

# ***Review of the Port Alberni Forest Industry***



***For:  
Province of British Columbia  
Ministry of Forests and Range  
Operations Division***



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- View of the Beaufort Range – Helicopter tour – February 2, 2007

## **I. Executive Summary**

Since its inception, Port Alberni has been a forestry town. Forestry on the Coast and, particularly forestry in the Alberni Valley, has declined in the past 2 decades. In the 1950's, 60's, and 70's the forestry labour force in the Valley was one of the highest paid in the country. Today there are fewer trees to cut, reduced processing capacity and fewer jobs – and the trend is downward.

This report was commissioned by the Ministry of Forests and Range to review the Alberni Valley forestry sector and to consider and make recommendations on ways to promote the economic health and stability of the Valley. We were asked to conduct, and have completed, extensive consultations over six weeks with local stakeholders and with Ministry of Forests and Range staff. We visited timberlands and the major forestry processing facilities in the Valley and flew over the Valley. As well, we researched log flows in and out of the Valley, the inventory of standing timber, and other structural elements of the forest industry in the Valley. Our consultations and research also considered the prospects of other economic sectors.

The population of Port Alberni has remained static for the past 2 decades and it has shifted from being considerably younger than the provincial average in 1986 to being considerably older than the provincial average in 2006. There is a low proportion of self-employed individuals (reflecting the 'big company' environment of the city) and the general educational attainment is lower than the British Columbia average although the number of qualified tradespeople is higher than average. We reviewed the City infrastructure and it is generally good, although there is only one highway into the Valley from the east side of the Island. The City is taking steps to address the necessary revitalization of its downtown core.

In 2003 changes initiated by the Forestry Revitalization Plan included:

- The provision for greater flexibility of licensees to operate and transfer their licenses including the formal end to appurtenance requirements;
- The initiation of a market-based pricing system for Crown timber which included a 'take-back' of 20 per cent of forest tenures from major licensees to both increase timber offered by BCTS in competitive sales as a base for stumpage determination and for reallocation to communities, woodlots and First Nations;
- The replacement of prescriptive standards for the conduct of forestry to a result-based approach; and
- A commitment to create more viable log markets.

Separately, the government undertook to review removal of private forest lands from the TFLs. This changed (with an agreed 18 month delay in the case of TFL 44) the regulation of log exports to federal control and, in effect increases the likelihood of export because the federal regulations do not require a fee in lieu of manufacturing, nor do they restrict the export of certain species and grades prohibited under provincial regulations.

Much of our consultation was to determine the impact of these changes on the forest industry and economy in the Valley. The report deals with the following issues that we heard:

- The disruption of log supply as a result of Valley timber being auctioned competitively to a broader market;
- Delays in getting 'take-back' volumes onto the market; and,
- Removal from TFL 44 of the more mature second growth on private lands and a consequential age class imbalance in the TFL.

- The destabilization of logging contractor arrangements caused by the reduced cut volume of major tenure holders and increased volume sold by competitive auction, which resulted in logging contracts shifting to more out-of-Valley contractors;
- A shift from major tenure holders to those with smaller volumes and a concern that such small volumes are not economically viable;
- Changed environmental rules for private lands removed from TFL 44 and the increased ease of export from such lands permitted by federal regulations; and,
- Impacts on access to Crown assets and loss of access to trails, both resulting from removal of private lands from TFL 44 and, more generally, the lack of established rights-of-way through large holdings of private forest lands.

Our consultations identified environmental and forest management standards applicable to private managed forest lands as issues of major concern to residents of the Alberni Valley. This indicated a need for the PMFL Council to ensure that local communities near substantial tracts of private managed forest understand the role of the PMFL Council and that there is a formal process for them to meet with and make representations to the Council.

Although the Forestry Revitalization Plan proposed improvements in log markets, there remains concern in the Alberni Valley with respect to the vitality of their local market and, in particular, the ability of the market to facilitate the movement of logs to their highest use.

Where an industry is facing financial challenges, its fixed costs become an issue and, for the forest industry in Port Alberni, property taxation is a fixed cost that industry believes to have been particularly excessive. High property taxes on industrial property are not uncommon in resource towns in British Columbia but at 7 per cent of assessed value per annum, Port Alberni's industrial property taxes are particularly high. Port Alberni Council has recently taken steps to reduce the tax burden on the industrial property class.

The report reviews other economic sectors in the Valley with a view to identifying opportunities that may contribute to the revitalization of the Valley's economy. Considerations included are:

- Acquisition of rights-of-way for trails;
- Improvement of transportation infrastructure including development of an alternative route into the Valley, upgrading of the airport and the future use of the Port Alberni branch line of the former E&N Railway;
- Expansion of the boundaries of the City of Port Alberni; and
- Opportunities and possible action to promote growth of tourism, retirement, secondary manufacturing, education, and the agricultural sector.

Our overall conclusion is that the forest industry on the coast has been declining for the past 20 years and that the impact of this decline in the Valley has been particularly marked because of the relative past prosperity of its forest industry and workers. The Forestry Revitalization policy changes were designed to permit further adjustments with the view of ensuring a more economically viable forest sector. We believe that these policy changes, together with the private land deletions, while in part necessary to deal with the economic challenges of the coast forest sector, have, on balance not been of benefit to Port Alberni and have in some cases been detrimental.

The 19 recommendations set out in Section IX are supportive of the observations we have made in this report and are designed to mitigate some impacts and support the development of the conditions necessary for further diversification of the Valley economy.

## **II. Purpose**

The Ministry of Forests and Range engaged the team of Philip Halkett, Howard Saunders, Hugh Gordon and George Macauley through Macauley & Associates Consulting Inc. to “complete a review of Port Alberni’s forest sector and make recommendations to promote its long-term stability”<sup>1</sup>.

The terms of reference for the Port Alberni Forest Industry Review are set out in Appendix A. The key objectives of the review are to:

- Conduct extensive consultation with local stakeholders to develop an understanding of the fundamental structure of the Alberni Valley economy, to assess its strengths and weaknesses;
- Review the current state of the forest sector in the Alberni Valley in light of recent Ministry of Forest and Range policy changes and examine the ongoing viability of forestry as an economic engine given the nature of the evolving market realities; and
- Provide recommendations designed to promote the long term economic health and stability of the Alberni Valley.

Recommendations will address both forestry related considerations and other options that have potential to effect positive and stable economic growth and development in the Alberni Valley.

This report summarizes the results of our consultation (see Appendix B for a more extensive summary of the consultation process), our review of the forest sector in the Alberni Valley and our recommendations.

## **III. Scope**

While our review is specifically limited to the Alberni Valley, many of the issues in the Alberni Valley are similar to those faced in other communities. The challenges of rural economic development and response to fundamental changes in resource industries extend to many communities across British Columbia, Canada and North America. There are numerous studies that can be accessed which demonstrate methodologies, case histories and results of efforts to promote rural economic development.

Many issues in the Alberni Valley, however, differ in magnitude if not in character from those in other communities in British Columbia. In considering this report, readers should be aware of those differences in considering the application of observations and recommendations in this report to other communities.

## **IV. Methodology – Consultation**

Interviews and discussions were undertaken by the authors over a period of 6 weeks as set out in Appendix B. The authors met with the individuals and groups in Port Alberni on five occasions (January 15-16, January 31-February 2, February 15-17<sup>2</sup>, March 5-6 and March 22) and with representatives of forest companies, government and other organizations in a variety of locations.

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<sup>1</sup> Ministry of Forests and Range information bulletin (2007FOR0001-000023) released on January 15, 2007.

<sup>2</sup> A newspaper ad was placed in the Alberni Valley Times on February 13–15, 2007 indicating the availability of the team to talk with interested parties on February 15-17, 2007.

Site visits with representatives were held on the TimberWest Forest Corporation (TimberWest) private lands north of Port Alberni and on the Island Timberlands Limited Partnership (Island Timberlands) private lands south and east of Port Alberni. Visits to the Catalyst Paper Corporation (Catalyst) paper mill, Western Forest Product Inc. (WFP) Somass and APD mills, the Errington Cedar Products Mill and the Coulson Group of Companies (Coulson) mill were also undertaken. The team also took a two-hour helicopter tour of the Valley with Ken Matthews of MOFR as a guide.

A review of the report was undertaken through discussions with management of the Ministry of Forests and Range.

This report was developed, in part, through a review of a wide variety of documents provided by interested parties.

## **V. Structure of the Alberni Valley Economy**

### **A. Historical Structure of the Alberni Valley Economy**

In 1860, the first European settlers in the Alberni Valley started a sawmill. Although their business failed, other sawmills followed in the 1880's. The Esquimalt and Nanaimo Railway (E&N) arrived in 1912. There was early mining activity on the Alberni Canal but the quality of the forests around Port Alberni and out to the Pacific meant that the forest industry would become the leading force in Port Alberni's economy and it remains the leading, but a diminished, force today.

By the 1940's the forest industry was well established and over the years since World War II, the industry has been dominated by major forest companies. For much of this period MacMillan Bloedel was the preeminent industrial corporation in the Alberni Valley and the major forest company in British Columbia. It held Tree Farm Licence (TFL) 44 which encompassed MacMillan Bloedel's private lands and a substantial tenure over Crown lands. They also had sawmills, a plywood mill and a pulp and paper mill in Port Alberni.

In 1999, Weyerhaeuser Corporation acquired MacMillan Bloedel's forest assets except the pulp and paper mills which had been transferred to Pacifica Papers Inc. in 1998. In 2004, the private lands held by Weyerhaeuser were removed from TFL 44 and Weyerhaeuser then sold its assets on Vancouver Island to Brascan which moved the private lands to Island Timberlands and TFL 44 and the mills to Cascadia Forest Products Ltd. which was then sold to WFP. Meanwhile, Pacifica Papers was acquired in 2001 by Norske Skog Canada Limited which changed its name to NorskeCanada and then, in 2005, to Catalyst Paper Corporation. In early 2006 the Norwegian company Norske Skogindustrier ASA sold its 29% interest in Catalyst.

After consolidations and closures the major forest asset holders in the Alberni Valley are:

- WFP, which holds the remaining rights in TFL 44 and two sawmills in Port Alberni - the Alberni Pacific Division (APD) mill and the Somass mill;
- Catalyst, which has a paper mill with two operating machines;
- Island Timberlands, which holds the private lands that were formerly part of TFL 44;
- TimberWest, which holds private lands in the Beaufort Range; and
- British Columbia Timber Sales (BCTS), which manages a major portion of what was the Sproat Lake Division of TFL 44.

The many changes in Port Alberni's forest industry have occurred at the same time as the forest industry, both globally and locally, has seen rapid and disruptive change.

- The Softwood Lumber dispute has involved substantive direct costs and indirect costs arising from an uncertain business environment.
- The increased value of the Canadian dollar vis-à-vis the U.S. dollar has made Canadian wood products more expensive and thus less competitive.

- Other producing areas (Russia, Scandinavia, Brazil, for example) have become increasingly competitive.
- Technology has reduced the relative value of premium logs by introducing ways of creating greater value from what was once marginal wood.
- The replacement of labour by machine is accelerating in the industry. As a result, there is less labour input per dollar or board foot output and processing facilities have become larger to improve the efficiency of capital.
- Capacity has tended to outgrow markets with the result that the least efficient (often the oldest) mills are shut down.
- Some of the most valuable forest lands in the Port Alberni area have been removed from the working forest to create parks and ecological reserves, thus reducing the size of the local industry by reducing both the quantity and quality of wood available.
- Removal of private land from TFL 44 permits export of logs from these lands under federal rules. When the land was included in TFL 44 the logs from it were more difficult to export under provincial rules and bore a fee-in-lieu charge if exported.

Port Alberni in 2007 is primarily a legacy of its forest industry past. Its residents' perspectives and dreams have been influenced by their contact with the industry, whether directly as employees, or otherwise. In the 1950's, 60's and 70's the forestry labour force in the Alberni Valley was one of the highest paid in the country. The City of Port Alberni was able to raise much of its taxes from the forest industry and elected officials did not have to fund government primarily with taxes on the property occupied by its relatively affluent residents. Port Alberni in those years was a bustling, prosperous community blessed with an excellent infrastructure. But the last fifteen years have seen a decline in the forestry industry and a consequent relative decline in the economy of the city and of its residents.

### ***B. The Present State of the Port Alberni Economy***

The forest industry is still the foremost industry in the Alberni Valley and it is dominated by the major forest companies, in particular Catalyst's paper mill and WFP with TFL 44 and its two Port Alberni sawmills. There is an interdependency between the sawmills and the Catalyst mill. The sawmills need the market for chips that Catalyst provides and Catalyst needs this supply. If one or the other were to close, the survivor would find it much more difficult to continue as a profitable operation. In March 2007, the City of Port Alberni Council introduced property tax rate changes to reduce the property taxes payable from the Major Industrial tax class, of which these three facilities are the sole members. Although this provides tangible support for these businesses, whether or not they survive will depend in the intermediate term on their ability to be one of the more profitable facilities among those of the respective companies.

The residents with whom we consulted do not want Port Alberni to rely on the success of the two major forest operations for their future economic and social health. They wish to develop a more diverse economy. Existing economic diversity elements include:

- **Forestry** - Several small to medium sawmill, truck logging and integrated forest operations (Coulson Group, Nagaard Sawmills Ltd., Franklin Forest Products Ltd.,



McKay Trucking, etc.) are active. Smaller wood processors are currently challenged by the lack of reliable wood supply. The truck logging business has seen substantial concentration with an out-of-valley based contractor having a significant profile.

- **Agriculture** - There are several smaller farm operations and a medium sized dairy operation. Generally, the agricultural sector has been declining but the quality of the land could permit this sector to grow.
- **Tourism** - The major current tourist activity is recreational fishing. More recently kayaking and adventure touring operations have commenced in the Valley. Tourism is generally believed by Valley residents to have a high potential particularly if infrastructure, such as trails, can be improved.
- **Manufacturing and fabricating** - There are small to medium metal fabricators and secondary wood manufacturers operating in the Valley. Growth in this sector will depend upon the emergence of entrepreneurs. Individuals with the skills to be successful in this sector generally have experience in one of the larger mills as employees but may not have the necessary entrepreneurial skills.
- **Retirement** - More retirees are moving to Port Alberni due to the existence of good health care facilities, temperate weather and the relatively affordable housing. Retirees can provide markets for the construction industry, care facilities, and other service providers, as well as bringing with them wealth in the form of pension income.
- **Mining** - Although mining is a relatively small contributor to the economy through a small number of prospectors, there are plans for a major crushed rock quarry by Eagle Rock Materials Ltd. on the Alberni Canal. Their Crown lease was signed November 1, 2004 but a commencement date for the operation (with expected permanent jobs of 72 to 105) has not been announced.
- **Shipping** - Port Alberni has a relatively underutilized deep sea port.
- **First Nations** - There are three First Nations in the immediate Alberni Valley area – the Hupacasath, the Tseshaht and the Huu-ay-aht. Payments that are likely to be received by them in the form of treaty settlements, and otherwise, will provide these First Nations with an opportunity to create wealth for their members. These First Nations are all expanding their business activities and are approaching the future with confidence and optimism. Their endeavors will benefit the whole Valley.

Table 1 sets out the distribution of the labour force for the City of Port Alberni for the 2001 census year<sup>3</sup>.

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<sup>3</sup> Although the initial 2006 Census data had been released when this report was prepared, some detailed analyses had not yet been completed or released.

