.
A somewhat smaller share of total economic activity should not be interpreted as meaning that forestry’s economic importance to BC has passed. The true picture is more complicated.

The forest products cluster makes an outsized contribution to the province’s overall prosperity. Some data and comparative metrics help to underscore this point.

BC is the biggest source of softwood lumber in Canada. In 2013, BC’s production was 12.7 billion board feet of lumber, representing just over half of Canada’s total softwood lumber production. The vast majority of this production is shipped to other countries, with around 53% of exported lumber going to the United States, 25% to China, 13% to Japan, and smaller shares to other markets. BC is also home to three of the four largest forest products companies in North America.

Broadening our comparisons to include the US and looking at value-added economic output, BC’s forest sector stands out as the largest in North America (Figure 3).

In considering the proportional size of the forest products sector, forestry looms even larger in BC than in other jurisdictions. In recent years, forestry’s direct contribution to, or share of, the provincial economy has been ~3.5%. Among relevant US states and other provinces, the next largest share is in Arkansas (2.7% of total state GDP). In Quebec, whose economy is larger than BC’s, forestry accounts for a more modest 2% of provincial GDP.

To summarize, BC’s forest products cluster is the largest in North America in both absolute and proportional terms. When governments ponder economic development strategies, the starting point is frequently to identify the industries where a jurisdiction already has a comparative advantage. Both historically and today, BC has a substantial comparative advantage in the forest products sector and related downstream activities. Thus, it makes good economic sense for government to take steps to nurture and support the sector.

Employment is another important measure. Forestry directly employs more than 63,000 individuals in the province. Those who work full-time in the sector receive hourly wages and employment incomes that are well above the all-industry average.

\[\text{Forest Sector GDP, Provinces & Selected States*} \]
\[\text{billions, $ CDN**} \]

\[\text{Forest Sector GDP as a Share of Provincial & Selected State GDP*} \]
\[\% \text{ of total GDP} \]

\[\text{Forest... (cont'd)} \]

\[\text{Source: Statistics Canada and US Bureau of Economic Analysis.} \]

\[\text{Figure 3} \]

\[\text{Figure 4} \]

\[\text{Source: Statistics Canada and US Bureau of Economic Analysis.} \]

\[\text{4 BC Forest Industry: Economic Impact Study, MNP, LLP. (January 2015).} \]
Spin-off Benefits Are Significant

It is impossible to discuss forestry in BC and not touch upon the interconnections and linkages between forest products and other parts of the economy. The forest products cluster purchases goods and services from a vast array of businesses across the province. Industry participants procure a range of services, including accounting, environmental, banking, engineering, insurance, consulting, information technology, and customs services. Forest products companies also purchase maintenance services and machinery and equipment. In many instances, local companies are initially formed to manufacture equipment for nearby forest products firms and then subsequently expand to sell and export their products and related expertise to other jurisdictions.

Forest products companies are also major purchasers of BC transportation services, electricity, and other inputs such as seedlings, fertilizer, and other forestry-related goods and services. Transportation services are especially significant as the industry relies on road, rail, and waterways and port infrastructure to move wood products and pulp and paper throughout the province and to international markets. In 2013, the forest industry utilized 245,000 railcars to ship products to US destinations, which amounted to almost 15% of all single-mode railcars loaded in Western Canada in that year. Similarly, the forest industry shipped 14 million metric tonnes through BC ports in 2013. In the case of Port Metro Vancouver, forestry accounted for 8.5% of all cargo shipped and half of all laden export containers handled in 2013.5

Adding up the associated employment impact, the forest industry in BC supports 82,000 jobs beyond the industry itself.6 When you combine the direct and indirect employment, more than 145,000 British Columbians owe their livelihoods to the province’s forest products cluster.

A Critical Part of BC’s Export Economy

The defining economic characteristic of exporting is that it provides a vital external source of income for the province, whereas most non-traded industry sectors are mainly involved in re-circulating existing dollars. In theory, these export-related dollars help to finance purchases of imported products and services, which dramatically expands consumer choice and improves our overall quality of life.

As an export industry, forestry also generates other, more subtle economic benefits equally important to enhancing prosperity. Having access to external markets allows local companies to operate more efficiently by taking advantage of economies of scale that would otherwise be unavailable. Exposure to international markets is a powerful stimulus for efficiency and higher productivity. Firms competing in a North American or global arena need to regularly innovate and invest in capital equipment to remain competitive. For this reason, export-oriented firms are typically more productive and tend to pay higher wages. Over the long term, productivity is the single most important factor in determining gains in real income.

As noted above, forest products are BC’s largest export. In 2014, wood product exports alone amounted to nearly double the value of exports of metallic minerals. Wood product exports are also double the size of machinery and equipment exports. The total value of pulp and paper exports alone is similar to the value of metallic minerals. If the two key segments of forestry are added together, forest products represent by far BC’s largest merchandise export product group.

BC forest products have also supported the growing diversity of BC’s trade in the past decade. Increases in

5 Ibid.
6 Ibid. Indirect jobs are measured as full-time equivalents.
Higher Wages and Employee Benefits
All elements of the forest sector are high-productivity industries and thus generally pay above-average wages. As is evident in Figure 6, the different parts of the forestry sector are among the highest-paying industries in the province. The total compensation per job in the pulp industry is among the very highest and is more than double the all-industry average. Total compensation in the forestry and logging sector is close to that of pulp mills. Wood products manufacturing also pays excellent wages – more than 50% higher than the all-industry average.

The majority of jobs in the BC forest sector are located outside the major population centres. These jobs provide vital sources of income for families who reside in smaller communities. More and more younger households are being pushed out of the Lower Mainland because of high housing costs or because they are looking to live in communities where lower home costs mean a higher standard of living. Forest sector jobs provide an attractive alternative and also help to support local employment in other industries as well.

Outlook, Advantages, and Challenges
The BC forest products cluster is in the midst of an upswing that should persist for several more years. British Columbia is well known for its sustainable practices and sound stewardship of the forest resource. The industry is also advancing partnerships with First Nations and is an important source of jobs and income for many Aboriginal individuals in the province.