**Table 1 - Selected 2001 Census Characteristics – City of Port Alberni  
Labour Force by Industry (NAICS)**

		<b>Port Alberni</b>		<b>BC</b>
		<b>Number</b>	<b>%</b>	<b>%</b>
<b>All industries (Experienced Labour Force)</b>		7,820	100.0	100.0
111-112	Farms	100	1.3	1.9
113	Forestry and logging	405	5.2	1.2
114	Fishing, hunting and trapping	55	0.7	0.3
115	Support activities for 113/4	70	0.9	0.6
21	Mining and oil and gas extraction	10	0.1	0.7
22	Utilities	20	0.3	0.6
23	Construction	330	4.2	5.9
31-33	Manufacturing	1,600	20.5	9.6
311	Food manufacturing	200	2.6	1.1
321	Wood product manufacturing	735	9.4	2.3
322	Paper manufacturing	565	7.2	0.8
41	Wholesale trade	100	1.3	4.1
44-45	Retail trade	1,045	13.4	11.6
48-49	Transportation & warehousing	210	2.7	5.7
51	Information and cultural industries	95	1.2	3.1
52	Finance and insurance	135	1.7	4.0
53	Real estate & rental/leasing	95	1.2	2.1
54	Professional, scientific & tech. services	220	2.8	6.8
55	Management. of companies/enterprises	-	-	0.1
56	Admin & support, waste management services	280	3.6	4.0
61	Educational services	530	6.8	6.9
62	Health care and social assistance	895	11.4	9.9
71	Arts, entertainment and recreation	135	1.7	2.3
72	Accommodation and food services	635	8.1	8.3
81	Other services (excl. public administration)	335	4.3	4.9
91	Public administration	520	6.6	5.6
<b>Aggregations</b>				
	Agriculture, Food and Beverage	155	2.0	3.0
	Fishing and Fish Processing	200	2.6	0.5
	Logging and Forest Products	1,765	22.6	4.7
	Mining and Mineral Products	35	0.4	2.0

Source: BC Stats <http://www.bcstats.gov.bc.ca/data/dd/facsheet/cf021.pdf>

Table 1 clearly reflects the importance of the logging and forest products industry (22.6% vs. the 4.7% provincial average) in the provision of employment in the City of Port Alberni.

The historical distribution of population of the Alberni-Clayoquot Regional District (A-C RD) is set out in Table 2. While the population of the City of Port Alberni has stayed virtually unchanged from 1986 to 2006, the population of the rest of the A-C RD (largely Tofino<sup>4</sup> and Ucluelet) has increased by about 14%. The difficult adjustment for the economies of Tofino and

<sup>4</sup> The population of Tofino increased 96% from 973 in 1986 to 1,906 in 2006 and Ucluelet increased 26% from 1,569 in 1986 to 1,978 in 2006, with much of Ucluelet's growth occurring in the last 3 years (an increase of 18% from 1,675 in 2003).

Ucluelet were largely completed by the late 1990s and the increased prosperity for those communities is clearly reflected in the recent population increase for A-C RD outside Port Alberni.

Age Distribution for Alberni-Clayoquot R.D.						Population within Alberni-Clayoquot R.D.			
						City of Port Alberni		Rest of R.D.	
	0-14	15-34	35-54	55+	Total	Number	Annual Growth %	Number	Annual Growth %
1986	7,352 23.4%	10,359 33.0%	7,949 25.4%	5,694 18.2%	31,354	18,838		12,516	
1991	7,352 22.9%	9,466 29.5%	9,022 28.2%	6,209 19.4%	32,049	18,888	0.1%	13,161	1.0%
1996	7,046 21.5%	8,920 27.2%	10,025 30.5%	6,849 20.9%	32,840	19,163	0.3%	13,677	0.8%
2001	6,118 19.3%	7,667 24.2%	10,174 32.1%	7,705 24.3%	31,664	18,516	-0.7%	13,148	-0.8%
2006	5,527 16.7%	8,759 26.5%	9,630 29.1%	9,147 27.7%	33,063	18,790	0.3%	14,273	1.7%
Population Growth 1986-2006						- 0.3%		14.0%	

Source: BC Stats

Table 2 also displays the age distribution for A-C RD and reflects the strong relative decline in the number of youth and the considerable increase in the population of retirement age. The population in A-C RD has gone from being considerably younger than the provincial average in 1986 to being considerably older than the provincial average in 2006<sup>5</sup>.

Table 3 presents statistics from the 2001 Census that illustrate features of the Port Alberni population. There is a smaller proportion of the work force categorized as self-employed than for the province as a whole, reflecting the impact of the big company environment (almost everyone is an employee, with few self-employed individuals) although the number of qualified tradespeople is higher than average. The participation rate is lower (largely reflecting an older population with many retired individuals) and the unemployment rate higher than the provincial average in 2001.

Table 3 also indicates that the Port Alberni labour force tends to have lower levels of educational attainment reflecting the historical availability of local employment in the forestry sector without the necessity of attaining higher levels of education.

<sup>5</sup> The proportion of the BC population 55 and over increased from 21.4% in 1986 to 25.7% in 2006, a considerably less significant increase than experienced in Alberni-Clayoquot R.D., reflecting the relative aging of the Port Alberni population.

**Table 3 - Selected 2001 Census Characteristics – City of Port Alberni**

	Port Alberni		BC
	Number	%	%
Employees	7,070	97.7%	94.7%
Self-employed	170	2.3%	5.3%
Participation rate %		56.7%	65.2%
Unemployment rate %		15.1%	8.5%
Population, 20 years & over	12,855		
Educational Attainment			
Less than grade 9	1,180	9.2%	6.6%
Some high school	3,185	24.8%	17.7%
High school graduate	1,900	14.8%	12.3%
Trades certificate	1,955	15.2%	12.8%
College without diploma	1,230	9.6%	7.2%
College diploma	1,890	14.7%	16.7%
Some university	650	5.1%	9.1%
University degree	865	6.7%	17.6%

Source: BC Stats, <http://www.bcstats.gov.bc.ca/data/dd/facsheet/cf021.pdf>

In addition to an available qualified work force, an effective infrastructure is critical to the success of any region. The following is the short review of the status of the Alberni Valley's infrastructure.

- **Community facilities** - These are generally excellent, given the size of the population. There is a modern hospital, respected K-12 school system, modern recreational facilities and a city road network in relatively good repair. The downtown core requires revitalization and the City has started to address this by commissioning the "Uptown Waterfront Redevelopment Strategy" which the City received on January 31, 2007.
- **Highways** - There is only one highway into the Valley from the east and there is a general belief that another road access is required which would connect the Alberni Valley more effectively to the Courtenay/Comox area. Port Alberni is on the highway route to Tofino/Ucluelet that has seen a huge growth in tourist traffic.
- **Rail** – The Island Corridor Foundation holds the right-of-way and the Southern Railway of Vancouver Island is operating the rail assets associated with the former E&N Railway. The railway connection between Port Alberni and Parksville provides tourist opportunities but may require substantial upgrading if it is to handle heavy commercial traffic.
- **Airport** - Port Alberni's airport is not a major factor in transporting people or goods to the Alberni Valley.
- **Higher education** - North Island College currently has a small presence in Port Alberni offering a modest diversity of courses.

The Alberni Valley offers the labour force and infrastructure necessary for a diversified local economy if there is vision, and entrepreneurs to match.

## VI. Review of Forest Sector in the Alberni Valley

### A. Summary of the Forestry Revitalization Policy Change

The genesis for the 2003 forest policy changes by the provincial government are many, however a pivotal study entitled *Ready for Change: Crisis and Opportunity in the Coast Forest Industry* by Dr. Peter Pearse dated November 2001, contains many of the suggestions later enacted by the provincial government.

The opening paragraph of the preface sets the tone:

“ The forest industry in the coastal region of British Columbia, historically the driving force of the region’s economy, has been struggling for several years. The available supply of timber is declining, costs have risen and product markets have weakened. In consequence, profits have withered, mills have closed, employment has fallen and whole communities have lost their economic base. The present outlook is for more, if not accelerating, decline.” (p1.)

In his report, Dr. Pearse argues for fundamental change on a number of domestic fronts, including:

- Reducing the cost of logs delivered to mills by taking a number of measures;
- Changes in forest tenure;
- Changes in log markets;
- Changes in corporate management;
- Changes to union/management relations on a wide number of issues;
- New product development;
- Reconciling logging activities with the unsettled interests of aboriginal people; and
- Ensuring confidence in environmental standards and stewardship.

A very clear prognosis is made on page 33:

“ The foreseeable scale of rationalization of manufacturing operations presents a threat of economic and social disruption to many communities. Acceptance of such changes will depend on much more coherent and consistent strategies on the part of industry and government for cushioning the impacts, and helping people and communities adjust.

Most importantly, stakeholders in the forest industry must recognize that its present structure is not sustainable and that fundamental changes, even painful ones, must be made. They must be ready and willing to accept change, to share the burden of change, and to cooperating in bringing it about. This need for cooperative effort will require their confidence in the process, which will depend heavily on clear direction and leadership from government.”

At a very high level, we interpret Dr. Pearse to be arguing that if significant change is not undertaken the forest sector will be far worse off than if significant change is made, even though these changes will be painful.

The government’s response to the acknowledged economic problems with the coastal forest sector was contained in *The Forestry Revitalization Plan* of 2003 and the accompanying legislation. The main elements as announced<sup>6</sup> were:

<sup>6</sup> See the summary of the Forestry Revitalization Plan at <http://www.for.gov.bc.ca/mof/plan/frp/summary.pdf>.

- “ **Getting the most from every tree cut** - Government will no longer force companies to cut timber when it is uneconomic to do so. Licensees will also be allowed to transfer or subdivide licences, opening up opportunities for new operators with innovative ideas. And the mandatory links that forced companies to process the timber they cut will be ended, allowing the wood to go to mills best suited to handle it within B.C.
- **Setting a fair price for the public resource** - More timber will be sold via bids in public auctions. These auctions will be used to set the rates for Crown timber paid by licensees and other users, creating the more market-based pricing system promised by government. Some of the reallocated long-term tenures will be directed to support the auction pricing system, with about 20 per cent of Crown timber being sold at auction.
- **Transition assistance** - These changes will revitalize the forest sector and provide workers and communities with greater long-term stability. However, there will be some dislocation in the short term. Funding of \$75 million has been set aside for those who will be most affected by this transition to a new forest economy. “

The government also stated:

“ **A brighter future** - We are reshaping our forest sector to restore the B.C. advantage to our province’s number one industry, both at home and abroad. These changes will help revitalize the economy, generate jobs and spin-off benefits for communities, and provide long-term contributions to our province’s standard of living. “

Outlined in *The Forestry Revitalization Plan* itself were a number of significant changes:

- A new *Forest and Range Practices Act* which moved from a standards-based to a results-based code;
- A reallocation of about 20% of forest tenure (at an estimated cost of \$200 million) from major licensees to:
  1. First Nations
  2. Communities
  3. Woodlots, and
  4. British Columbia Timber Sales;
- Changes to how timber is allocated to the secondary manufacturing (value added) sector;
- Changes in minimum cut control levels;
- Removal of the requirement to process logs in the mills to which the tenure was associated (appurtenance) and the elimination of potential loss of tenure from closing uneconomic mills;
- Determining stumpage for tenure holders from competitive sales of auctioned timber;
- Removal of the 5% (of volume) penalty for sale or transfer of tenure;
- Commitments to building a healthier log market; and
- Establishment of the BC Forestry Revitalization Trust (BCFRT) with an initial amount of \$75,000,000 (increased by \$50,000,000 in 2005 to \$125,000,000) to compensate contractors and workers affected by the 20% reallocation.

Although not part of *The Forestry Revitalization Plan*, the government separately undertook to review on a case by case basis, removal of private forest lands from Tree Farm Licences. For pre-1906 lands, this moved the log export approval process for these lands from the provincial to the federal regulatory scheme.

### **B. Impact of Forestry Revitalization Changes on the Alberni Valley**

Forestry Revitalization Plan changes that have been a concern in the Valley include the following issues:

1. Take back 20% of the AAC from major tenures and reallocation of that volume to BCTS, community forests and First Nations licences.

The take-back itself does not change the amount of the AAC,<sup>7</sup> only who holds the licences to harvest, nor does the take-back differ materially in Alberni from other communities. It is the ancillary aspects that create problems.

- **Reduction in harvest volumes on the major tenures** - TFLs 54<sup>8</sup> and 57 in the Clayoquot area are essentially market logger operations: logs may be sold to Port Alberni area mills, or shipped elsewhere. Neither of these licence holders operates mills on the west side of Vancouver Island. TFL 44 is the primary source of supply for Alberni-area mills. When the AAC of TFL 44 was reduced, WFP had fewer logs to sell and needed to purchase more, thereby destabilizing existing supply relationships. This was exacerbated by additional factors, but otherwise reflects a common problem affecting coastal log buyers and sellers.
- **Increase in volume of harvest from competitive timber sales or by non-integrated licensees** - The increased volumes offered by BCTS are subject to competition from bidders from outside the area who may intend the logs for facilities elsewhere on the Coast and who may use loggers who have not traditionally worked in the Valley. Other bidders may want the logs to supply parties who might "block" export of private timber. To the extent that First Nations licences have been issued from either historical undercut volumes or from the take-back volumes, that harvest is now available under different circumstances than previously was the case. Instead of being bound by the TFL 44 appurtenance clause, the harvested logs may be offered in the local market, exported or sold to mills under a contractual arrangement; e.g., Coulson has one such arrangement with local First Nations. While open market log sales and trading arrangements are common on the Coast, this is a bit of a departure for the two large mills in Port Alberni that relied largely on logs from the TFL.
- **Transitional delays** – Not all of the AAC removed from the major tenures has yet found its way back to the market as either BCTS sales or First Nation or local community forest licences since the consultations have not been completed. The

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<sup>7</sup> Disaggregation of large management units into smaller ones may produce a lower aggregate AAC due to factors such as forest age class imbalances in the smaller units.

<sup>8</sup> On March 30, 2007, Interfor announced the sale of TFL 54 to Ma-Mook Natural Resources Ltd. (a holding company owned in part by five First Nations based in Ucluelet). The First Nations involved in Ma-Mook Natural Resources Ltd. are Ahousaht, Hesquiaht, Tla-o-qui-aht, Toquaht and Ucluelet. The Coulson Group based in Port Alberni announced an agreement in principle respecting the ongoing operation of the TFL.

Ministry expects these to be completed in the next few months after which the Minister will make his apportionment decision pursuant to the *Forest Act*.

- **Concerns about sub-economic licence volumes** - Operators indicate that an economic coastal operation should log at least 100,000 m<sup>3</sup> annually. Most of the new licences being offered are substantially smaller than this, and there are concerns about the economic viability for such small scale licences – see Recommendation 3
- **Concerns about economic operability (lower quality timber with higher logging costs)** - Alberni has a timber supply problem arising from an age imbalance; the second growth remaining within the TFL is perhaps 20 years short of optimal harvest age. Thus logging on TFL 44 will continue to be heavily reliant on lower quality, less accessible stands until low cost second growth timber reaches harvestable age. This arises in part from the withdrawal of private lands from the TFL.<sup>9</sup>
- **De-stabilization of logging contractor arrangements** - The take-back reduced the volume that major tenure holders had available for their logging contractors. The effect was to reduce the proportion of the harvest under stable contractual arrangements and to increase the portion dependent on BCTS sales or contracting for smaller licensees. Government established the BCFRT to assist displaced contractors and company employees. Some communities have gained jobs at the expense of other communities.

## 2. Removal of appurtenance requirement in licences

The common perception is that an appurtenance clause in TFL licences required locally produced logs to be used in local mills. In reality, the mills that were established as an initial condition of the licence rarely were able to process all of the logs that could be produced from the licence. Because of its isolation, there may have been a better balance between mill requirements and logs produced in the Port Alberni area, but for much of the Coast, logs were sold or traded among licensees to get logs to the mills that could make the best use of them, since mills tend to specialize in a portion of the very mixed log profile for efficiency reasons.

Strict application of an appurtenance clause in the common perception of it would have forced considerable inefficiencies on mills. With declining AACs anticipated from reductions of the timber harvest land base and transition from old growth inventory to second growth yield, an appurtenance requirement might force efficient mills to close while inefficient mills remained to die a slow death.

Moving to market based pricing made appurtenance untenable since stumpage prices are set by the most efficient operators and there is no mechanism to reduce stumpage to offset inefficiencies imposed on other mills by the appurtenance requirement.

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<sup>9</sup> For example, only 16% of the Timber Harvest Land Base on the Crown lands in TFL 44 was in the 40-80 age classes, compared to 41% on the private lands that were in TFL 44. See Table D-1 in Appendix D.



### 3. Changes in mandatory utilization

Policy changes allow licensees to leave behind logs that were worth less than the cost of delivering them to a market, and pay a waste assessment. Licensees have done so when prices for pulp logs were depressed. Recently, prices for pulp logs have risen but the volume removed from the forest has not responded, leaving pulp mills struggling for fibre, and the public perceiving that there is excess waste being left in the woods. Part of the problem seems to be not the policy change but failure to adapt to removal of mandatory utilization. Previously, logging contracts generally specified a single contract rate for all logs scaled. Although the contract rate for low value pulp logs usually exceeded the price of pulp logs, that did not matter since the logs had to be removed under mandatory utilization. With the change, licensees left pulp logs behind since they were worth less than the contract logging rate, even though the true cost of delivering pulp logs (the incremental cost for removing them rather than leaving them behind) was much less than the contract logging rate. When the choice is to remove pulp logs or to leave them behind, the costs to be considered are only yarding, loading, delivery and scaling. Industry generally does not yet appear to have moved to employing different contract logging rates for logs – a higher rate for sawlogs and a lower rate for the marginal timber that could be left behind if it is worth less than the incremental costs associated with its removal – although some companies do use an incremental approach, going back for "waste" if its value exceeds the costs for its removal under a separate contract.

This is a significant issue province-wide and continues to be the subject of extensive study. It is being addressed by the Ministry in consultation with stakeholders as part of the Coast Steering Committee's work.

### 4. Issues with respect to removal of private lands from the TFL.

- **Environmental issues** - The environmental issues related to the change in regulatory regime of the Island Timberlands lands from TFL to Private Managed Forest Land are dealt with under Section E, which deals with all private managed forest land and not just that which was removed from the TFL regulatory regime.
- **Transfer of these areas from provincial export regulation to federal regulation** - Logs from the private lands within a TFL were "non-exportable", i.e., subject to a fee in lieu of manufacture and to a surplus test under the provincial regulatory scheme. Once removed from TFLs, lands that became private before 1906 then become subject only to a surplus test and no financial penalties under the federal regulatory scheme.

The countervailing and antidumping duties on lumber, now replaced with the new export tax, have the effect of depressing the amount Canadian mills are able to pay for logs vis-à-vis their US competitors who can buy federally regulated logs duty and penalty free.

Thus it is generally more profitable for owners of land which became private land prior to 1906 to export logs than to sell them to domestic mills subject to the lumber

export tax<sup>10</sup>. Removal of the Island Timberlands private lands from TFL 44 therefore increased the likelihood that any harvest from these lands would be exported.

Seeing logs being trucked to the east side of Vancouver Island (at a rate of 9,400 truckloads or more in 2005, or around 40 truckloads per day<sup>11</sup>) or being barged out of the Alberni Inlet to the US when local mills were curtailed due to log shortages angered many local residents, but it should be realized that most of the timber from the private lands in the Alberni Valley is second growth, primarily Douglas-fir<sup>12</sup> and that is not the type of logs being consumed by local mills which utilize primarily old growth cedar and hemlock. Thus the private land withdrawals from TFL 44 probably had no immediate material impact on the supply of appropriate grade, size and species of logs to the local mills.

- **TimberWest private lands** - Government is often criticized for allowing TimberWest to withdraw its lands along the Beaufort Range (the ridge that forms the east boundary of the Alberni Valley, north of the city) from a TFL and thereby escape the regulations that would apply within a TFL, and be able to export logs from the area under federal export rules. However, these lands were originally part of the E&N land grant in the 19<sup>th</sup> century, were never part of any TFL, and have always been under the federal log export regime. The Forestry Revitalization policy changes have not been a factor in the controversy over the TimberWest lands in the Valley.

It is difficult to conclude that the issues that have arisen for Port Alberni from the Forestry Revitalization changes are materially different than those experienced by other communities. However it is probable that the impacts have been greater for Port Alberni because Port Alberni has a narrower economic base and less resilient economy. Port Alberni could also have been more affected than other communities on the issue of private land withdrawals because of the extent of private lands adjacent to and sometimes visible from the city.<sup>13</sup> We do not believe that removal of private lands from TFLs has had an immediate material effect on the local mills which do not use the second growth that constitutes the bulk of the private land harvest. There will be longer term impacts on the potential for new forest industry investments, and possibly on the AAC for TFL 44 due to age class/operability issues.

Environmental and access issues that were raised during the review related to private managed forest lands and not just to those that were affected by Forestry Revitalization changes. They are therefore dealt with in a subsequent section of this report.

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<sup>10</sup> Some domestic buyers such as Coastland Veneer are not affected by the lumber export tax.

<sup>11</sup> This calculation is based only on logs harvested on private lands in the Valley and scaled on the east side of Vancouver Island. There was an insignificant volume of Crown timber harvested in the Valley and scaled elsewhere. Some logs may have been scaled in the Valley and then trucked out of town. The calculation assumes an average of 38 m<sup>3</sup> per load, based on sample weight scales and 240 operating days per year, although logging deliveries may not occur throughout the year on a regular basis. See tables D 4 and D 10 in Appendix D (Log Flows) for relevant log scale volumes.

<sup>12</sup> In 2006, Douglas-fir accounted for 79% of the volume harvested on private lands in the Alberni Valley, and J-grade Douglas-fir alone accounted for 47% of the total volume. (See table D-2 in Appendix D)

<sup>13</sup> Communities between Nanaimo and Campbell River experienced a similar withdrawal of private lands from TFL 47 in 1997, but industry changes since 1997 and greater reliance of Port Alberni on forestry increased the relative impact of the withdrawal in Port Alberni.

### **C. Timber Supply Issues**

The Alberni Valley is different from many parts of the Coast in terms of its timber profile. Other areas have a larger proportion of old-growth timber to support current AACs (although economic operability may be an issue in those areas), while those moving more quickly to second growth have a more orderly transition as the area of their timber harvest land bases has seen fewer disruptions or deletions.

Historically, logging commenced around Port Alberni and gradually moved towards the outer coast and higher up the slopes. The sustainable harvest calculation was based on progressive harvesting of the existing operable old growth forest with transition to second growth as the old growth was harvested. Essentially the 80-100 year plan was to log from Port Alberni to the outer coast and then start with the oldest second growth in the Port Alberni area and again log back to the coast as the second growth on the harvested areas there reached harvest age. This plan had to change when substantial areas on the outer coast were removed from the harvestable land base and placed in a series of parks, or placed under logging restrictions that dramatically reduced the AAC for the area. As an over-simplification, timbered areas that were intended to sustain harvesting until the second growth reached its planned harvest age became park.<sup>14</sup>

The impact of the land base removals is seen in the greater than average decline in the area's AAC over the past 15 years. (See Table D-1 in Appendix D) The disruption of the harvest sequence plan by the land base withdrawals has resulted in an age class gap as the second growth currently available on the Crown lands is not old enough. (See Table D-5 in Appendix D for specifics on TFL 44). Withdrawal of the private lands from TFL 44 has worsened the impact on the Crown land AAC because it removed the oldest of the second growth timber which would have provided a significant portion of the near term harvest from the TFL, worsening the age class gap in the forest succession. We are informed that a timber supply analysis is being conducted for TFL 44 with a new AAC determination expected in August 2008. We recognize that age class and a number of other factors will be considered in the new AAC determination by the Chief Forester.

Age class imbalances and transition from increasingly high cost/lower quality old growth are issues on many parts of the Coast and are the subject of reviews being undertaken by the Coast Strategy Committee. We understand that analysis and results may be forthcoming shortly.

WFP has been criticized for significantly undercutting its AAC in 2006. WFP argues that it, like many others, was adversely impacted by weather events and went into the season with low log inventories locally because Cascadia's log inventories were low when WFP closed its acquisition of Cascadia's mills and tenures, which included the Alberni operations.<sup>15</sup> Chart D-6 in Appendix D shows that the harvest on tenures currently held by WFP did fall in both relative and absolute terms, compared to the rest of the operators in the South Island forest district, but WFP's AAC for those tenures also declined due to the removal of private lands from the TFLs and to the Forestry Revitalization take-back. Chart D-7 in Appendix D shows that WFP's harvest on TFL 44 over the past three years has moved from significantly over-cut in 2004-2005

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<sup>14</sup> Port Alberni has borne most of the negative economic impacts of these land use decisions and Ucluelet (after a 10-year period of adjustment) and Tofino have received most of the economic benefit from the parks. See for example, the population changes in the census data in Section B.

<sup>15</sup> Western's purchase of Cascadia closed in May 2006.

to significantly under-cut in 2006. For the three years as a whole, the company was slightly over the AAC. Clearly, WFP/Cascadia substantially reduced the harvest in TFL 44 during 2006, but it would not have been possible to sustain the previous rate of harvest. However, WFP is able to increase its harvest from 2006 levels and remain within the AAC for the rest of the cut control period.

#### **D. Assessment of Past and Present Performance of the Forest Industry in Port Alberni**

##### **1. Forest Sector Workforce**

Table 4 sets out information for the experienced labour force in the Alberni-Clayoquot Regional District and the City of Port Alberni for the 1981, 1991, 1996 and 2001 Censuses<sup>16</sup>.

	1981 Census	1991 Census	1996 Census	2001 Census
<b>Alberni-Clayoquot R.D. (1)</b>				
All Industries	15,740	15,250	14,980	14,515
Primary Industries	2,600	2,345	1,925	1,630
Fishing, hunting & trapping		580	340	225
Forestry & Logging (2)		1,520	1,335	1,045
Manufacturing	4,870	3,240	2,595	2,540
Wood Products		1,420	1,120	1,110
Paper		1,180	805	800
Change in All Industries (3)		(490)	(270)	(465)
Change in Primary & Manufacturing (3)		(1,885)	(1,065)	(350)
<b>City of Port Alberni (1)</b>				
All Industries	9,545	8,565	8,020	7,820
Primary Industries	1,275	1,130	940	635
Fishing, hunting & trapping		190	85	55
Forestry & Logging (2)		845	625	475
Manufacturing	3,255	2,090	1,600	1,600
Wood Products		980	775	735
Paper		825	535	565
Change in All Industries		(980)	(545)	(200)
Change in Primary & Manufacturing		(1,310)	(680)	(305)
<p>(1) Estimates are based on the residence of the enumerated population. For example, it is likely that the vast majority of Alberni-Clayoquot R.D. population indicated as working in the paper manufacturing industry worked in the newsprint/paper mill in the City of Port Alberni (some may have worked in mills outside the region).</p> <p>(2) Includes support activities for forestry.</p> <p>(3) From previous column (1981-1991, 1991-1996, 1996-2001). Since All Industries category includes the Service industry, (which has increased from 1981 to 1996), the change in Primary &amp; Manufacturing is greater</p>				

<sup>16</sup> The 2006 Census labour information is not expected to be released until March, 2008.

The table reflects the declining labour force in both the primary (mainly forestry & logging) and manufacturing (mainly wood products and paper) in both Alberni-Clayoquot R.D. and the City of Port Alberni.

## 2. Productivity trends in the forest sector in British Columbia

Provincial wide productivity of the forest sector fluctuates with the economy because the number of jobs tends to vary less than the level of output. The longer term trends are affected by shifts in the composition of the industry (reduced harvests on the coast, which is more labour intensive, and increased harvests in the north-central interior, where logging and milling are highly automated) and by regulatory changes.

Forestry employment per m<sup>3</sup> scaled rose sharply with the introduction of the Forest Practices Code in 1995 and a general tightening that preceded it in some areas, and began to fall as the central interior began to account for a higher percentage of the total harvest.

**Table 5 – Employment, Production and Productivity in the BC Forest Sector**

	Employment (in 000s)			Production				Employment Index (1987-90 = 100)		
	Forestry, Logging & Support	Wood Product Manuf.	Paper Manuf.	Timber Scaled (000 m <sup>3</sup> )	Lumber production (000 m <sup>3</sup> )	Market pulp shipments (000 tonnes)	Newsprint, other paper & paperbd (000 tonnes)	Forestry (jobs / 1000 m <sup>3</sup> scaled timber)	Wood (jobs / 1000 m <sup>3</sup> lumber)	Paper (jobs / 1000 tonnes pulp & paper)
1987	24.0	45.5	17.6	90,592	37,336	4,136	2,762	88.8	96.9	85.2
1988	25.3	41.6	20.8	86,808	36,736	4,141	2,845	97.7	90.1	99.4
1989	26.5	47.0	24.5	86,793	35,952	4,189	2,834	102.3	104.0	116.5
1990	26.3	46.4	19.3	78,045	33,514	3,547	2,992	113.0	110.1	98.5
1991	26.8	41.7	20.2	73,449	31,406	4,014	2,667	122.3	105.6	101.0
1992	26.3	45.2	19.9	73,937	33,396	3,825	2,708	119.2	107.6	101.7
1993	26.2	48.4	21.3	79,232	33,935	4,040	3,110	110.8	113.4	99.5
1994	31.1	49.5	21.3	75,639	33,671	4,763	2,983	137.8	116.9	91.8
1995	36.1	43.3	23.8	76,471	32,611	4,572	2,833	158.2	105.6	107.3
1996	32.3	42.9	22.9	75,213	32,671	4,390	2,801	144.0	104.4	106.3
1997	32.2	44.6	23.1	68,628	31,562	4,532	2,649	157.3	112.4	107.4
1998	30.2	43.4	22.7	64,967	30,238	4,462	2,567	155.8	114.1	107.8
1999	30.0	42.4	22.4	75,998	32,397	4,995	3,016	132.3	104.1	93.4
2000	35.5	45.7	17.8	76,988	34,346	5,152	3,126	154.6	105.8	71.8
2001	24.7	48.9	15.0	72,212	32,606	4,710	2,879	114.7	119.3	66.0
2002	25.3	43.8	17.0	73,519	35,501	4,477	2,900	115.4	98.1	76.9
2003	27.7	49.0	14.4	61,925	36,031	4,762	2,919	149.9	108.1	62.6
2004	21.5	46.9	12.0	92,361	39,879	4,724	2,976	78.0	93.5	52.0
2005	21.6	45.8	12.3	83,134	41,013	4,932	2,953	87.1	88.8	52.1
2006	21.7	44.8	15.1							

Sources: Statistics Canada, Canadian Pulp and Paper Association, Ministry of Energy Mines, BCSTATS, BC Ministry of Finance 2006 British Columbia Financial and Economic Review

The 6,200 (23%) drop in forestry logging and support jobs in 2004 is inconsistent with subsequent harvest volumes. The indicated drop in jobs is far too large a change to be

credible – what is more likely is that this is a data collection anomaly. At that time, major tenure holders reduced forestry staff in line with the take-back of AAC and some companies on the coast switched from company logging to contracting, while Doman Industries was re-organized as Western Forest Products. A reduction in employees by reporting companies would show up as a reduction in jobs if the contractor engaged to carry out the same functions was not among the sample of companies reporting to Statistics Canada. The forestry logging and support statistics should not be relied upon to draw meaningful conclusions about job trends and productivity changes in recent years

Wood products job ratios have been much more stable, but were affected by an increasing proportion of secondary processing (remanufacturing) in the 1990s and recently by massive productivity increases as a response to countervailing and anti-dumping duties, and the increase in timber available due to the mountain pine beetle infestation (an increase in throughput, especially at the most automated mills).

Changes in employment ratios in pulp and paper appear related to increased production through higher operating rates in some cases and to the closure of least efficient mills in others (e.g., productivity increased in 2001 although production fell).

### **3. Mill processing**

Peak production and employment in the Alberni Valley probably occurred prior to the closure of the plywood plant in 1991 with the loss of 374 jobs. MacMillan Bloedel estimated in 1996<sup>17</sup> that about 1,700 forestry jobs had been eliminated in the Alberni Valley between 1980 and 1996, suggesting that the peak may have been about 1979, which is often identified as the industry's all-time peak. Detailed historical statistics are difficult to acquire due to changes of ownership – the principal lumber and paper mills have had a series of ownership changes and substantial overhead reductions, and long term records have not survived the transitions.