However, forestry in BC also faces many challenges. Because of the mountain pine beetle, the absolute size of the industry is set to contract in the coming years. BC is also a complex jurisdiction in which to operate. Among other things, BC has unsettled First Nations land claims, often cumbersome environmental regulations, complex and lengthy permitting processes, and rising operating costs. The BC carbon tax, steadily escalating power costs, and hundreds of millions of dollars of extra production and operating costs for forest products companies as a result of the shift back to the Provincial Sales Tax in 2013 have all weighed on new investment in the sector. Some BC forest product companies also suffer from what is widely recognized to be punitive municipal property taxation on their capital-intensive manufacturing facilities. Ongoing trade disputes with the US are another longstanding challenge for the BC sector. For these and other reasons, certain US jurisdictions have become increasingly attractive investment locations for some BC forest products companies.

In spite of a complex operating environment and some erosion of the province’s overall competitive position, the forest products cluster remains one of BC’s most powerful economic engines. It provides a vital foundation for jobs and economic activity for dozens of communities spanning every region of the province. While the fallout from the pine beetle infestation may limit the prospects for future growth, forestry is not a sunset industry. Rather, it is a mature, sophisticated, high-productivity industry that supports many communities, buys billions of dollars of local supplies, services, and other inputs, and remains one of the province’s leading sources of high-paying jobs.

Jock Finlayson is the Executive Vice President and Chief Policy Officer of the BC Business Council. Ken Peacock is the Chief Economist and Vice President of the BC Business Council.
One of the world’s largest producers of sustainable lumber, pulp, and paper, Canfor is a leader in the forest products industry. Its products include high-quality dimension lumber, value-added wood products, top-quality pulp and paper, wood pellets, and green energy. The corporation has two publicly listed companies – Canfor Corporation (CFP) and Canfor Pulp Products Inc. (CFX), of which Canfor owns a majority interest, both of which are traded on the Toronto Stock Exchange.

Green energy is a growing product for the company, with Canfor Pulp, one of the largest North American producers of bioenergy, operating large-scale bio-refineries. Long term, the company hopes to become energy self-sufficient and it currently exports renewable electricity to the Alberta and BC grid. Today, the company generates 895 million kwh of electricity a year, equal to the annual power needs of a city the size of Prince George.

Now with over 5,000 employees worldwide, Canfor’s beginnings were modest. In the late 1930s, brothers-in-law John Prentice and Poldi Bentley left Austria for BC to
escape the looming war in Europe. In 1938, Prentice and Bentley opened a small veneer plant, Pacific Veneer, in New Westminster. After several acquisitions, the company renamed itself Canfor in 1947. The company continued to grow with the acquisition of more sawmills, pulp mills, and logging operations. In 2006, Canfor expanded to the US, and now has operations throughout the southern US.

*Industry Update* spoke to Grace Kuo, CPA, CA, director of treasury with Canfor, to find out what it’s like to work at the company and to learn more about its involvement with CPABC’s Career Connect Program. At Canfor, Kuo has multiple roles, ranging from traditional treasury functions, such as hedging and liquidity/cash management, to risk management, the management of Canfor’s many insurance policies, running the company’s captive insurance company, and managing the company’s pension plans.

**What makes Canfor a unique place to work?**

Canfor is expanding and this creates opportunities for professional growth and advancement. We have many high-calibre and well-rounded individuals working at Canfor, which makes for a vibrant work environment.

We’re also going through a period of change. As we are growing, we are looking for ways to work smarter and more efficiently. Being able to play a part in this continual transformation is what makes it a unique place to work.

**What qualities are common among your most successful employees?**

They’re innovative team players and have the confidence to voice their opinions. They’re bright and technically sound, but also have strong interpersonal skills to influence and engage with people throughout the company. They also have a solid understanding of the business. At Canfor we encourage employees to visit our operations when possible. By understanding our operations, our finance team can act as catalysts for change.

**Canfor has several CPAs in the organization. What sets CPAs and CPA candidates apart from other hires?**

CPAs have good business acumen, in addition to being technically strong. They are fast learners, adaptable, and have a keen curiosity paired with emotional intelligence. They make good business partners in helping us deliver on Canfor’s strategy.

**Why did you join CPABC’s Career Connect employer program?**

As an employment partner, Canfor and our employees benefit from the support and resources provided by CPABC. We also see the Career Connect employer program as an opportunity to assist in recruiting talented financial professionals throughout the province. Canfor is committed to providing continual learning and development opportunities for our employees, and the Career Connect program is aligned with this objective.

**How would you describe your organization’s relationship with CPABC (Career Connect) and what do you envision for the future?**

Although our relationship with CPABC is new, in the past Canfor has connected and successfully worked with CPABC’s legacy organizations. We hope and expect the relationship with CPABC to be a long and mutually beneficial one. We look forward to increasing the profile of Canfor and CPABC throughout the many BC communities in which Canfor operates.

**What benefits does your organization gain by partnering with CPABC (via Career Connect)?**

It presents many benefits to our organization. The program offers Canfor increased exposure in the accounting community through the CPABC Careers website, various career fairs, as well as networking events. In addition, this partnership will allow Canfor to be recognized as a preferred employer in BC, and enable us to draw on a larger pool of talented accounting professionals.

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*CPABC Career Connect recognizes leading companies that provide an effective working and training environment for our designated members, students, and candidates and affirm the value of CPA-trained accountants and finance professionals within their organization. To learn more about the program, visit Career Connect, [www.bccpa.ca/careers/career-connect-employers](http://www.bccpa.ca/careers/career-connect-employers).*
The sustainability performance of the global forest product industry is improving, driven in large part by an increase in certification to third-party standards that require a commitment to responsible forest management and include assessments by independent certification bodies.

The latest report from The International Council of Forest and Paper Associations (ICFPA) shows that industry members in 24 countries manage a total of 302 million hectares. Since 2000, they have increased the amount of hectares certified to a third-party sustainable forest management certification system by 41 percentage points, to 52% of their wood supply.

Canada is doing especially well, with 161 million hectares of certified forest managed by ICFPA industry members and non-members, which is more than 40% of the global total of certified forests.

Forest certification is an independent assessment to confirm that a company follows sustainable management practices. It provides assurance that a forest company is operating legally, sustainably, and in compliance with world-recognized standards for sustainable forest management.

"Sustainability is critical to forest and paper companies. Not simply to ensure continued fibre supply, but because their customers want assurance that the products they're buying come from responsiby managed forests."
Certification provides that assurance,” says Bruce Eaket, Director, Forest, Paper & Packaging Practice at PwC.

Eaket is a member of the Canadian Standards Association’s (CSA) technical committee that is responsible for rewriting the CSA’s forest management standard every five years. CSA is one of three bodies that have developed management standards applicable to Canada’s forests. The other two include the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative (SFI). A fourth North American forest management standard that is applicable to family-owned and small-scale woodlands in the US is the American Forest Foundation’s (AFF) American Tree Farm System (ATFS). CSA and FSC are currently in the process of updating their standards, while SFI and AFF recently updated their standards in 2015.