The 1980s were difficult for the forest industry throughout North America and in the 1990s the Coast was more affected than the rest of British Columbia by withdrawals for parks, and changes in logging practices on the remaining timber harvest land base intended to give better balance to environmental concerns. These reduced the operable land base and increased delivered log costs. Between 1991 and 2005, the allowable annual cut (AAC) in the Alberni–Clayoquot area declined by approximately 42% compared to an average decline of only 18% for the south coast<sup>18</sup> as detailed in Table D-1 of Appendix D (Log Flows). This decline represented a potential annual harvest of 1.37 million cubic metres, enough to double the size of the Somass and APD mills, and produce about \$18 million in Crown stumpage revenue annually at the average stumpage rate for TFL 44 in 2006.

During the 1990s, increasing premiums for products from old growth timber made Asian markets more attractive than domestic markets, and higher logging and manufacturing costs made it difficult for Coast mills to compete domestically. Coastal mills concentrated on Asian markets, and consequently received very little quota for lumber exports to the US when the Softwood Lumber Agreement was reached in 1996. After the Asian financial

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<sup>17</sup> "Alberni Valley A Forestry Hub Feels The Impact Of Cutbacks" Logging and Sawmilling Journal, October 1996 [http://www.forestnet.com/archives/Oct\\_96/alberni.html](http://www.forestnet.com/archives/Oct_96/alberni.html)

<sup>18</sup> The mid and north coast and Queen Charlotte TSAs, and TFL 46 (adjacent and to the south of TFL 44) all experienced similar or greater rates of decline.

collapse in late 1997, the lack of significant duty-free quota and the high cost of logging and milling left Coast mills unable to compete in the US market.

Even after the Asian financial crisis had passed, Coast mills continued to lose market share and volume due to competition from European mills that supplied a kiln-dried laminated product to compete with the coast's mainstay green hemlock<sup>19</sup>. The end of the 1996 Softwood Lumber Agreement was followed by countervailing and anti-dumping duties that applied equally to Coast and interior operators, but Coast mills were unable to compete on commodity lumber, because of high costs, and bore high dollar amounts of US duty on their higher valued products.

A summary of the current situation was stated by the BC Competition Council<sup>20</sup>:

“ The coastal industry is in serious decline. Its costs are in the fourth quartile and are amongst the highest in the world. Revenues have fallen since 2000 by 24% from \$2.5 billion to \$1.9 billion in 2004. The Coast wood product industry is just a fraction of its former scale. The region's industry has been chronically unprofitable and its mills are old, undersized and unproductive. The lack of any likely return on investment has caused significant under investment in the industry for a number of years.

Major markets such as Japan, partly caused by the Kobe earthquake and the resultant change in the Japanese building code, have been lost to European competitors providing the product that the market demanded and the Softwood Lumber Dispute has posed a major obstacle to the industry in competing in the U.S. market. “

Subsequent to the BC Competition Council's reports, Coast operations encountered additional difficulties in a variety of circumstances, including a severe fire season and extreme weather events during the fall and winter of 2006/07, that contributed to reduced log availability at a time of strong demand for cedar and pulp logs and falling North American lumber prices for other species. Chart D-8 in Appendix D, shows the rising prices for logs and declining prices for lumber other than cedar during 2006.

- **Current facilities** - Apart from the problems associated with the greater than average decline in the local AAC, the manufacturing sector has shared the common experience of the BC Coast forest sector, much of it being as described above by the Competition Council

The forest products sector in the Alberni Valley is comprised of the operations in Table 6.

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<sup>19</sup> See for example slides 58 and 60 of the "Coast Forest Media Presentation" at [http://www.coastforest.org/presentations\\_foundations.html](http://www.coastforest.org/presentations_foundations.html).

<sup>20</sup> Submission of the Competition Council Regarding Reports from the Wood Products and Pulp and Paper Industry Advisory Committees. [http://www.bccompetitioncouncil.gov.bc.ca/IAC\\_WoodProducts\\_PulpPaper\\_Report.pdf](http://www.bccompetitioncouncil.gov.bc.ca/IAC_WoodProducts_PulpPaper_Report.pdf)

Table 6 - Manufacturing Capacity For Forestry Operations in the Alberni Valley

Mill	Product	Units	Capacity	
			2001	2005
Catalyst Paper	Directory paper	Metric tonnes	229,000	106,000
	Light weight coated paper	Metric tonnes	197,000	223,000
Alberni Pacific Division (WFP)	Hemlock lumber	Million feet board measure	125	167
Somass Sawmill (WFP)	Red cedar lumber	Million feet board measure	50	69
Franklin Forest Products	Red cedar lumber	Million feet board measure	24	31
Nagaard Sawmills	Red cedar lumber	Million feet board measure	5	5
Coulson Group	Red cedar & hemlock lumber	Million feet board measure	48	48
Chalwood Forest Products	Yellow cedar lumber	Million feet board measure	7	7
Coleman Road Shingle	Cedar shingles		n/a	n/a

Source: BC Ministry of Forests and Range, "Major Primary Timber Processing Facilities in British Columbia", Catalyst Annual Report

- Pulp & Paper** - Catalyst's Light Weight Coated (LWC) #5 paper machine was converted from newsprint to LWC in 1995 and is currently one of the company's more efficient machines, while benefiting from being the only LWC producer in western North America. Its #4 directory machine has the lowest operating profit margin of all Catalyst paper machines. The #3 directory machine was permanently closed in 2006.

In 2006, Catalyst closed its groundwood pulp operation and replaced that fibre with de-inked recycled fibre from its Wastech facility in Coquitlam. Subsequently, Catalyst proposed a new CTMP line to reduce costs which would make the mill highly competitive, but in the company's view this required concessions from the union, which were rejected. Closures of parts of the operation and efficiency improvements on the remaining lines have reduced employment levels. Membership in the CEP union local is currently about 305, far below the peak of about 1300.

Closures and partial or indefinite shutdowns have been a fact of life for pulp and paper mills across Canada, and have been more severe recently in eastern Canada than in BC. The impact on the Port Alberni economy has not been as severe as for the local economies affected by the Woodfibre, Gold River and Prince Rupert pulp mill closures or the temporary closure of the Port Alice mill which is now undergoing a recovery program.

- Sawmills** - Despite the problems of the Coast lumber industry, capacity estimates show that lumber capacity has actually increased in the Alberni Valley over the past 5 years (see Table 6 above), even with only minimal capital investment. Capacity trends may overstate the condition of the sector as the sawmills have frequently curtailed operations. One reason for curtailment during the past year was lack of logs. The Coulson mill, with its own logging operations, was able to take advantage of the strong market for cedar lumber, but most of the other operations continued to struggle. The tight log supply is reflected in rising log prices in the face of falling lumber prices (except for Cedar, as cited above), and the decline in log exports during the second half of 2006 (due to the surplus test) when weather conditions reduced the harvest. (See Chart D-8, in Appendix D).



The log supply problem has not been limited to the BC Coast. Recently, some of the much-acclaimed "supermills" in the US Pacific Northwest have curtailed operations, attributing it to log supply problems in the US (due to weather) and reduced availability of logs from BC<sup>21</sup>. Chart D-9 in Appendix D illustrates the decline in exports as fire season and extreme fall and winter weather curtailed logging and exports)

The local sawmills all currently use old growth timber: gang and standard for hemlock; shingle, gang or standard for cedar. They all target premium priced lumber products, either high grade cedar cuttings, or hemlock for Japan. Sawmills located principally along the Fraser River are the main competitors for cedar logs.

Demand for hemlock sawlogs has been comparatively weak in recent years but a new marketing program for hemlock lumber is bearing fruit. Kiln-dried hemlock is regaining market share in Japan and earning a reputation as a quality product. APD kiln dries lumber for Japan, but lacks adequate kiln capacity so dries lumber at the Somass mill and at facilities on the east side of Vancouver Island. WFP is considering installing kiln capacity at the Somass site, using kilns from its recently closed New Westminster mill.

Lumber shipments are direct by ship to Japan, or by truck to Vancouver for rail or truck shipment to the US, or to load containers for overseas, as the port facilities in Port Alberni cannot handle containers. One producer indicated that the cost of transporting lumber to Vancouver for furtherance negates the cost advantage on local logs that Alberni mills have over Vancouver area mills; that is, the costs of transporting logs to Vancouver mills is about equal to the cost of transporting lumber to the same railhead as used by Vancouver sawmills. It is only on direct overseas lumber shipments that Alberni area mills can realize a cost advantage over Vancouver area mills in competing for logs from the Alberni area.

The local mills predominantly process larger old-growth logs and are not designed to compete for the second growth timber produced from the Valley, which is predominantly 60 – 80 year old Douglas-fir. (See Table D-2 in Appendix D, which details by species and grade the 2006 private timber harvest in the Alberni Valley. Douglas-fir accounted for 79% of the harvest and Fir J-grade alone<sup>22</sup> accounted for 47%. Cedar, which supports about 30% of local lumber production, accounted for less than 4% of the private harvest.) Moreover, the second growth volumes being harvested in the Valley are not sufficient to support a new mill designed to compete with other buyers of such logs. Such a mill would have to draw substantial volumes of logs from the east side of Vancouver Island.

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<sup>21</sup> See for example the announced curtailments on Random Lengths WoodWire Curtailment Watch, for Portac and Simpson mills in Tacoma in January and February 2007 at [http://www.randomlengths.com/base.asp?s1=Daily\\_WoodWire&s2=Curtailment\\_Watch&s3=Lumber\\_Mills-West&pub=list](http://www.randomlengths.com/base.asp?s1=Daily_WoodWire&s2=Curtailment_Watch&s3=Lumber_Mills-West&pub=list)

<sup>22</sup> J grade logs require a top of 8 to 18 cm radius, or 6 to 14 inches diameter ; small in comparison with old growth timber.

The largest markets for the primarily Douglas-fir second growth logs are Japanese and US sawmills and the Coastland Veneer plant in Nanaimo<sup>23</sup>. (See Tables D-3 (export by country) and D-4 (scale sites for private timber) in Appendix D) Currently, these segments have a competitive advantage over domestic sawmills which are subject to the export tax on lumber shipped to the US. Log exports have been the subject of a separate review which recommended changes intended to "level the playing field" for domestic sawmills, on logs subject to provincial export controls. However the private forest lands around Port Alberni are subject to federal log export regulations.

#### **4. Timber availability**

For the next two decades, the harvest from the Alberni-Clayoquot area will be primarily old growth from Crown lands and second growth from the private lands<sup>24</sup>.

Annual fibre requirements for the local mills, at capacity, approximate 1.5 million m<sup>3</sup> of sawlogs and shingle logs, plus any pulp logs that Catalyst may have to chip to meet its fibre requirements. This represents an increase from about 1.2 million m<sup>3</sup> in 2001, and runs opposite to the trend in AAC.

Including the private lands in TFL 44, but not TimberWest private lands in the area which were never in a TFL, the AAC of the Alberni Clayoquot area would have been about 3.3 million m<sup>3</sup> in 1991, but currently would be about 1.9 million m<sup>3</sup>; or 1.55 million m<sup>3</sup> excluding all private land. (See Table D-1 in Appendix D) These figures include all of the Arrowsmith TSA, although parts of the Arrowsmith lie east or south of the Alberni Valley.

This overstates the local supply in 2006 as harvest was below AAC, even including the harvest from private lands, as shown in Table 7.

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<sup>23</sup> Japan accounted for 127,243 m<sup>3</sup> of J grade Fir exported from private timber marks, in the Alberni Valley, compared to 108,159 m<sup>3</sup> exported to the US, for 2003-2006 notification dates. Coastland's scale sites accepted over 100,000 m<sup>3</sup> of predominantly J and U grade Douglas-fir during 2004-2006. The data are derived from different sources and are not directly comparable.

<sup>24</sup> Table D-1 in Appendix D presents an analysis of the timber inventory on TFL 44 current to about 2001. This is based on information provided by Weyerhaeuser and MacMillan Bloedel and application of the netdown process identified in TFL 44 Management Plan No. 4. The derived information presented in the table should be viewed as indicative only as it is based on the calculation of the then timber harvest land base.

**Table 7**  
**Billed Harvest from Alberni-Clayoquot Licences**  
**(Billed harvest during calendar year, m<sup>3</sup>)**

	2004	2005	2006
<b>From Crown Tenures (1)</b>			
Timber Sales	68,652	81,741	163,489
Woodlots	-	13,887	10,253
Coulson	1,976	55	74,800
Echa-Peh	24,187	45,729	84,306
Equis	16,215	-	5,229
Huu-ay-aht	29,222	167,653	36,240
lisaak	12,499	88,339	49,347
International Forest Products	139,142	113,038	24,662
Western Forest Products	1,905,559	1,277,292	583,784
Weyerhaeuser	2,368	10,526	3,362
Sub-total	<u>2,199,820</u>	<u>1,798,260</u>	<u>1,035,471</u>
<b>From private lands</b>			
Island Timberlands	106,824	225,873	249,471
TimberWest	237,754	225,873	77,816
Sub-totals	<u>344,578</u>	<u>451,746</u>	<u>327,287</u>
<b>Alberni-Clayoquot total harvest</b>	<u>2,544,398</u>	<u>2,250,006</u>	<u>1,362,758</u>
Less:			
Crown timber harvested and scaled in the Valley and exported under provincial export regulation	116,679	212,821	105,537
Private timber harvested in the Valley and scaled on east side of Vancouver Island (2)	241,369	346,708	288,776
<b>Maximum net volume remaining in Alberni</b>	<u>2,186,350</u>	<u>1,690,477</u>	<u>968,446</u>

(1) Harvest is based on billing date, scale on scaling date and exports on notification date, so net volume is indicative, not precise. Harvest data may be overstated as table includes some minor volumes for timber marks whose location within South Island District is not disclosed in the Harvest Billing System.

(2) Includes all timber from Alberni private lands exported under federal log export regulation, in addition to volume processed domestically.

Log exports and shipments to domestic log buyers on the east side of Vancouver Island would leave an imbalance between local milling capacity and local supply of the types of logs needed, were it not for "imports" of logs from the Tahsis area. There, the closure of the local pulp mill and sawmills means that locally produced logs are shipped either north around the island to the Gulf of Georgia, or south to Port Alberni. WFP holds TFL 19 in the Tahsis area and has been shipping logs from Tahsis and the Queen Charlotte Islands to Port Alberni to balance supplies and offset reduced harvest levels in the Alberni-Clayoquot area.

## 5. Log Flows

Log export data includes information by timber mark so the volume and types of logs being exported from Alberni can be identified, as summarized in Table 7 above. However, domestic log movements are difficult to quantify as MoFR does not track log movements on the Coast after first scale. Table 8 below shows what portion of the private timber harvest was scaled in Alberni (nearly all of the Crown harvest was scaled locally), while Table D-4 in Appendix D (from which the summary table was derived) provides additional detail on both the source and the scale site for Port Alberni private logs shipped to the east side of Vancouver Island for scaling.