Eaket says the North American industry leads the world in the rate at which it has adopted certification. It’s not an easy task given the wide variety of stakeholders involved, from communities, companies, and their employees, to complex supply chains and customers.

“Each stakeholder has different interests, and different forestland attributes that they want to see managed and protected,” says Eaket. “The standards bodies have a tough job of bringing all of that into the standard, in a way that can be effectively implemented in the forest and tracked through the supply chain.”

In its recent publication, Facts & Trends: Fresh & Recycled Fiber Complementarity (April 2015), the World Business Council for Sustainable Development’s (WBCSD) Forest Solutions Group says forestry certification systems are intended to provide accurate and verifiable confirmation of the environmental attributes of the fresh fibre used in a finished product. In other words, information about the forests from which fresh fibre originates. Certification can also be used to track products through the supply chain using chain of custody standards for lumber, paper, and recycled products.

Forest Stewardship Council Canada

FSC Canada President Francois Dufresne says transparency is key to maintaining the credibility of forest products. Standards must also evolve to meet the interests of all stakeholders, and there is an increasing requirement for products to be traced back to their source.

“Traceability and transparency, more than ever, will be important for the population buying forest products,” says Dufresne.

FSC’s certification system includes three key interest areas, or chambers: social, economic, and environmental. In Canada, Dufresne says there is a fourth chamber, which is an increasingly important element to determining that sustainability measures are met – First Nations communities. About 80% of Canada’s Aboriginal population depends on forests for their livelihood. Part of the FSC’s current review of its standards is to ensure it improves how social issues are addressed, specifically with Aboriginal people.

“Their voice is now, more than ever, extremely important for the industry to take into account,” Dufresne says. “We need to work in partnership to take care of the forests and also develop forest products in a responsible way.”

FSC also wants to become more mainstream, says Dufresne. That will not only increase awareness of sustainability in the sector, but also provide more value for companies, as well as a stronger competitive advantage.

“We need to reach a broader critical mass of forest owners/managers, but also consumers, and build a bigger base for influencing how forests are managed going forward,” Dufresne says.

Sustainable Forestry Initiative

SFI President and CEO Kathy Abusow says the updated SFI standards address market trends, such as helping to meet customer commitments to zero deforestation, but also looks at some community groups in a different way. For example, the SFI standards consider the growing constituency of First Nations in North America not only as communities that companies work with, but also as users of the standard as a tool to pass on traditional knowledge of their lands.

Abusow says the industry must evolve to meet these and other increasing demands for responsible forest management, which will provide a social license to operate and market acceptance.

She cites buyers groups such as The Sustainability Consortium, which is setting key performance indicators for the sustainable supply of products, and GreenBlue’s Sustainable Packaging Coalition.

“Our standard is always evolving to meet those expectations,” says Abusow. “While the standards become more
rigorous for the forest products sector to meet, they also drive more value out of certification.”

**American Forest Foundation**
The push for certification is taking a different approach for small landowners in the US, where a majority of America’s forests are privately owned. According to Tom Martin, CEO of the American Forest Foundation (AFF), about 282 million acres of forestland are owned by 22 million family forest owners. He says about 60% of the fibre that’s used in the forest products sector comes out of family forests. (In Canada, over 90% of forests are Crown land, owned by federal and provincial governments and made available to companies to harvest under various forms of tenure.)

Family landowners in the US are “a very important and very impactful group,” says Martin. They think differently than industrial landowners, which requires a different approach when it comes to encouraging certification, he says.

“If you’re an industrial landowner, what you get up every morning thinking about is ‘how can I maximize my discounted cash flow, my net present value, got to get that right’,” Martin says.

“Family landowners don’t think about that. They think about what wildlife is on my land today.

‘When are the birds coming through for the migration? When are the grandkids coming for me to take them out to the forest?’ What drives private landowners is the sense of stewardship tied very much to the values on the land that are less economic and more from a conservation point of view.”

He says certification is important for family landowners that want validation that their forests are managed to the highest standards. “That sense of pride and validation is, for most of those landowners, the biggest thing that brings them to the table,” Martin says. While it may seem like an easy sell to increase certification on private lands, it’s hard work, he says, in part because it requires outreach to hundreds of thousands of individual landowners, each with their own values.

“We’ve got to find ways to reach those people with tools that let them be exquisite stewards of the land. That’s the challenge that’s left for us in forestry. If we don’t do it, we’re going to lose forests,” says Martin. "As a conservation guy, the loss of forests is a far bigger deal than whether you manage this exactly right or that exactly right. It’s much better that we keep forests as forests. If it’s a parking lot, we aren’t getting it back."
Today, nearly every industry, service sector, and other area of activity is well into a “data revolution.”

The ways data are being collected, channelled, and applied are profoundly affecting how everyone, from individuals to governments and businesses, gets information and uses it. Technologies that once rested in the realm of science fiction – like satellite data instantaneously beamed to Earth, mapped and ready to read on handheld phones and dashboard displays – are now mainstream.

Canada’s forest sector is taking advantage of these radical developments and contributing its own innovations.

With new remote-sensing technologies, massive amounts of data are being collected more quickly and consistently than ever before imagined. Sophisticated sensors mounted on satellites, planes, helicopters, and even drones have made data collection over Canada’s vast and dynamic forests not only more efficient and cost-effective, but more comprehensive. In turn, equally innovative processing and analysis technologies are transforming these data into highly detailed maps, images, and other forms of visual display.

In the Information Age, this technology-fuelled data revolution has also made it easier for everyone – not just foresters, scientists and technicians – to watch over Canada’s forests. That’s a good thing. More information, backed with on-the-ground knowledge, helps
support better forest monitoring, better prediction making, and better management decision making. And the more we are learning, the more we are seeing opportunities for optimizing and increasing the many benefits that forests provide Canadians.

**The importance of tracking how and why forests change**

Forests are always changing, and keeping a close eye on the changes underway in Canada is a fundamental part of this country’s commitment to forest stewardship and sustainable forest management.

Collecting information at regular intervals – about the extent of forest cover, species composition, disturbances, forest health, and other factors – gives analysts a means of identifying trends and patterns of change, and of understanding the reasons for and implications of those changes. This access to greater knowledge is enhancing forest management in so many ways. Our ability to predict coming changes is improved, and therefore so is our capacity to make ever better-informed operational decisions on the ground.

**Remote sensing and data processing: Powerful tools in the forest monitoring kit**

Remote sensing, the art and science of observing things from afar, is not new. Foresters, like other resource managers, have long used aircraft (like planes and helicopters) to get pictures of landscapes from above. Over the years, however, technological innovation has substantially expanded and refined the tools available for foresters to use. Remote sensing via satellite is standard practice now.

The map *Forest Composition across Canada* was produced by using satellite-based technology. In this case, Natural Resources Canada – Canadian Forest Service (NRCan-CFS) combined information from the National Forest Inventory with imagery collected by the MODIS instrument aboard NASA’s Terra satellite.

Satellite imaging has proven to be especially valuable in monitoring Canada’s large, remote boreal forests, where traditional ground- and air-based approaches are impractical and prohibitively expensive.

Satellites orbit Earth constantly, collecting gigabytes-worth of digital data about the world’s forests. Sifting through the data captured and stored in massive data warehouses is the job especially valuable in monitoring Canada’s large, remote boreal forests, where traditional ground- and air-based approaches are impractical and prohibitively expensive.

Most changes in forests occur over predictable seasonal and life cycles. Disturbances by fire and insects, for example, are a natural part of forest life cycles. Human activities also shape forests over time. Sometimes those activities lead to permanent forest clearing (deforestation). Other times, the clearing is temporary, with forest vegetation left to regenerate naturally or with human assistance.

**Why do forests change?**

Major advances in remote sensing are giving forest scientists, resource managers, and policy-makers improved insight into how and why Canada’s forests change.

Tree cover loss results from natural causes (fire, insects) and human causes (harvesting, land clearing). The proportion of area that regenerates back to forests differs greatly between regions and by cause of disturbance.
of remote-sensing scientists who use custom-made software running on powerful computers.

Most of the data are being collected by international research partnerships and shared widely. Canada’s forest scientists – at NRCan–CFS, universities, and other research agencies – collaborate on many projects with other research organizations around the world to study what the data are revealing about forest characteristics, both across this country and globally. Satellite data are being used, for instance, to measure vegetation productivity and to map forest cover and forest disturbance.

**Careful interpretation: Essential to making sense of monitoring data**

Have these remote-sensing advances made ground- and air-based data collection technologies unnecessary? Not at all. It’s one thing to observe changes in forest cover. It’s another to understand what those changes really indicate and why they are taking place. Even high-resolution images of the quality now being produced from satellite data cannot by themselves explain what is being shown. Interpreting the images accurately requires “boots on the ground” to verify what those “eyes in the sky” are seeing. It takes scientific and technical expertise about forest ecosystems, natural processes, and local conditions to accurately interpret the data.

This is certainly the case with monitoring rates of deforestation, a matter of global concern. While forest cover loss may be apparent from satellite imagery, knowledgeable interpretation is required to truly understand how and why that loss
occurred. Not all forest cover loss means there is deforestation (meaning permanent change of forests to new, non-forest land uses).

Only by distinguishing between natural- and human-caused change, understanding the nature of the disturbance observed, and knowing forest recovery rates can analysts make reasonable assessments of deforestation rates in any region. It is through such assessments, for example, that analysts know that Canada’s annual deforestation rates have been declining for the past two decades. Today, less than 0.02% of Canada’s forest lands are deforested each year.

Better data are enabling better-informed and more effective policy-making

At the global level, satellite data are helping forest analysts more accurately characterize changes in forest cover, assess how forest cover changes are affecting ecosystem services (such as water filtering), and quantify rates of deforestation and afforestation. For example, such data are being used across Canada to:

Monitor wildfire occurrence and spread:
• Real-time tracking of daily fire activity is being used in wildfire management programs, plans, and prediction software in support of fire suppression decision making.
• Detailed mapping of burned areas is being used to analyze fire impacts.

Monitor forest cover type and forest cover extent:
• Forest cover data from the National Forest Inventory are being combined with satellite data to produce detailed national maps of forest attributes such as volume, species, and height.
• Information is being used to study the effects of climate change on forests and to develop predictions.

Canadian scientists are also collaborating with others around the world to develop new data products (such as mapping programs and interpretive applications) to help monitor forests globally. At the same time, researchers in Canada are developing approaches specific to the study of forests in this country. For instance, international scientific teams are developing global maps of forest cover change. Canadian scientists are developing more detailed maps and using these to study why the changes observed by global monitoring programs have occurred.

The view ahead: Improving our ability to predict changes in forest cover

The more that is understood about how and why Canada’s forests are changing, the better prepared researchers and forest managers will be in adapting to all the other changes going on: in the forest products Canada turns out, in the global market demand for those products, and in the public expectations about what constitutes good forest stewardship.

In so many ways, the new data-strengthened tools in use are significantly enhancing the day-to-day experience of forest management, and not just as applied to forest cover monitoring.

Multiple databases used together offer tremendous potential for numerous aspects of forest resource planning and management. For example, integrated systems are already in use for predicting fire-fighting resource demands. The approach draws on a combination of hefty databases: weather, forest cover, terrain, fire behaviour, and more. The result – a full-scope situational snapshot – offers managers substantial support in making sound, time-sensitive deployment decisions about fire-fighting equipment and personnel resources.

Many more applications of the data being gathered by remote sensing are also now being developed. In the future, for instance, it is hoped that forest pest infestation and host tree distribution mapping will enable early detection of pests and prediction of potential outbreaks and likely patterns of spread.

With the data revolution underway in the forest sector, it’s also an exciting time for resource managers, scientists, and others committed to the responsible development of this country’s valuable and extensive forest resources – resources vital in both the national interest and the global interest.

Professional Development Opportunities for Members in Industry

CONTROLLERSHIP & MANAGEMENT ACCOUNTING

Activity-Based Costing and Management & Activity-Based Budgeting as a Strategic Weapon

In multi-product, multi-service, and multi-client companies, accurate costing and performance tracking of products and services is not only a matter of survival but also a weapon for growth and profitability. This workshop introduces the key concepts and guidelines for implementing ABC/M/B as a strategic weapon, and provides a road map for initiating and successfully completing this management framework.

November 25, 2015 | Vancouver

Faster & Better Financial Processes

Financial processes affect all areas of your business, including operations, sales, marketing, purchasing, and research and development. Better financial processes may decrease costs and improve the bottom line through improvements in efficiency. This seminar will help participants learn how to implement a financial process review to decrease costs and improve efficiency.