**Table 8**

<b>Scale sites for timber harvested from private lands around Alberni 2004-2006</b>					
Company	"largely W/S" subtotal	"largely P/S" subtotal	of which, Alberni area scale	Total scaled	% scaled in Alberni
<b>Island Tbr Total</b>	35,105	66,572	66,374	101,677	65.3%
<b>Pacific Forest Total</b>	66,892	108,660	1,775	175,553	1.0%
<b>TimberWest II Total</b>	5,463	26,825	-	32,288	0.0%
<b>TimberWest Total</b>	72,356	135,485	1,775	207,841	0.9%
<b>2004 Total</b>	107,460	202,057	68,149	309,518	22.0%
<b>Island Tbr Total</b>	56,873	166,240	162,548	223,113	72.9%
<b>Pacific Forest Total</b>	79,388	160,854	5,194	240,241	2.2%
<b>TimberWest II Total</b>	13,000	38,096	-	51,096	0.0%
<b>TimberWest Total</b>	92,388	198,950	5,194	291,337	1.8%
<b>2005 Total</b>	149,261	365,190	167,742	514,450	32.6%
<b>Island Tbr Total</b>	36,070	43,994	50,278	80,064	62.8%
<b>Pacific Forest Total</b>	69,733	143,069	530	212,802	0.2%
<b>TimberWest II Total</b>	11,396	35,322	-	46,718	0.0%
<b>TimberWest Total</b>	81,129	178,391	530	259,520	0.2%
<b>2006 Total</b>	117,199	222,385	50,808	339,584	15.0%
W/S = weight scaled      P/S = piece scaled					

Logs shipped from the Queen Charlottes and Tahsis are generally scaled there (a small volume of pulp grade logs was harvested in Campbell River District and scaled in Port Alberni, but that was exceptional) so the volumes cannot be determined from the MoFR's Harvest Billing System. However, Table 9 shows that only a portion of the Port Alberni harvest matches the grades preferred by local mills, and that massive "imports" of logs would have been necessary to permit Alberni area mills to operate at capacity given the harvest volume and grades.<sup>25</sup>

The only way of quantifying the volume of logs "imported" from other parts of the coast would be by surveying local mills, but specific volumes from the past few years would not likely be relevant to the present, since log flow patterns are in flux due to the take back and

<sup>25</sup> Mills purchase logs by 'sorts' that do not correspond directly with statutory log grades, but the 'preferred grades' identified in the table are those that most closely match the local mills' sort specifications.

reallocation of AAC, changes in ownership of tenures and mills, rationalization of milling capacity, and weather-related disruptions in 2006.

**Table 9**  
**2006 Alberni-Clayoquot Harvest by Grade**

Species Name	Grade Name	Volume (m3)	Preferred Grades sub-total	Species Name	Grade Name	Volume (m3)	Preferred Grades sub-total
Deciduous	All Grades	8,670		Hemlock	Grade D Total	8,905	
Balsam	Grade D Total	4,808		Hemlock	Grade F Total	10,187	
Balsam	Grade F Total	9,695		Hemlock	Grade H Total	92,442	
Balsam	Grade H Total	56,887		Hemlock	Grade I Total	43,943	
Balsam	Grade I Total	18,313		Hemlock	Grade J Total	118,435	273,912
Balsam	Grade J Total	47,373		Hemlock	Grade U Total	40,801	
Balsam	Grade U Total	12,689		Hemlock	Grade X Total	25,367	
Balsam	Grade X Total	9,112		Hemlock	Grade Y Total	19,151	
Balsam	Grade Y Total	4,461		Hemlock	Ungraded Total	72	
Balsam	Ungraded Total	10		Lodge-Pine	Grade H Total	29	
Cedar	Grade D Total	32,988		Lodge-Pine	Grade I Total	22	
Cedar	Grade F Total	7,677		Lodge-Pine	Grade J Total	1,427	
Cedar	Grade H Total	123,757		Lodge-Pine	Grade U Total	190	
Cedar	Grade I Total	58,571		Lodge-Pine	Grade X Total	34	
Cedar	Grade J Total	50,645		Lodge-Pine	Grade Y Total	15	
Cedar	Grade K Total	31,075		Spruce	Grade D Total	57	
Cedar	Grade L Total	43,136		Spruce	Grade E Total	17	
Cedar	Grade M Total	29,343		Spruce	Grade F Total	100	
Cedar	Grade U Total	36,467	363,014	Spruce	Grade G Total	21	
Cedar	Grade X Total	7,606		Spruce	Grade H Total	504	
Cedar	Grade Y Total	5,814		Spruce	Grade I Total	416	
Cedar	Ungraded Total	2,819		Spruce	Grade J Total	146	
Cypress	Grade D Total	397		Spruce	Grade U Total	184	
Cypress	Grade F Total	320		Spruce	Grade X Total	195	
Cypress	Grade H Total	6,285		Spruce	Grade Y Total	215	
Cypress	Grade I Total	2,112		White Pine	Grade D Total	9	
Cypress	Grade J Total	11,613		White Pine	Grade F Total	28	
Cypress	Grade U Total	2,933		White Pine	Grade H Total	733	
Cypress	Grade X Total	977		White Pine	Grade I Total	494	
Cypress	Grade Y Total	886		White Pine	Grade J Total	766	
Cypress	Ungraded Total	39		White Pine	Grade U Total	439	
Fir	Grade B Total	1,374		White Pine	Grade X Total	272	
Fir	Grade C Total	15,449		White Pine	Grade Y Total	244	
Fir	Grade D Total	3,996		Yew	Grade Y Total	1	
Fir	Grade F Total	2,593			Grand Total	1,348,073	
Fir	Grade H Total	47,717					
Fir	Grade I Total	39,389					
Fir	Grade J Total	201,831		Preferred grades		636,926	
Fir	Grade U Total	36,574		"Surplus" grades		711,147	
Fir	Grade X Total	3,174		Mill requirement @ capacity		1,500,000	
Fir	Grade Y Total	2,476		2006 production of pfd grades		636,926	
Fir	Ungraded Total	159		"Shortfall" @ capacity & 2006 harvest		863,074	

## **6. Delivered wood costs**

### **Logging**

To the logging manager, delivered wood costs relates to the cost of logging relative to the market price for the quality of logs delivered, i.e., the profit margin on the logs, which is a function of log value in addition to logging and stumpage costs.

Logging lower quality old growth timber on rocky elevated terrain may be only marginally economic. Much depends on the percentage of pulp logs in the harvest and on the price of pulp logs, and at lower elevations, the percentage of cedar. Logging costs and log values vary greatly in the Alberni area from the lowest costs on mechanized operations in accessible second growth stands to high cost cable operations in low quality stands at high elevation in broken terrain. Helicopter logging activity has declined due to excessive costs relative to log values.

Quantification of the mix of low and high cost and value is a complex and difficult task. We understand that there is a review underway for the Coast Steering Committee that is examining costs relative to log values and the implications for the economically available AAC as opposed to that based on broader and less specific "operability curves". This is a very necessary task not only for the Alberni Valley but for much of the Crown land on the Coast.

One of the issues raised by local operators was the appropriateness of Port Alberni as point of appraisal for wood harvested locally. Currently, local timber is appraised as though it was delivered to log buyers in Port Alberni who paid the Vancouver Log Market price for logs. However, we heard that the price of logs purchased locally tends to be less than prices on the east side of Vancouver Island by about the transportation differential and that a significant portion of the logs harvested leave the Valley. As noted elsewhere in this report, it is apparent that the bulk of the private timber leaves the Valley and while shipments of Crown timber scaled locally cannot be tracked to ultimate destination other than export, it is apparent that only a portion of the local harvest is suited to local mills. There may be considerable merit therefore to dropping Port Alberni as a point of appraisal.

We have been advised that the Ministry of Forests and Range is in the process of modifying the appraisal mechanism for the Coast that would capture the effect of distance to market in other variables rather than through the use of points of appraisal on the Coast.

### **Mills**

On the Coast, where there is an active market for logs and considerable separation of logging and milling as separate profit centres, delivered wood costs to the mill means the market price of logs plus any delivery cost adjustments, i.e., the competitive cost of fibre. Port Alberni mills have a cost advantage on logs offered for sale locally equal to about the \$8 per m<sup>3</sup> or so that it would cost the logger to deliver logs to markets on the east side of Vancouver Island. As noted above, this cost advantage is necessary if the lumber subsequently manufactured is sold into the US, because the incremental lumber shipping costs for Port Alberni mills approximates the incremental log (and lumber, for East side Vancouver Island mills) transport costs for its competitors of getting lumber to rail or container loading points in Vancouver.

However, if an Alberni mill must buy logs from the east side of Vancouver Island, then the mill incurs the higher east side price, plus the \$8 cost to haul the logs back and then incurs greater costs than Vancouver mills in getting lumber to US and some offshore markets. It is

therefore important to Alberni mills that they have the opportunity of purchasing the needed log sorts locally, instead of the logger shipping the logs to one of the dryland sorts on the east side of Vancouver Island for log sorting and re-shipment to buyers.

While competitive cost issues such as this are important for cedar producers, supply of cedar is a bigger impediment as the physical supply is shrinking, driving prices so high that there will be a contraction of manufacturing capacity. Cedar has been identified as an issue of review for the Coast Steering Committee and will be studied by them.

## 7. Log Market

**Enhancing the local log market** - One of the issues raised by local mills is the difficulty of getting access to logs harvested locally. Examples are that logs are barged or hauled to the east side of Vancouver Island or to the lower mainland before sorting, which limits access of smaller local mills to the specific sorts they need. Instead of realizing on the lower transportation costs from the local log supply, mills have to pay the east side price and then the cost of hauling the logs back to Port Alberni. This additional cost also makes Port Alberni mills less likely to "block" export applications due to the additional costs of hauling the logs back to the Valley.

Consultations identified concerns from local facilities with respect to a readily available supply in the market to provide reliable inputs for manufacturing facilities. Other members of the community believe that it is purely a matter of price and that Port Alberni facilities are outbid by other log buyers.

Part of the attraction of sorting on the east side of Vancouver Island is the space available and ease of access for large facilities such as Shoal Bay. Port Alberni, in contrast, has deep water and choppy surface to contend with and limited flat land along the Inlet for sorting. Logs "flow" either to the highway system or to the inlets and there may not be a suitable location to capture logs once they are on these "tracks".

The China Creek sort is available to others and there are other small dryland sorts in the Alberni Clayoquot area. Given the existence of active sort yards in other areas of the Coast and extensive sorting, particularly of old growth timber, one would expect that local sorting sufficient to foster local market activity would have arisen if it were an economic proposition. The increase in the harvest by non-integrated loggers may create the opportunity for an economic dryland sort yard near Alberni, accessible to the increasing number of non-integrated loggers in the Sproat Lake Division, rather than hauling unsorted logs to the east side of the Island before sorting.

### *Recommendation 1*

*The Ministry of Forests and Range identify a location for a dry land sort in the Valley and investigate the economic feasibility of establishing an "open" dry land sort at that location.*

**Concentration of harvesting rights** - A second issue regarding log markets is the limitation of available supply due to concentration of harvesting rights. Weather conditions in the past year obviously contributed to the difficulty in finding logs to purchase, but the concentration of cutting rights in a single licensee has the potential to affect the log market although this

review has not had the scope to determine actual impacts. One company now controls 56.5% of the coast timber allocation to licensees (i.e., more than the rest of all major tenures combined) and 43% of the total coast AAC in coast TSAs and TFLs. The company has stated that their objective is to utilize their timber supply for their own mills.

With such a substantial concentration of supply of Crown timber in a single entity there can be little confidence that, in the short to medium term, markets are able to ensure that Crown timber will find its highest and best use.

*Recommendation 2*

*The Ministry of Forests and Range evaluate the feasibility of acquiring additional volumes of Crown timber from willing sellers and allocating this volume to BCTS to dispose of by auction.*

**8. Aggregation of tenures**

One of the issues identified previously in this report is the uncertain economics of operating licences with AACs that are significantly less than the size of an economic scale logging operation particularly in the old growth, high elevation stands that these licensees will have to log until the low elevation second growth stands become ready for harvest. Options open to such licensees include auctioning timber sales, periodic larger scale harvests instead of small annual harvests, small scale logging (like woodlot operators), some other innovative approach to harvesting, or cooperation with other small licensees to achieve combined economic scale of operation.

Joint ventures and partnerships can be difficult to create and impossible to sustain if the parties do not know and trust each other. A corporate structure with professional management may be easier to establish and govern, but requires professional governance, including an absence of favouritism or artificial job creation in hiring practices. Local licensees who are new to licence ownership and logging and forest management may find it difficult to address the many issues involved in resolving or avoiding the problem of small harvest volumes.

*Recommendation 3*

*The Ministry of Forests and Range offer to facilitate discussions aimed at permitting new, small licensees to act cooperatively to achieve an economic scale of operation.*



## **E. Environmental and Forest Management Standards on Private Lands**

### **1. Perception**

Members of the Port Alberni community have presented a range of concerns related to environmental and forest management practices on private lands that include:

- There are inadequate environmental standards on private lands with respect to (i) protection of water for human consumption and use, (ii) protection of fish, (iii) soil conservation, and (iv) wildlife management.
- There is a lack of confidence that the results-based approach to environmental protection will work. Once a fish run has been lost, it cannot be recovered.
- Logging on private lands introduces additional adverse environmental impacts. The size of cut blocks impacts biodiversity. Risk of flooding is increased due to denuded hillsides; riparian zones are insufficient. The federal Department of Fisheries and Oceans does not appear to be willing to protect fish in streams flowing through private lands.
- In comparison to the forest practice management regime on Crown lands, the regulation of forestry practices on private land seems insufficient.
- Over harvesting of private lands and harvesting of ‘juvenile’ stands results in reduced wildlife habitat, reduced tourism and recreational opportunities and potential future loss of a local economic employment base.

While such concerns are often strongly felt, public perception cannot always be supported by technical analysis. The expert hired by the Private Managed Forest Land Council and a Ministry of Environment staff member both found no evidence of increased amounts of water or sedimentation as a result of the timber harvesting activities in cases they investigated in the Beaufort Range. There remains a belief among many in the community that there is some connection between the increased sedimentation (which affected a salmon hatchery), the occurrence of boil water advisories<sup>26</sup> and the timber harvesting activities seen on the hillsides.

This report cannot resolve disputes at the technical level – what is at issue is the appropriateness and efficacy of the regulation of private forest lands.

### **2. Regulatory Regime**

Laws of general application, such as the provincial *Water Act* and *Wildlife Act* and the federal *Fisheries Act*<sup>27</sup> apply equally on all private and Crown lands in British Columbia. Provincial and federal regulators have access to the compliance and enforcement provisions of laws of general application when there has been a reported violation of the provisions of such legislation.

There are three different regimes which apply to forestry practices in British Columbia.

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<sup>26</sup> Recent water issues for some communities in the Alberni Valley are likely largely the result of agricultural and domestic uses of groundwater and sewage treatment where water in-take points are downstream of these activities. Elevated E. coli levels are commonly associated with human and agricultural activities and not often with logging.

<sup>27</sup> The federal *Fisheries Act* was established to manage and protect Canada's fisheries resources, and applies to all fishing zones, territorial seas and inland waters of Canada and is binding to federal, provincial and territorial governments. The *Fisheries Act* supersedes provincial legislation when the two conflict. Section 35 provides a general prohibition of harmful alteration, disruption or destruction of fish habitat and applies equally on private and Crown land. [http://www.dfo-mpo.gc.ca/oceans-habitat/habitat/policies-politique/act-acte\\_e.asp](http://www.dfo-mpo.gc.ca/oceans-habitat/habitat/policies-politique/act-acte_e.asp)

- **On Crown Land**<sup>28</sup> - The *Forest and Range Practices Act* (FRPA) and its regulations govern the activities of forest and range licensees in BC. The statute sets the requirements for planning, road building, logging, reforestation, and grazing. The goal of FRPA is to maintain high levels of protection for forest values including watersheds and wildlife habitat, and create efficiencies for both government and industry through streamlined planning processes. FRPA “encourages innovation by skilled resource professionals and holds industry responsible for outcomes. Combined with rigorous compliance and enforcement, the *Act* and regulations will contribute to high quality forest management and sustainable environmental values for future generations.”<sup>29</sup>
- **On Private Managed Forest Land** – The *Private Managed Forest Land Act* (PMFL *Act*), passed in November 2003, replaced the former *Forest Land Reserve Act* and created a council composed of government and private landowner representatives to administer regulations pertaining to forest practices on private managed forest land (PMFL). The council’s operation is funded by a levy on PMFL owners. The council has the power to make certain regulations, including regulations regarding forest practices. PMFL is categorized as managed forest land for the purposes of the *Assessment Act* and receives favourable property taxation treatment<sup>30</sup>.
- **On Private Unmanaged Forest Land** – No forestry practice legislation applies to private land that is not classified as PMFL or included in a TFL, woodlot licence or community forest agreement.

The TimberWest and Island Timberlands private land holdings are PMFLs and the focus of concern over private lands in the Alberni Valley relates to the regulation of PMFL by the PMFL Council.

The PMFL Council<sup>31</sup> is a provincial agency established in 2004 under the *PMFL Act* to administer the Managed Forest Program and protect key public environmental values on PMFL in British Columbia<sup>32</sup>. The PMFL Council is funded from assessments levied annually against PMFL landholders<sup>33</sup> and its mandate is to encourage forest management practices on PMFLs, taking into account the social, environmental and economic benefits of those practices. The management objectives which the Council is mandated to address are set out in Sections 12 to 16 of the *PMFL Act*.

- **Soil conservation** - conservation of soil in areas where harvesting has been carried out to protect soil productivity for those areas by minimizing the amount of area occupied by permanent roads, landings and excavated or bladed trails. (s. 12)

<sup>28</sup> FRPA applies to the private land covered by a licence under the *Forest Act* (TFL, woodlot licence or community forest agreement) but does not apply to other private land.

<sup>29</sup> See <http://www.for.gov.bc.ca/code/>.

<sup>30</sup> The assessed value of managed forest land is based on the productive capability of the forest land (but not including standing timber on the land) and the value of timber harvested from the forest land, and a separate tax rate is established by taxing authorities for managed forest land.

<sup>31</sup> Two members of the Council are selected by the landholders, two members are appointed by the provincial government and the fifth member (who also acts as the Chair) is selected by the other four members.

<sup>32</sup> See <http://www.pmflc.ca/>.

<sup>33</sup> The total budget of the PMFL Council is approximately \$500,000 annually and the total area of PMFLs is approximately 900,000 hectares.

- **Water quality** – protection of human drinking water, both during and after harvesting. (s. 13)
- **Fish habitat** – retain sufficient streamside mature trees and understory vegetation to protect all of the following: (a) a natural variation in water temperatures, (b) sufficient cover for fish, (c) a continual source of large woody debris for stream channel stability purposes, (d) a vigorous mass of roots capable of controlling stream bank erosion, (e) a filter to prevent the transport of sediment into stream channels, (f) woody debris sufficient for in-stream habitat, and (g) a source of nutrients to the stream through litter fall. (s. 14)
- **Critical wildlife habitat** – facilitate the long term protection of that habitat by (a) providing a reasonable opportunity for assessment whether critical wildlife habitat is present on private managed forest land, and (b) fostering efforts of the government and the owners to enter into agreements for the protection of any identified critical wildlife habitat. (s. 15)
- **Reforestation** – promptly regenerate the areas with a healthy, commercially valuable stand of trees that is not impeded by competition from plants or shrubs. (s. 16)

The regulations<sup>34</sup> under the *PMFL Act* set out the regime and standards for forest management in support of these objectives. These regulations were substantially transferred from *Forest Land Reserve Act* and there is a widespread concern that they do not provide sufficient rigour. In particular, the concern is that standards prescribed are not sufficiently developed to permit effective enforcement. In response to these concerns, the PMFL Council has circulated among government agencies draft regulations which would raise the bar for forest management practices.

The PMFL Council undertakes a sampled audit of the forest management practices of the PMFL landholders and has indicated that it will be reporting the audit results on its website ([www.pmflc.ca](http://www.pmflc.ca)) on a periodic basis.

The PMFL Council also investigates complaints from owners of lands adjacent to PMFLs and others potentially affected by forestry activities of PMFL landholders. Two complaints related to the TimberWest's forestry practices have recently been investigated and assessed by the Council.<sup>35</sup>

<sup>34</sup> BC Regulations 336/2004, 371/2004 and 372/2004.

<sup>35</sup> The Council found that:

“ In respect of the January 2006 event, the Council determined that four of TimberWest's drainage structures in Block T141 had not been in compliance with the requirements of the Council regulation. TimberWest paid the fine that was levied by Council and adequately implemented the measures specified in the remediation order. There does not appear to be any evidence that the non-compliance with the Council regulation caused increased amounts of water flow or in any significant increase in sedimentation being transported down stream from T141.

In respect of the November 2006 event, the Council determined that the timber harvesting activities of TimberWest within Block T141, including the drainage structures, were in compliance with the requirements of the Council regulation. There does not appear to be any evidence that TimberWest's timber harvesting activities in Block T141 caused increased amounts of water flow or any significant increase in sedimentation being transported down stream from T141. “

(SUMMARY REPORT Block T141 Managed Forest #7 Beaufort Range Port Alberni, March 2, 2007, at pp. 3-4)

The legal authority of the PMFL Council is limited to assessing compliance of PMFL landowners to specified provincial legislation and regulations<sup>36</sup>. A complainant provides information to the Council but does not have standing as a claimant would in a court of law – the proceeding of the Council is to determine whether the PMFL landowner is in compliance and issue a remediation order or financial penalty in the event of non-compliance. All financial penalties against a PMFL landowner are paid into the provincial Consolidated Revenue Fund.

Section 19 of the PMFL Act provides that, with limited exceptions, an owner must pay an “exit fee” when private land is declassified as managed forest land for property taxation purposes. Section 2 of the Private Managed Forest Land Regulation (BC Reg. 371/2004) defines the exit fee as the product of (i) the estimated property tax benefit for preceding years, (ii) the number of years for which the status was in effect, and (iii) an adjustment factor set out in Schedule B to the Regulation. The adjustment factor declines from 1.0 for the first five years to 0 for more than 15 years. For example if the property tax benefit was \$1,000 in the preceding year, the exit fee would be \$5,000 if the property was held as managed forest land for 5 years, \$3,400 if held for 10 years, \$375 if held for 15 years and \$0 if held for more than 15 years. The exit fee provision was presumably introduced to discourage the practice of “parking” developable land as managed forest land (and enjoying property tax benefits) and then declassifying the land to proceed with development. The exit fee does not act to recapture the long term property tax benefits to the landowner of holding the private lands as managed forest lands.

### 3. Issues

There are a number of issues that arise from the structure of the regulatory arrangement governing PMFLs and landholders.

- (a) Public concern that a regulatory organization funded by the landowners may not have the independence to rigorously enforce forest management regulations for the public interest.
- (b) Public concern that a regulatory organization funded by the landowners may not have sufficient funding to carry on their business.
- (c) Public concern that a results-based regulatory regime may not provide a level of regulation to appropriately protect public interests and values where damage is not easily remediable.
- (d) Without access to financial penalties levied against PMFL landholders to recover costs of investigating complaints and pursuing actions, the Council may be seen to be less willing to undertake complex and costly investigations.
- (e) The more visual evidence of forestry operations on private lands lead many in the community to believe that forestry practices are resulting in a degradation of environmental values including drinking water, fish habitat and viewscapes.
- (f) The exit fee (which recaptures the property tax benefits in prior years) is reduced progressively to zero as the property is held as PMFL for more than 15 years. The rationale for reducing the exit fee as the cumulative property tax advantage enjoyed increases is unclear.

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<sup>36</sup> “The legal authority of the Council in respect of forest practices is limited to assessing compliance by owners of private managed forest land with the requirements of the Act, the Council Regulation and any critical wildlife habitat established by the Ministry of Environment under the Private Managed Forest Land Regulation.” (PMFL Council, SUMMARY REPORT Block T141 Managed Forest #7 Beaufort Range Port Alberni, March 2, 2007 at p. 1).

It may be appropriate to consider an alternative financing model to fund the base operations of the PMFL Council.

*Recommendation 4*

*The PMFL Council inform the public of (1) the PMFL Council's role and actions in regulating the forestry activities on private managed forest lands, and (2) the difference between standards for forestry practices on Crown lands. As well, the PMFL Council actively pursue regular forums to establish communications with local communities.*

*Recommendation 5*

*The PMFL Council continue to review forestry practices on private managed forest lands with a view to making recommendations to the Ministry of Agriculture and Lands on appropriate enhancements to regulatory standards for such forestry practices.*

*Recommendation 6*

*The PMFL Council have access to an appropriate level of funds to rigorously investigate and pursue actions for landholder non-compliance with forestry management obligations. This should include consideration of allowing the PMFL Council to recover a portion of investigation costs from financial penalties levied against PMFL landowners.*

### **F. Property Taxation of Forest Manufacturing Facilities in Port Alberni**

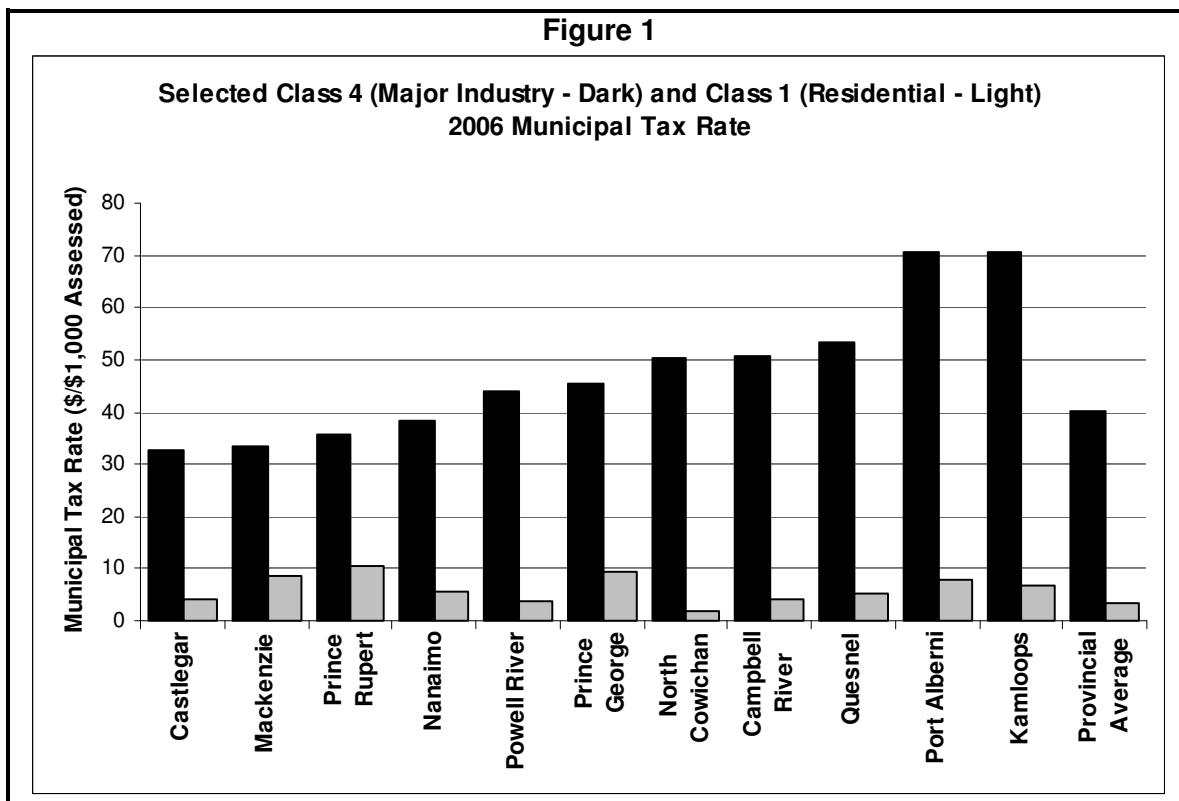
A number of members of the Port Alberni community discussed the issue of property taxation, particularly the taxation of the sawmills and the paper mill within the City boundary. There were no comments on the property tax rates for those plants resident outside the City, who pay a rate levied by the regional district.

The municipal tax rates for 2006 for Port Alberni and for other communities with large industrial tax rates are shown below.

Selected Communities	2006 Municipal Tax Rate (\$/\$1,000 Assessed)			Ratio of 2006 Municipal Tax Rates		2006 Assessed Values (\$millions)		
	Resident'l	Major Industrial	Business & Other	Industrial: Resident'l	Industrial: Business	Resident'l	Major Industrial	Business & Other
Castlegar	3.996	32.705	15.037	8.2	2.2	423	89	79
Mackenzie	8.628	33.570	18.525	3.9	1.8	153	113	19
Prince Rupert	10.405	35.688	36.520	3.4	1.0	486	103	96
Nanaimo	5.666	38.123	18.662	6.7	2.0	6,919	113	972
Powell River	3.844	44.125	18.845	11.5	2.3	883	100	88
Prince George	9.285	45.310	17.605	4.9	2.6	3,327	237	833
North Cowichan	2.033	50.211	7.984	24.7	6.3	2,483	137	136
Campbell River	4.151	50.801	14.603	12.2	3.5	2,317	121	282
Quesnel	5.323	53.257	12.893	10.0	4.1	348	129	122
<b>Port Alberni</b>	<b><u>7.867</u></b>	<b><u>70.566</u></b>	<b><u>26.511</u></b>	<b><u>9.0</u></b>	<b><u>2.7</u></b>	<b><u>929</u></b>	<b><u>104</u></b>	<b><u>117</u></b>
Kamloops	6.930	70.690	19.550	10.2	3.6	5,590	88	920
Average / Sub-Total	6.041	47.443	18.387	7.9	2.6	23,858	1,334	3,664
% of Provincial						5.6%	36.8%	5.8%
Prov. Average / Total	3.365	40.161	13.290	11.9	3.0	427,177	3,622	63,021

Some with whom we consulted were of the view that high property taxes for one class of property were justified because it was in the interests of that class of property tax owners to have high levels of municipal services (and comparatively lower residential taxes) in order to attract and retain highly skilled employees. A supporting argument they provided was since the assessment for the industrial properties is based on a cost methodology (because no active market exists to value the plants), the assessments are likely lower than their market value, this justifying a higher tax rate.

Other members of the community expressed the view that high industrial tax rates (and high business tax rates) compared to other municipalities with an industrial base sent exactly the wrong signal on the desirability of Port Alberni as a place to invest and create/ maintain jobs over the medium term.



Company representatives are of the view that high property taxes in Port Alberni compared to competitive plants threatened the continuation of the Port Alberni plants should market prices for the products fall below the level of their operating costs.

There are two general approaches and justifications for raising tax revenues fund public services:

- (1) benefit (use) taxation. This approach takes the view that those who benefit from or use government services should pay for them, in as direct a manner as is practical. Taxation of gasoline and diesel fuel is usually justified on this basis, as is charging a per litre fee for consumption of municipal drinking water, and
- (2) ability to pay taxation. This approach takes the view that those who have the income to pay taxes, can and should pay. Sales taxation (and GST) are justified on this basis, the view being that if someone can afford to buy something, they can afford the tax, with exemptions being provided for necessities (i.e. food). Another example is income taxation, with its progressive rates and income exemptions for low income earners.

Many municipal services are a blend of these two approaches, an example being operation of recreation facilities.

Property taxes are a proxy for the second (ability to pay) approach to taxation. They are only a proxy because they are a tax on the value of land and improvements (i.e. a tax on assets) and do not necessarily reflect a person's (or firm's) ability to actually pay the amount calculated.

The City of Port Alberni has recognized that their high rate of property taxation on the industry class is a problem in achieving their desire to continue to have a viable industrial base. They have passed by-laws providing for a 5 year tax holiday for new improvements and have decided to reduce the actual amount of tax collected from the industrial property class by \$300,000 per year for each of 5 years (\$1,500,000 by the end of year 5). They have also changed the basis on which they levy their sewer and water levy from the ability to pay principle based on assessments to the benefit principle based on each users use. Since the mills have their own sewage system, this has reduced property taxes they formerly paid for the operation of the City sewer system.

While acknowledging the difficulty of changing the burden of property taxation from a class of property the owners of which have no municipal voting authority, to classes of generally voting property owners who either will pay additional taxes or who will enjoy lower municipal services, we make the following recommendations.