November 5, 2015 | Kelowna
November 16, 2015 | Victoria
December 8, 2015 | Vancouver

Financial Management in the Construction Industry

Construction is Canada’s largest single industrial activity in terms of both value and employment. By attending this seminar, participants will understand key unique challenges facing the construction industry, and how to deal with them as a financial professional in the industry, or as an advisor to clients within the industry.

November 5, 2015 | Vancouver
Practical Tips for Controllers and CFOs
The seminar will cover a wide range of useful tools. Participants will also derive value from sharing experiences and practices with each other. This seminar has grown continuously over the years as new tips are added by participants. It will also provide specific opportunities to benchmark your practices against those of your peers.

November 25, 2015 | Vancouver
November 26, 2015 | Surrey
November 27, 2015 | Kelowna

LEADERSHIP & PERSONAL DEVELOPMENT

Becoming a High-Performance Team Member
Participants gain greater awareness about what it takes to play a constructive role as a member of a high-performing team. Special emphasis will be placed on interpersonal skills that team members need, including advocacy, listening, and conflict resolution.

November 20, 2015 | Vancouver

Getting the Most out of Me Without Burning Out
The focus of this half-day workshop is how to maximize your performance without burning out. Achievement, ambition, and financial success need not be associated with depression and burnout. One can be both successful and happy.

December 16, 2015 | Vancouver

Managing with Clarity
Professional accountants are called upon to fill leadership roles in a variety of capacities within organizations today in a climate where business is constantly changing. This interactive workshop equips managers to address the issues involved in managing through times of uncertainty with a focus on understanding the issues and implementing new ways of working.

December 9, 2015 | Vancouver

Missed registering for our popular Executive Programs this fall? Email us at pdreg@bccpa.ca and we can put you on the priority notification list and let you know when registration opens for 2016 dates.

The CFO as Navigator
April 20-23, 2016 | Whistler

The Controller’s Management Program
June 19-22, 2016 | Whistler

The Controller’s Operational Skills Program
June 15-18, 2016 | Whistler

The CFO’s Operational Skills Program
May 15-18, 2016 | Kelowna

The CFO’s Leadership Program
May 11-14, 2016 | Kelowna

Mastering the Fundamentals of Effective Management
This workshop will help managers understand key concepts of management, as well as the impact of management styles on employee performance. It will provide participants with an understanding of the fundamental roles and responsibilities of management, challenge their current ideas and approaches, and support their development within the business.

December 15, 2015 | Vancouver

The Happiness Advantage: How to Use Positive Psychology to Enjoy Work More
The new field of Positive Psychology offers many methods and ideas for helping people be happier, healthier, and better at what they do. The ability to be at your best and get clients to enjoy working with you is critical to growing your business or getting ahead. In this fun and fascinating seminar, you’ll learn how to be happier and create a more enjoyable work environment in which you get more done.

December 9, 2015 | Vancouver
Beyond the Forest

Members share their perspectives on BC’s forestry industry
Industry Update spoke with members working in forestry to gain their insights into the challenges and trends they’re seeing in forestry. Recently, Industry Update spoke with Brian Baarda, CPA, CMA, chief operating officer with TimberWest, Dan Buckle, CPA, CA, finance director and corporate secretary of Fortress Paper, and Lisa Michie, CPA, CGA, finance and planning manager, Canadian Timberlands, Weyerhaeuser Company Limited.

Can you give a brief overview of your organization and your role within it?

Baarda: TimberWest is the largest private timberland company in Western Canada. The company owns 325,000 hectares of managed forest, and holds annual harvest rights to 600,000 cubic metres of public forest. At TimberWest, I oversee the safe and environmentally sound harvesting of the forest in order to meet the long-term financial objectives of our two shareholders: the British Columbia Investment Management Corporation and the Public Sector Pension Investment Board.

Buckle: Fortress Paper is an international company, headquartered in North Vancouver, that currently produces dissolving pulp, banknote, and other security papers. Our dissolving pulp division, located in Thurso, Quebec, produces dissolving pulp mainly for rayon/viscose producers for clothing and other applications. Our security papers division, located in Landqart, Switzerland, produces banknote, passport, visa, and other security papers. As finance director and corporate secretary, I’m involved in all financial areas of the company, including financial reporting, acquisitions and divestitures, financings, and company strategy.

Michie: Weyerhaeuser is one of the world’s largest private owners of timberlands, primarily in the US. The company is a Real Estate Investment Trust, headquartered in Washington, and has multiple business segments including Timberlands, Wood Products, and Cellulose Fibers. In Canada, Weyerhaeuser Company Limited (a wholly owned subsidiary of Weyerhaeuser Company), manages timberlands under long-term licenses that provide raw material for our eight manufacturing facilities in BC, Alberta, Saskatchewan, and Ontario. Based in the Interior, I am the finance and planning manager for the Canadian timberlands organization, which is accountable for the financial statements relating to the logs and chips that are delivered to our facilities. My group also works closely with our timberlands operations managers in forecasting, budgeting, and business strategies.

The forestry industry faces a number of environmental challenges from sustaining forestry stock to pest infestations (like the mountain pine beetle) to climate change. How has your company dealt with these challenges?

Michie: The mountain pine beetle is an issue we have dealt with in British Columbia and now Alberta. To help contain the infestation we focused on affected areas and made sure to harvest and manufacture the contaminated affected trees as quickly as possible. This helps prevent the beetle’s spread and allows us to use the timber before it degrades to the point where it is not suitable to manufacture lumber. We had to be responsive and move to different areas fairly quickly. In contrast, in previous years our logging plans would have been laid out two to three years in advance.

Climate change is on the industry’s radar. We always make adjustments to operations based on weather conditions.

Buckle: As an organization we sought FSC chain of custody certification early on. FSC is an internationally recognized standard that measures whether timber is from forests that are responsibly managed. Our Quebec operations adhere to sustainable forestry practices, and the Quebec government manages harvest amounts each year, ensuring the industry can maintain sustainable volumes. Fortress also looks for opportunities to reduce greenhouse gas emissions. Our company has significantly reduced emissions through rigorous management practices and capital investments over the past few years. Quebec has made climate change a priority through public policy and a cap and trade market for emissions.
Other challenges?

**Buckle:** Within the industry there’s a trend of expecting companies to concentrate more on the social side of issues. We’re challenged by the public’s perception that we shouldn’t harvest trees. There’s a disconnect between the visual of a tree being cut, and the sustainable usage of a renewable resource. We need to close this knowledge gap and continuously educate the public.

In which areas do you see the greatest growth for the BC forestry industry? What key success factors does the industry need to continue to grow?

**Baarda:** The industry needs to embrace technology and make the most out of each hectare of working forest. Other jurisdictions and industries use technology to better utilize natural resources and improve safety. This, combined with investment certainty at the planning stage, will enable the highest value at the next harvest – including all the other resources that are managed in a forest. Good government policy is needed to make that happen.

Forestry companies are diversifying beyond logs, pulp, and paper. Increasingly, we’re seeing companies offer green energy, real estate, and specialty pulp products. Is this the way of the future?

**Michie:** Forestry companies and their business models are constantly adapting to changing business conditions and emerging markets. I think forestry companies are always working to find innovative ways to extract the most value from the land base and to manage forests responsibly.

**Buckle:** Fortress has always looked to purchase companies that could operate in specialized industries. Our Thurso mill was a shutdown paper pulp mill. We invested and converted the mill into a dissolving pulp producer with a cogeneration facility for creating green energy. Dissolving pulp is a specialized product, with higher margins, that operates outside of the commodity paper pulp business that this mill was no longer competitive in.

Increasingly, there is competition for land. Ensuring a secure fibre supply that is well managed and properly utilized is a key success factor. Deriving the maximum possible value from the available fibre and log, to create viable byproducts, while reducing waste, is crucial. This helps to create multiple revenue streams, keep costs down, and ensure competitiveness. Diversifying into new product lines is only a part of the solution but this takes time and resources to be successful. Cost control is no longer enough for forestry to ensure its long-term viability.

What trends are you seeing within the forestry industry? Internationally, are there best practices we should be implementing in BC?

**Baarda:** Eastern and Northern Europe have many more centuries of experience with maximizing the growth and value of timber. The Southern United States and New Zealand also have a clear focus on high-visibility supply chains that facilitate good financial modelling. Government and corporate policies in all of these cases allow for quick cycling of ideas into practice. BC needs to have forest policy that reflects the reality of global competition if it wants its forest operations to lead in that global market.

**Michie:** Adding value to the goods produced by our industry is an ongoing trend. Innovations in products, markets, and practices are factors for future success.

**Buckle:** From an innovation standpoint, a lot of new research is being done in Canada in diversifying products and using more of a log commercially. Research is being done in breaking a tree down into components (such as cellulose, hemicellulose, and lignin) in order to find new commercial uses. The challenge is to bridge the five- to 10-year gap in taking research to the next step of creating a product with demand potential that works on an industrial scale. There are some federal initiatives funding innovative production ideas, but this is an underfunded research area. The provinces could look to increase funding in these areas if they want to help the industry adapt and ensure stable future operations.
WHAT INDUSTRY NEEDS TO KNOW ABOUT ABORIGINAL TITLE

WILLIAM v. BRITISH COLUMBIA

THE OUTCOME AND THE IMPLICATIONS

By Bull, Housser & Tupper LLP, Aboriginal Law Specialty Group

On June 26, 2014, the Supreme Court of Canada released its decision in William v. British Columbia, a landmark case on Aboriginal rights and title involving the Tsilhqot’in Nation’s claim for Aboriginal title to over 4,000 square kilometres of land west of Williams Lake in central BC. This decision has significant implications for the forestry industry in BC.
In a unanimous decision, the Court confirmed the Tsilhqot’in hold Aboriginal title to a significant portion of the land they claim as their traditional territory. This is the first judicial finding of Aboriginal title anywhere in Canada. The principles set out in the decision will affect land use and resource development throughout the province. They will also affect the province’s approach to governance of the land base and its resources.

Little “new” law was established, but important questions were answered that help clarify the application of existing legal principles. The main implications are that the need for attention to consultation, consent, and justification has increased. These concepts were already an integral part of the Crown’s constitutional obligations to deal with Aboriginal groups and their rights honourably. The William decision has confirmed how these concepts are engaged in the Crown–First Nation relationship to Aboriginal title – both before and after a claim is proven. The Court also confirmed the province’s ability to enact laws affecting Aboriginal title and described the process to do so in a way that discharges the Crown’s constitutional obligations.

In brief, the decision raises the level of Crown engagement by clarifying the geographic scope of Aboriginal title and by elaborating on the content of Aboriginal title and how it interacts with Crown governance.

**QUESTIONS RAISED ON THE APPEAL**

In the decision, the Court considered the following important questions:

1. **What is the test for Aboriginal title to land?**
2. **If title is established, what rights does it confer?**
3. **Does the British Columbia Forest Act apply to land covered by Aboriginal title?**
4. **What are the constitutional constraints on provincial regulation of land under Aboriginal title?**
5. **How are broader public interests to be reconciled with the rights conferred by Aboriginal title?**

The Court’s answers to these questions help resolve uncertainty about how the Crown and First Nations should interact on decisions affecting the use and governance of the land and resources affected by Aboriginal title. As themes that run throughout the decision the Court stressed the need for a “proportionate balancing” of interests and a “governing ethos of reconciliation.”

**KEY FINDINGS**

The Court reversed the British Columbia Court of Appeal’s 2012 decision on Aboriginal title and made the following key findings:

1. Aboriginal title flows from occupation in the sense of regular and exclusive use of land.

Occupation, continuity, and exclusivity are the key elements. The use need not be intensive, but must be consistent with the function of the land. The common law and Aboriginal perspectives on land ownership must be given equal weight.

2. In this case, Aboriginal title is established over the area designated by the Trial Judge – i.e. about 1,700 km² of the more than 4,000 km² claimed by the Tsilhqot’in. Under this “territorial” approach, Aboriginal title is not confined to specific sites of settlement, but extends throughout the territory that was regularly used for hunting, fishing, or exploiting resources and over which the group exercised effective control. Importantly, the Tsilhqot’in did not include privately owned land in their territorial claim, so how Aboriginal title reconciles with privately owned land is a question for another day.

3. Aboriginal title confers the right to use and control the land and to reap the benefits flowing from it. So, First Nations have governance rights and a right to the economic benefits associated with the land, not just the right to follow traditional practices on that land.

4. Where title is asserted, but has not yet been established, the Crown must consult with the group asserting title and, if appropriate, accommodate its interests.