*Recommendation 7*

*While recognizing steps taken to date, the City of Port Alberni should, on a year after year basis bring their major industry property tax rate down to the provincial average for this class (\$40.16 per \$1,000 of assessed value in 2006).*

*Recommendation 8*

*The Ministry of Finance should, at the time of developing next year's fiscal plan, commence reducing the property tax rate for the major industry class for school purposes from \$12.50 (2006), which it has been for many years, to the light industry and business other class rate of \$9.20 (2006).*

## **VII. Review of Other Sectors in the Alberni Valley**

### **A. Local Government**

Although there is new construction in the City of Port Alberni, more active development and an active real estate market is occurring around Sproat Lake and in the Beaver Creek Improvement District and Cherry Creek Waterworks District. The Alberni Valley will have greater opportunities for future economic and social success if the City and contiguous outlying areas are subject to a single jurisdiction for planning, taxation and provision of services and utilities.

The annexation of these areas into the City would permit a single domestic water system responding to water quality issues outside the City; could avoid a situation where the older city centre is burdened with most of the social issues while its tax base is static or in decline and the tax base outside the city is growing; and, would permit the coordination of the Valley's resources to address social and economic objectives under the direction of a single council.

Where areas developing around a city are incorporated into separate jurisdictions, service provision is less efficient and effective; necessary infrastructure planning is difficult and not as



timely; and, efforts to amalgamate in the future to achieve efficiencies are likely to meet objections from both local politicians and those residents who may not be bearing their fair share of region costs.

#### *Recommendation 9*

*The Ministry of Community Services should undertake an evaluation (including public meetings) of the benefits and impacts of expanding the boundaries of the City of Port Alberni to include the Sproat Lake community and the Beaver Creek Improvement District and Cherry Creek Waterworks District.*

#### **B. Access**

Port Alberni has had close connections to the forests surrounding the city. Many inhabitants worked in these forests and, typical of rural communities with strong ties to the land, they also centred their recreation on the nearby forests and water bodies.

When the private lands were included in TFL 44, access to these private lands was generally indistinguishable from access to the Crown portion of the TFL. This easy access was taken for granted by the residents and, to an extent, by local and provincial governments. The removal of the private lands from TFL 44 and the restriction of access to the lands by the landowner have highlighted the importance of forest access for many local residents. As well, it has pointed out the lack of Crown rights of way across large tracts of private lands situated in close proximity to the city.

Our consultations with Port Alberni residents and local organizations identified access to forest lands as an important issue for both Port Alberni residents and the tourist industry. The nature of access concerns can be categorized as follows.

- **Loss of effective access to Crown created assets** - Labour Day Lake and Father and Son Lake (Crown-held recreation sites) are cited as examples. Labour Day Lake has been accessed by Cameron Valley logging roads and a short walking trail. There is a hiking trail around the lake. It has been a popular fishing destination and, in winter, has been used by cross-country skiers, snowmobiles and ice fishermen. Father and Son Lake was accessed by a steep three-kilometre trail. It has a small, primitive tent campsite. It has been popular with rainbow trout fishermen and as a jumping off point for hikes to nearby ridge tops with views.

Labour Day Lake and Father and Son Lake are surrounded by the private lands owned by Island Timberlands which were removed from TFL 44 when Weyerhaeuser was the TFL licensee. Individuals and organizations with whom we have consulted said that there is actual, or de facto, denial of access by the general public to either the TimberWest or Island Timberlands private lands. It should be noted that at the time government authorized the removal of private lands by Weyerhaeuser from TFL 39 and 44 the authorization was subject to certain terms and conditions set out in a letter dated July 9, 2004 which included:

**“ Access (Road Systems)**

Weyerhaeuser will maintain access for the public, industrial road users and aboriginal groups”.

The conditions in the letter were clearly applicable to Weyerhaeuser, but neither the letter nor later documents provide that the conditions set out in the letter would “run with the land”. Consequently these conditions were not assumed by the new owner, Island Timberlands, upon the transfer of the lands.

- **Lack of secure access to recreational and other assets beyond private lands -** Examples cited include access to Mt. Arrowsmith Regional Park from the west, access to Strathcona Provincial Park from the southeast and access to trap lines behind private lands.

The past access that was permitted to the private lands by virtue of their inclusion in the TFL may have contributed to the failure of government to have secured access through the private lands to public assets on the other side of these lands. This diminishes the value of public assets to which access has become difficult and, in many cases, practically impossible for members of the general public.

- **Trails -** With the forest industry becoming a less significant contributor to the Port Alberni economy, the importance of the contribution from other sectors, including tourism, has increased. The outdoor experience – fishing, hiking, photography, canoeing, kayaking, etc. is a substantial tourism opportunity for Port Alberni. But the concentration of private lands around Port Alberni and the lack of secure rights of way for trails diminish this opportunity. The development and promotion of a comprehensive trail system in the Alberni Valley would be a substantial tourism resource. The Regional District of Alberni-Clayoquot funded a study by the Friends of the Log Train Trail which looked at the benefits of a regional trail system and the planning required to develop this system. The study inventoried the existing trails and considered the use of trail-use agreements in putting together a trail system. If there is to be substantial, and needed, investment to develop, market and support visitors who come to use trails, there must be security of the trail right-of-way. Such security would likely require as a minimum a secure right-of-way agreement for an extended period – perhaps 49 years – with some provision for renewal. Preferable would be acquisition of a trail right-of-way in perpetuity for the benefit of the regional district.
- **Karst Assets** – Where karst assets of notable value are on Crown lands they should be catalogued, their recreational value determined and protection provided as appropriate
- **Access and Transportation Corridors** - There is a general consensus in Port Alberni with respect to the value of developing an alternative route into the Alberni Valley. Residents see improved access to Courtenay/Comox with its air links as an important contributor to the economy of the Alberni Valley and believe the alternative route should go north of the present route, likely by way of Horne Lake. As well, there is interest in improving and securing road access to Bamfield, particularly by the Huu-ay-aht First Nation.

### *Recommendation 10*

*The Recreation, Sites and Trails Branch of the Ministry of Tourism, Sport and the Arts:*

- (1) take leadership to resolve access issues created by the removal of private lands from the TFL (access to Crown assets within private lands);*
- (2) sponsor a one day workshop in Port Alberni between users and forest companies in order to establish communication and relationships between people and to begin development of 'protocols' between the parties which recognize rights of access and rights of companies to ensure safety and protection of their equipment;*
- (3) develop and maintain the protocols between the parties;*
- (4) document and publish material on the existing regional trail system in the Valley to enhance its tourism potential; and*
- (5) work with recreation interests to identify karst assets of notable value on Crown land with the view to developing them as recreation destinations, and provide protection where required.*

*In the absence of being able to develop substantive protocols we recommend government acquire access by purchase of access rights and that they be registered against title, such as to survive any transfer of that title.*

### **C. Tourism**

We encountered a small but confident group of individuals engaged in tourism activities, particularly outdoor tourism businesses. These businesses spanned a wide range from wildlife viewing, scuba diving, kayaking, and sports fishing to guided hiking and sightseeing.

The Alberni Valley Heritage Network offers four attractions, the Alberni Valley Museum, the Maritime Discovery Centre, the McLean Mill National Historic Site and at the Alberni Harbour Quay, the Alberni Pacific Railway steam train.

S'Port Alberni is an initiative to welcome local, national and international sports organizers with access to the Valley's high quality athletic facilities, and is an important source of visitors.

There is enthusiasm in the Valley with respect to the possible future for the Valley tourist industry but recognition that success may require attention to some or all of:

- Lack of access (see Trails discussion in Section B above);
- Lack of 'product' for visitors; and
- The perception, by some, that the tourism sector is a low wage sector and thus is not widely supported within the community, though we were told this attitude is slowly changing.

A positive development is the establishment of Alberni Valley Tourism as a subsidiary of the Alberni Valley Chamber of Commerce. This agency, funded by an additional 2% hotel room tax

effective March 1, 2007 will be a destination tourism marketing organization and is currently developing a tourism 'brand' for the Valley.

Identified as having the greatest potential was the opportunity to encourage the approximately 1 million visitors a year who drive through the Valley on their way to Pacific Rim National Park to stop and experience the Valley's tourism and recreation opportunities.

There was recognition that the recently established (by the provincial government) North Island-Coast Development Initiative Trust, with a trust amount of \$50 million, will provide an opportunity to leverage new tourism investment, and/or provide funding support for new destination facilities in the Valley. The Trust has recently (August 15, 2006) hired a CEO and has just completed a three year (2007-2010) strategic plan with goals for each year of the plan. Funding from the Trust will be based on applications. Partnerships and local initiatives will be necessary elements in obtaining support from the Trust,

#### *Recommendation 11*

*The City of Port Alberni and Alberni Valley Tourism lead the development of a plan to enhance the tourism destination potential of the Valley and apply to the North Island-Coast Development Initiative Trust for funding to implement the specifics of the plan.*

#### **D. Ports**

The Alberni Inlet is a fjord-like channel that deep sea vessels and cruise ships can easily navigate. The Alberni Inlet is protected, free from navigational obstacles, ice-free year round, and offers a direct shipping route to the Pacific Rim. The Inlet has a length of just over 40 kilometres and an average width of roughly 1.5 kilometres and has traditionally been used to transport and store log booms awaiting processing at the Port Alberni sawmills and pulp mill.

The Port Alberni Port Authority operates a deep sea port offering significant economic opportunities for the Alberni Valley but to date it has faced significant challenges in achieving its potential. Land transport linkages limit the opportunity to use the Port as a container terminal for incoming products or as a bulk facility for export of products other than lumber or paper produced in local mills.

#### **E. Retirement**

For decades Vancouver Island has been the Canadian destination of choice for retirees. In the more recent past, the less favourable Canadian to US dollar exchange rates, the start of the 'baby boomer' retirement surge; and, the greater difficulty with which borders are crossed have made Vancouver Island an even more attractive destination. The increased influx of retirees coming to Vancouver Island resulted in sharply increased home prices in the more traditional retiree markets such as Victoria, Parksville/Qualicum and Courtenay/ Comox. Retirees looked elsewhere on the Island and found Port Alberni, with its modern hospital, good long-term care facilities, more modestly priced homes, good recreational opportunities, scenic setting, and relatively easy access to the retail centres and ferry terminals of Nanaimo.

As a result, Port Alberni has become a retirement destination. While its population of those 14 or younger has declined by 6.7% since 1986, its population of 55 and older has increased by 9.5% to 27.2%<sup>37</sup>.

In our consultations we found some ambivalence as to whether or not Port Alberni should encourage retirees to move there. Concerns expressed included the cost burden they may impose on the city and a belief that retirees may not choose to become active within the community. Others understand that most costs with respect to retirees - of which health is the major one - are borne by the provincial treasury and that pension cheques from outside the community add to the community's wealth.

Port Alberni can expect to receive a share of the increasing number of 'baby boomer' retirees. To the extent the city wishes to encourage its growth as a retirement community, it can include in its plans ways of making the community more attractive to retirees and a marketing strategy to attract retirees. Implementation of the Uptown and Harbour Redevelopment Study will add to Port Alberni's appeal for both retirees and tourists.

#### *Recommendation 12*

*The City of Port Alberni actively market itself as a retirement destination and that future developments and upgrades of infrastructure ensure that the needs of retirees be specifically considered.*

#### **F. Secondary Manufacturing**

Locally based manufacturing can add to the diversification of the Port Alberni economy. The forest and marine industries have been customers for local businesses, primarily metal fabricators, that have developed to service their needs. As well, the larger forest companies have been a source of experienced tradesmen for local businesses. Effective diversification results to the extent that these businesses are able to expand their customer base from the local forest and marine sector to other sectors and/or non-local customers. Our consultations identified an interest in the establishment by the City or Regional District of an industrial park which would act as a magnet for light industrial manufacturers and create an opportunity for synergies between firms. We believe that this idea has merit and should be further pursued in the context of the Economic Development Strategy suggested in section J – Economic Development.

#### **G. Education**

We believe that education is a key element in ensuring economic prosperity for British Columbians and that an advanced education institute in a community can be an important cultural, social and economic force.

Historically, we believe that the establishment and subsequent growth of the University of Northern British Columbia has been of great benefit to residents of northern British Columbia, and has done a great deal to diversify the economy and the cultural attitudes of Prince George, a community also heavily dependent on forestry.

<sup>37</sup> In comparison, the 55 plus age group for British Columbia increased by 4.3% to 25.7%

North Island College has 4 campus locations, one of which is in Port Alberni. Of the 3,690 students enrolled in credit courses in 2005/06, 684 students (19%) were taking classes in Port Alberni.

The British Columbia Institute of Technology (BCIT) has indicated that it will withdraw from the provision of its forest technology program effective September 2007 due to declining enrollment, which is also a national and global trend. BCIT has been supplying approximately 1/3 of the forest technician graduates.

However, the forest management model developed by the provincial government depends heavily on the knowledge and judgment of resource professionals, and forest technicians are an important part of this team of professionals.

In a collaborative manner, the provincial government (Ministries of Advanced Education and Forests and Range) are focusing on ways and means to ensure that the education needs of the forestry sector are met in future by the development of a Continuing Forest Resource Management Education Strategy. Port Alberni residents have strongly indicated that they foresee the forest sector as continuing to be an important part of their future and increasing the scope of the local college with respect to forest education courses would be a significant addition to the community.

In addition, to support the development of secondary manufacturing, the Port Alberni North Island College campus could consider offering a business program with emphasis on entrepreneurship. As noted in Section V((B), Port Alberni's employment profile is oriented to more traditional employer/employee relationships than to self-employment and entrepreneurship. Where employees are laid off by companies in the forest industry, such a program would also support efforts they may make to start their own business.

*Recommendation 13*

*The Ministries of Advanced Education and Forests and Range, in their analysis and development of solutions to the education needs of the forest sector, seriously consider the Port Alberni campus of North Island College as the location of additional forest technician training.*

*Recommendation 14*

*The Ministry of Advanced Education evaluate the Port Alberni campus of North Island College as the location of additional business courses relating to tourism and outdoor recreation management.*

**H. Agriculture**

In the course of our consultations we met with a dairy farmer located in the Alberni Valley who has a herd of 300 cows of which 160 are milked; the manager of the only commercial winery in the valley; and, received input from an individual who grew organic vegetables, berries, plants and flowers in the Alberni Valley during the years 1973 to 1994. We also drove through the Valley to observe the nature of development and visited the winery.

The following comments are based on our observations and our discussions with those with whom we met.

- The Valley has varied soils. Most of the soil is mineral rich mountain soil, 12 to 14 inches deep, with 12 inches of yellow clay subsoil. If drainage and irrigation is provided, this soil will grow most crops. There are pockets of sandy/silty alluvial soils which are ideal for growing and till easily. There are also pockets of peat soils over blue clay, which are difficult to drain. Generally there is good potential for growing crops in the Valley.
- Although crops can be grown, marketing the produce at a price to provide a sufficient profit is difficult. The farmer found that producing organically could increase the price attainable.
- At one time there were several other dairy farmers in the Valley but the consolidation of the dairy industry and a move to larger operations has seen quota held by Valley farmers sold to Lower Mainland operations leaving only one larger farmer.
- The couple who own the vineyard and winery have been operating the business for ten years, although they maintain their day jobs. We met and discussed the viability of growing grapes in the Valley with the vineyard manager. Although the days are generally hot in the summer the challenge to viticulture is the cold Valley nights.
- On our drive through the Valley we observed many smaller holdings that were not operating farms.

Generally more profitable agriculture operations are of a large scale. The Alberni Valley's size and smaller land holdings generally preclude large scale operations. It would be unrealistic to expect a major direct contribution to the Alberni Valley economy from the agricultural sector. But, the development of smaller, but viable, agricultural operations in the form of boutique farmsteads could contribute in a minor way to the economy and make a substantive contribution to the attractiveness of the Valley as a place to live and visit. This type of development has occurred in the Cowichan Valley. Provincial and local governments can promote development by ensuring that regulatory and zoning regimes (quota requirements, health regulations, etc.) consider the needs of small well-run farms. The development of small vineyards, specialty cheese processors, cider makers, flower growers, ostrich farmers, etc. could add to the ambience of the Alberni Valley but should not be looked to as a major economic driver.