5. Once Aboriginal title is established, section 35 of the Constitution Act, 1982 permits incursions on it only with the consent... (cont’d)
of the Aboriginal title holder. In the absence of consent, the Crown may still impose its decision if it is justified by a compelling and substantial public purpose (e.g. important environmental, social, or economic benefit) and it is consistent with the Crown's fiduciary duty to the Aboriginal group. That outcome must follow a process of consultation to determine the Aboriginal interests and minimize the infringement. Therefore provincial laws, like the Forest Act, must be reconciled with the Aboriginal interests by way of consent or consultation, coupled with a compelling public purpose, or else they will not apply to land subject to Aboriginal title.

6. In this case, the province's land use planning and forestry authorizations were inconsistent with its duties owed to the Tsilhqot'ín people.

IMPORTANT ELEMENTS OF ABORIGINAL TITLE

The Court reviewed the jurisprudence since its Calder decision in 1973 (which recognized the concept of Aboriginal title) and knit together the threads from the cases into a cohesive set of guiding points related to Aboriginal title. The following propositions were re-confirmed in this case:

- Aboriginal title includes the right to decide how the land will be used, the right of enjoyment and occupancy of the land, the right to possess the land, the right to the economic benefits of the land, and the right to pro-actively use and manage the land.
- These uses are not confined to pre-sovereignty uses and customs. Modern Aboriginal title holders may use their land in modern ways.
- The right to control the land conferred by Aboriginal title means that governments and others seeking to use the land must obtain the consent of the Aboriginal title holders. If the Aboriginal group does not consent to the use, the government's only recourse is to establish that the proposed incursion on the land is justified.
- Since Aboriginal title is collective title held not only for the present generation but for all succeeding generations, it is subject to an inherent limit. It cannot be alienated except to the Crown or encumbered in ways that would prevent future generations of the group from using and enjoying it. Nor can the land be developed or misused in a way that would substantially deprive future generations of the benefit of the land.
- Permanent changes to the land may be possible, as long as they are not irreconcilable with the ability of succeeding generations to benefit from the land.
- Governments can infringe Aboriginal rights conferred by Aboriginal title but only where they can justify the infringements on the basis of a compelling and substantial purpose and establish that those purposes are consistent with the Crown's fiduciary duty to the group.
- Resource development (which would include logging) on claimed land to which title has not been established requires the government to consult with the claimant Aboriginal group.
- Governments are under a legal duty to negotiate in good faith to resolve claims to ancestral lands.

The Court also elaborated on how Aboriginal title is proven, as follows:

- The claimant group bears the onus of establishing Aboriginal title.
- The task is to identify how pre-sovereignty rights and interests can properly find expression in modern common law terms.
- In asking whether Aboriginal title is established, the general requirements are: (1) "sufficient occupation" of the land claimed to establish title at the time of assertion of European sovereignty; (2) continuity of occupation where present occupation is relied on; and (3) exclusive historic occupation.
- In determining what constitutes sufficient occupation, one looks to the Aboriginal culture and practices, and compares them in a culturally sensitive way with what was required by common law to establish title on the basis of occupation.
• Occupation sufficient to ground Aboriginal title is not confined to specific sites of settlement but extends to tracts of land that were regularly used for hunting, fishing, or otherwise exploiting resources and over which the group exercised effective control at the time of assertion of European sovereignty.

• The Courts should allow a flexible, functional approach to how Aboriginal title cases are framed and pleaded.

“What is at stake is nothing less than justice for the Aboriginal group and its descendants, and the reconciliation between the group and broader society. A technical approach to pleadings would serve neither goal. It is in the broader public interest that land claims and rights issues be resolved in a way that reflects the substance of the matter.”

RECONCILING FEDERAL AND PROVINCIAL JURISDICTION

In its analysis of the application of provincial laws to Aboriginal title land, the Court reversed the finding of the trial judge who held that the provincial *Forest Act* did not apply because, under the doctrine of interjurisdictional immunity, Aboriginal rights are “akin to treaty rights” which are at the core of the exclusive federal power over “Indians.”

The Court expressed its view of the design of the doctrine as follows:

“The doctrine of interjurisdictional immunity is designed to deal with conflicts between provincial powers and federal powers; it does so by carving out areas of exclusive jurisdiction for each level of government. But the problem in cases such as this is not competing provincial and federal powers, but rather tension between the right of the Aboriginal title holders to use their land as they choose and the province which seeks to regulate it, like all other land in the province.”

The Court was concerned that applying interjurisdictional immunity would create “serious practical difficulties,” namely, it would:

• result in two different tests for assessing the constitutionality of provincial legislation affecting Aboriginal rights. The justification process established in *Sparrow* would be insufficient to apply provincial laws if they infringed Aboriginal rights.1

• produce “uneven, undesirable results and may lead to legislative vacancies. The result would be patchwork regulation of forests – some areas of the province regulated under provincial legislation, and other areas under federal legislation or no legislation at all.”

In the end, the Court decided the *Sparrow* approach should govern at both the federal and provincial level. Provincial laws of general application, including the *Forest Act*, should apply if they meet the *Sparrow* test of justification. The *Sparrow* approach is the appropriate and sufficient “constitutional lens” through which to view and resolve any conflict between provincial laws and Aboriginal rights.

PRACTICAL IMPLICATIONS OF THE COURT’S DECISION

1. CROWN’S DUTY TO CONSULT ARISES MORE OFTEN

The decision does not change the basic principles of the Crown’s duty to consult with First Nations, but it will compel the Crown to engage that duty more often and more intensively. The geographic scope of Aboriginal title is now defined more broadly. Since Aboriginal title engages a higher level of consultation, that higher level will be engaged more often, particularly when establishing legislation and policies to govern land and resources.

2. ASSESSING THE STRENGTH OF ABORIGINAL TITLE CLAIMS

The question of who is entitled to be consulted will remain challenging. The Crown has a central role to play in

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1 R. v. Sparrow, 1990, was a Supreme Court of Canada decision that establishes the criteria to determine if government infringement on Aboriginal rights is justifiable, providing that these rights existed at the time of the Constitution Act, 1982. These criteria make up what is known as the “Sparrow test.”
assessing the strength of Aboriginal title claims in the province and in mapping them. This decision offers guidance on how claims are proven, which will also help in the assessment of claims.

3. TREATY NEGOTIATIONS AND PRIVATE AGREEMENTS

This decision, like others, continues to push the Crown to resolve land claims through treaties. That process has been slow and costly. Further, the Crown’s duty to consult on decisions affecting Aboriginal title claims afforded considerable protection for asserted rights without the need to settle a treaty.

In recent years, the province has focused more on strategic engagement agreements in specific sectors to reconcile Crown and First Nation interests in manageable pieces. Many companies choose to enter bilateral agreements with neighbouring First Nations to involve them in land and resource use decisions and to obtain their consent for operations. These approaches can move faster than Crown to First Nation negotiations and can build mutually beneficial relationships.

This decision helps settle the debate about territorial versus site-specific Aboriginal title and the governance rights, which will help in all forms of treaties and agreements. It will also increase the expectations on participation in the governance and economic benefits related to resource developments over a broader area.

4. RESOURCE REVENUE RE-ALLOCATION

Aboriginal title includes the right to reap the economic benefit of resources on Aboriginal title lands (subject to the inherent limits of Aboriginal title). The “territorial” approach to proving title should mean that larger title claims will succeed, resulting in diminution of resource revenues to the province from those lands. In the case of logging, that could include a claim for stumpage fees by Aboriginal title holders.

5. RECONCILING GOVERNMENT LEGISLATION WITH ABORIGINAL TITLE

The decision clarifies the important question of how provincial laws may affect Aboriginal rights. By applying the Sparrow justification approach to both federal and provincial laws as the sole “constitutional lens,” the Court has resolved any question about the ability of the province to regulate Aboriginal title land and the exercise of Aboriginal rights.

Few provincial laws were passed with an explicit First Nations consultation and justification approach. As a result, the question of how reconciliation efforts may be achieved retroactively is significant. The province will have to adopt a more systematic consultation approach to legislation and policies affecting the land. Structuring a workable consultation process will be challenging.

The William decision does not change the nature of Aboriginal title, but confirms that a broader, territorial-based claim for title can succeed.

In light of this decision, First Nations, government, and industry must continue to find ways to collaborate to shape a new future for the province. When urging the need for reconciliation, Chief Justice McLachlin repeated the oft-quoted words of Chief Justice Lamer in Delgamuukw that Aboriginals and non-Aboriginals “are all here to stay.”

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Robin Longe is a partner at Bull Housser LLP, and the chair of the firm’s Aboriginal Law Specialty Group. Robin practises corporate law, and regularly provides advice to both industry and First Nations clients concerning the scope of the duty to consult, and the negotiation of a wide range of agreements, including impact and benefit, and revenue-sharing arrangements.
Increasing our Global Competitiveness:
The Time Has Never Been Better

By David Elstone

The current coastal BC narrative is about a region with a diverse and high-quality timber base, relatively high delivered log costs and largely antiquated conversion facilities – a view that does not sing out to investors as a place to park their funds. And yet when one sees the timber of this region, you can almost taste the potential, and not just at sawmills, but throughout the entire supply chain. At a very general level, it seems the rest of the global industry has been moving forward, while the BC coast has little to report for change.

Now is the time to rewrite this less than attractive narrative with a new pitch that speaks to stakeholders, First Nations, and investors alike. Both the logging and sawmilling sectors are ripe for technological advancements. In fact, the window of opportunity exists now since manufacturers have mended their balance sheets from the lows of the recession and the upside to the business cycle has yet to ramp up, at least from a US market perspective.

Since the 2005 peak in North American markets, investment in the coastal sector has been less than that needed to maintain our competitive edge. Coastal sawmilling production has decreased by 40 per cent, from 2.5 billion board feet to 1.5 billion feet, on the heels of a number of sawmill closures and a reduction of overall operating rates.

On the logging side, delivered log costs, although high, have been reduced over the last decade following a major coastal restructure that commenced in 2003.
Today we have fewer contractors harvesting about the same volume of wood. Among other things, age demographics and diminishing contractor sustainability don’t favour increased investment.

Using the addition of new sawmills as a bellwether of significant investment, consider the following. In a region widely known to have a shrinking timber supply, the BC Interior has seen both a number of new or major sawmill rebuilds as companies strive to utilize the increasingly challenging wood basket while staying profitable. Yes, some mills have closed in the Interior, but most closures are a result of impacts of the mountain pine beetle.

Another comparison is the US Pacific Northwest, which has seen a multi-decade transition from smaller, higher-cost sawmills to larger, more-efficient sawmills. That trend continues today with Sierra Pacific building a new sawmill in northwest Washington this year.

And this is a region with a significant log export program. One has to ask, “Why hasn’t investment occurred to the same degree on the BC coast – after all, the timber supply is green and productive?”

One reason is that the coast carries the stigma of being a region with high delivered log costs. And for good reason. The slopes are steep, the areas remote, and using old equipment does not support increased productivity. Higher-value markets of the past that helped absorb these costs are no longer the size they once were. The softwood lumber agreement (and pending future machinations) is one barrier that discourages investment as well.

However, northern Europe is, in many respects, comparable to the coast with very high costs of logs. However, the European way has been to invest in technology to offset its high input costs. Europe is a complicated region to analyze as each country is unique in its circumstances, but much of the region’s investment over the last decade has been to position European producers to capture that long-pending upswing of a rebounding US market. It is forecast that when US lumber demand eventually returns, European lumber producers will fill the supply gap, increasing shipments from well under half a billion board feet today to over three billion in a peak market.

There is a host of reasons for why the BC coast is different from the BC Interior, Pacific Northwest, or European countries, but it is fair to ask why investment has been lagging here. It is clearly not because of a lack of profitability as the major manufacturing companies operating here have seen significant returns over the past few years. But the time for squeezing that extra drop out of the supply chain needs to transition into one of investing in it.

It should be noted that Western Forest Products, the largest coastal lumber producer, has invested $94 million in approved projects over the last few years, including a $28 million modernization of its Duke Point mill this year. While it is a start, undoubtedly, more needs to be done. At the same time, many contractors would like to move forward with equipment updates of their own, but without better prospects for their businesses, that investment will be kept to a minimum.

The province’s Competitiveness Strategy intends to address many aspects of this article, including how to attract investment as well as looking at ways to fully utilize the potential of BC’s coastal forests. Hopefully, the results of this Strategy will help form a new coastal narrative, where the BC coastal industry will be able to out-compete European supply. The BC coastal industry should not be pitched simply as an opportunity to backfill a decline in the BC Interior supply given it is an apples to oranges comparison with species and products. Maybe it’s time to consider if those who control the resource are not willing to invest to use it, then let those who are motivated take over.

Set a target to be more competitive on the global stage. After all, others like the Europeans want our market pie and they have already started to shake the whipped cream.

David Elstone is the executive director of the BC Truck Loggers Association.
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