#### *Recommendation 15*

*The Ministry of Agriculture and Lands lead consultations with the Alberni-Clayoquot Regional District and with Alberni Valley farmers to identify any actions that could increase the viability of farming in the Valley with an emphasis on the potential for boutique style farming operations.*

### **I. Transportation**

Highway 4 provides access for residents, visitors and goods to the Alberni Valley, off Highway 19 (Inland Island Highway), through Cathedral Grove and the MacMillan Provincial Park and over the Alberni Summit (the "Hump"). This route is also heavily used by trucks carrying logs from the Alberni Valley to the east side of Vancouver Island. Despite recent upgrades to the highway, winter travel on this route, with its heavy local traffic, can become difficult and limits

effective transportation<sup>38</sup> into the Alberni Valley. A number of alternative highway routes into the Alberni Valley have been proposed over the years. The so-called “Charlie Haggard” route running by Horne Lake has recently been endorsed by the Port Alberni City Council as an appropriate alternative route into the Alberni Valley and City Council has asked the Ministry of Transportation to give further consideration to this option. This route would provide much easier access to Comox/Courtenay and the economic activity associated with the Comox Valley Airport.

*Recommendation 16*

*The Ministry of Transportation commence an evaluation of the future highway access needs of the Valley in co-operation with the Alberni-Clayoquot Regional District, specifically an evaluation of the route proposed by Charlie Haggard.*

The Pacific Rim Highway from Port Alberni carries residents and tourists traveling to the west coast of Vancouver Island, including Ucluelet, Tofino and Pacific Rim National Park. Many campers and travelers shop in Port Alberni as part of their trip and this activity has resulted in recent development along the Johnston Road (Highway 4) corridor, including several new big box retailers, grocery stores and strip mall developments.

Alberni-Clayoquot Regional District operates the Port Alberni Airport (YPB) located 11 km northwest of Port Alberni. The airport has an asphalt runway 1,205 m (3,952 ft) in length and is currently used for charter flights which can be arranged to access more remote locations. The runway is shorter than the Nanaimo Airport@Cassidy (5,000 ft) and Comox Valley Airport<sup>39</sup> (10,000 ft) and YPB appears to lack the infrastructure necessary to support commercial flights. Investment to lengthen the runway, provide additional infrastructure and possibly develop a water-filled “trough” running parallel to the runway for float planes<sup>40</sup> would significantly increase the utility of YPB to the local community and support economic (particularly tourism) development.

*Recommendation 17*

*The Alberni-Clayoquot Regional District create a plan to develop the existing airport by lengthening the runway, installing necessary infrastructure and constructing a water-filled “trough” for float planes to support tourism and economic development.*

Flying Tankers Inc. operates an aerodrome situated on Sproat Lake for two Martin Mars water bombers. On November 10, 2006, TimberWest announced that it is seeking buyers of the Mars and provided as a condition of sale that the purchaser donate one back to Port Alberni as a historical attraction when they are retired. On April 13, 2007 TimberWest announced that it has

<sup>38</sup> Accidents can block traffic in both directions for hours, keeping residents from important engagements, impairing access to tourists and preventing transport of goods to and from the Alberni Valley and the west coast of Vancouver Island.

<sup>39</sup> Comox Valley Airport operates an all-weather facility that currently supports commercial flights for Air Canada, Westjet (with non-stop service to Edmonton and Calgary), Central Mountain Air, Pacific Coastal and Air Transat.

<sup>40</sup> To address choppy water surface conditions in the Alberni Inlet at certain times of day.



reached an agreement to sell the historic water bombers to Coulson Aircrane Ltd. of Port Alberni, leaving ownership of the Martin Mars water bombers in local hands.

The Island Corridor Foundation holds the railway right-of-way between Victoria and Courtenay and between Nanaimo and Port Alberni. The Southern Railway of Vancouver Island (SRVI) assumed control of the E&N Railway from RailAmerica in July 2006 and offers general freight service on the Victoria-Courtenay main line. SRVI also runs passenger service under contract with VIA Rail Canada. The Port Alberni branch line (or Subdivision) has been out of service since late 2001. Proposals have been made to reactivate the Port Alberni branch line either as a freight and passenger service or as a multi-use trail similar to the Galloping Goose Regional Trail between Victoria and Sooke. Given the high cost of maintaining the rail grade and trestles on the Port Alberni branch line to rail standards and past decisions of rail operators not to continue rail operations on this branch line, the use of the Port Alberni branch line as a multi-use trail could be the most effective way to use this resource to support economic (particularly tourism) development for the Alberni Valley.

*Recommendation 18*

*The Alberni-Clayoquot Regional District assess the use of the Port Alberni branch line of the former E&N Railway as either a railway or a multi-use trail and create a plan to implement the use most appropriate for the benefit of the economy and citizens of the Regional District.*

**J. Economic Development**

The previous sub-sections of this report have dealt with issues of local government, access, tourism, ports, retirement, secondary manufacturing, post secondary education, agriculture, and transportation.

We were fortunate to be able to discuss these issues with members of the community, and it is our belief that a successful future for the Valley depends creating a vibrant and diversified economy. The City has indicated an intention to hire an economic development officer to provide leadership in advancing economic development opportunities.

We believe that this future can be enhanced by the following recommendation:

*Recommendation 19*

*The Regional Economic Development Branch of the Ministry of Economic Development provide funding cost shared 50% with the City of Port Alberni to hire a facilitator to help community representatives develop a new strategic economic development plan which will create the vision and priorities to guide future economic diversification and growth.*

## **VIII. Conclusions**

Port Alberni in 2007 is a legacy of its forest industry past and the forest sector continues to be its primary economic driver. The past two decades have seen a decline in the forest industry and a consequential decline in the local economy.

The population of Port Alberni has remained relatively constant (unlike other forestry towns which have experienced declining numbers) but average incomes have fallen in real terms and there has been an increase in the average age of the population, in part attributable to in migration of retirees.

The Forestry Revitalization Plan of 2003 was based on analysis that suggested that a continuation of the status quo was not appropriate and that significant change was necessary. The changes were acknowledged to be painful but the government stated: "These changes will help revitalize the economy, generate jobs and spin-off benefits for communities, ...".

### **A. Impact of Forestry Revitalization Changes on the Alberni Valley**

The take-back of 20% of volume from major licensees and its planned reallocation to BCTS, First Nations, and community forests will have several consequences:

- Existing license holders will have to purchase logs elsewhere to satisfy the needs of their processing facilities,
- A portion of local timber will be publicly auctioned, providing companies from outside the Alberni Valley greater access to Valley timber, and
- There is a concern that harvesting opportunities will be redistributed from organizations of economic scale to organizations with cut levels that will not be economic.

Delays in this reallocation have resulted in reduced volumes available for harvest.

Over the last 15 years the appurtenance requirements have been more theory than practice and their removal was inevitable. Due to Port Alberni's relative isolation and its existing forest manufacturing base, we do not believe that the removal of appurtenance will have a significant impact on the forest industry in the Valley.

Removal of private land from TFL 44 has:

- created an age class challenge on parts of the former TFL (which varies by area); and
- created a relative incentive to export primarily second growth Douglas-fir logs from the private lands due to the transference of these areas from provincial log export to federal log export regulation.

Local mills do not process large volumes of second growth Douglas fir and, at least in the short term, we believe that removal of private lands from the TFL and the resulting increased exports of second growth timber are unlikely to have a material financial impact on these mills.

### **B. Timber Supply Issues**

The Alberni Valley has challenges with respect to timber supply which are primarily caused by decisions to remove land for protected areas. The result is that there is an age class gap as much of the second growth on Crown lands is not old enough to supplement declining volumes of old growth harvest. This has been exacerbated by the removal of the private lands from the TFL because this land contained the oldest of the second growth timber.

With respect to overall import and export of logs from the Valley, while second growth logs are being exported to Nanaimo and offshore, significant amounts of old growth logs are being imported from the west side of northern Vancouver Island and the Queen Charlottes.

The fact that one company on the Coast has over 50% of the harvesting rights also affects the vitality of the log market in the Valley.

### **C. Future of the Existing Forest Manufacturing Base**

The existing manufacturing base in Port Alberni is likely to face both external and internal challenges. The Coast industry will remain subject to uncertainties of exchange rates and global markets and Port Alberni's existing mills will continue to be subject to cost pressures. In our view the future of Port Alberni's sawmills and paper mill cannot be assured and the Valley's future economic health is contingent on greater diversification of its economy.

We do not believe it is likely that private capital will invest in a large volume small-log mill since sufficient volumes of small-logs do not currently exist.

We believe that there is scope for increased secondary manufacturing in the forest sector. However, this will require entrepreneurship that has not been historically nurtured in the Alberni Valley and more action by the government to create an active market in logs that will allow, in the government's words "the wood to go to the mill best suited to handle it in British Columbia".

The City of Port Alberni has recognized the cost pressures of the existing manufacturing plants and has reduced industrial tax rates and provided a property tax moratorium for new investment in major industrial improvements. These changes may not be significant enough to ensure continuation of these plants, since the negative impacts of outside, and uncontrollable, variables may well overshadow the benefits of any reduced taxes.

First Nations in the Valley are active in the forest sector and are looking to increase their involvement. Finalizing their tenures would be in their and the region's interest.

### **D. Environmental and Forest Management Standards on Private Lands**

There is often a concern among the public that regulation of a sector by a body including sector members may lack the independence necessary to protect the public interest. We believe that the PMFL Council has conducted its affairs in accordance with its mandate but that it faces a number of challenges:

- The activities of the PMFL Council are not widely known or appreciated;
- The PMFL Council may need greater funding to enforce forest management objectives with rigour;
- The results-based regulatory approach creates potential risks to environmental values where damage is not easily remediable;
- Not being able to recover its investigation costs from assessed penalties may lead to too few resources being committed to compliance and enforcement.

Broader public knowledge of the efforts of the PMFL Council to raise forest management standards through its proposed regulation revisions should increase confidence in its activities,

We were not provided with any evidence of a substantive linkage between timber harvesting activities on the private lands surrounding Port Alberni and increased amounts of water flow or significant increase in sedimentation being transported down stream. The visual impact of some harvesting activity on the Beaufort Range, however, is particularly unfortunate and is exacerbated by being displayed high on the hillside and so close to the City of Port Alberni. There are information and perception issues with respect to forestry operations on private managed forest lands that should be addressed.

## **E. Other Sectors**

Due to Port Alberni's historic and continuing reliance on forestry and manufacturing of forest products, the other economic sectors have not grown as vibrantly as they have in some coastal communities.

The Valley has a modest tourism sector, based on outdoor activities including recreational fishing, hiking, and wildlife viewing. Sporting competitions are an important element, both culturally and for overnight accommodation. In comparative terms, the entertainment and restaurant sector is not well developed. The MacLean Mill, Steam Logging Locomotive No. 7, the Alberni Valley Museum and waterfront commercial area with the Maritime Discovery Centre close by are some of the existing attractions.

Additional attractions and destination activities are needed to create the critical mass that would sustain a strong tourism sector.

The advanced education sector is relatively underdeveloped, with the requirement that many local residents must move away for their further training or take distant education classes.

## **F. Going Forward**

Our impression is that there still remain some unrealistic expectations in the Valley of a future paralleling the past where a large company locates in the Valley and provides well paying jobs, but, generally there is recognition that changes are necessary if the Valley is to effectively adjust and thrive as a community in the future. There is a strong community involvement and spirit in the Valley, an increasing appreciation that the past will not return and a belief that the Valley can be a great place to live and raise a family.

An issue identified is the lack of a process available to discuss and focus the community on its future and on one vision for that future. The Outlook 2020 Committee is a volunteer group that has come together periodically to address issues and promote development of Port Alberni. Revitalization of this group together with the appointment of an economic development commissioner could provide a structure to involve the community in creating its vision of the future.

We believe that the future economic health of the Valley depends on it moving away from its 'mill town' roots by:

- emphasizing diversification of the economic base and building on the Valley's comparative advantages – its scenic location, its outdoor recreation and sporting opportunities, its existing city infrastructure, its skilled tradespeople, its deep sea port, etc.;
- enhancing the transportation infrastructure including a second access highway into the Alberni Valley and upgrading the Alberni airport;
- supporting small businesses and entrepreneurs;

- creating more reasons for tourists headed for the west coast to stop in the Valley for a day or two;
- additional investment in education and training in the community in order to retain young people and diversify the workforce; and
- appreciating that retirees can be a positive addition to the community and marketing to attract them.

Our overall conclusion is that the forest industry on the coast has been declining for the past 20 years and that the impact of this decline in the Valley has been particularly marked because of the relative past prosperity of its forest industry and workers. The Forestry Revitalization policy changes were designed to permit further adjustments with the view of ensuring a more economically viable forest sector. We believe that these policy changes, together with the private land deletions, while in part necessary to deal with the economic challenges of the coast forest sector, have, on balance not been of benefit to Port Alberni and have in some cases been detrimental.

The provincial government has provided transition assistance through the BCFRT to contractors and major licensees to mitigate negative consequences of these changes. The recommendations which follow are supportive of the observations we have made in this report and are designed to mitigate some impacts and support the development of the conditions necessary for further diversification of the Valley economy. They include recommendations for a number of provincial Ministries, since the solutions involve a cross government approach to the key issues.



Bicycling on the Log Train Trail - Batstar Adventure Tours - [www.batstar.com](http://www.batstar.com)

## **IX. Recommendations for Long Term Growth and Stability of the Alberni Valley**

The following recommendations are supportive of the observations made in this report and are designed to mitigate some impacts and support the development of the conditions necessary for further diversification of the Valley economy. While this report was commissioned by the Ministry of Forests and Range, our recommendations extend to other provincial ministries, the City of Port Alberni, the Alberni-Clayoquot Regional District, Alberni Valley Tourism and the Private Managed Forest Land Council.

### **Forestry**

#### **Recommendation 1 - Enhancing the local log market**

The Ministry of Forests and Range identify a location for a dry land sort in the Valley and investigate the economic feasibility of establishing an “open” dry land sort at that location.

#### **Recommendation 2 - Concentration of harvesting rights**

The Ministry of Forests and Range evaluate the feasibility of acquiring additional volumes of Crown timber from willing sellers and allocating this volume to BCTS to dispose of by auction.

#### **Recommendation 3 – Aggregation of tenures**

The Ministry of Forests and Range offer to facilitate discussions aimed at permitting new, small licensees to act cooperatively to achieve an economic scale of operation.

### **Private Managed Forest Lands**

#### **Recommendation 4 – PMFL Council – Public Information**

The PMFL Council inform the public on (1) the PMFL Council’s role and actions in regulating the forestry activities on private managed forest lands, and (2) the difference between standards for forestry practices on Crown lands . As well, and the PMFL Council actively pursue regular forums to establish communications with local communities.

#### **Recommendation 5 – PMFL Council – Forest Practices**

The PMFL Council continue to review forestry practices on private managed forest lands with a view to making recommendations to the Ministry of Agriculture and Lands on appropriate enhancements to regulatory standards for such forestry practices.

#### Recommendation 6 – PMFL Council – Funding

The PMFL Council have access to an appropriate level of funds to rigorously investigate and pursue actions for landholder non-compliance with forestry management obligations. This should include consideration of allowing the PMFL Council to recover a portion of investigation costs from financial penalties levied against PMFL landowners.

### Property Taxation

#### Recommendation 7 – Property Taxation of Major Industry Class in Port Alberni

While recognizing steps taken to date, the City of Port Alberni should, on a year after year basis bring their major industry property tax rate down to the provincial average for this class (\$40.16 per \$1,000 of assessed value in 2006).

#### Recommendation 8 – Property Taxation of Major Industry Class for School Purposes

The Ministry of Finance should, at the time of developing next year's fiscal plan, commence reducing the property tax rate for the major industry class for school purposes from \$12.50 (2006), which it has been for many years, to the light industry and business other class rate of \$9.20 (2006).

### Local Government

#### Recommendation 9 – Expanding boundaries of the City of Port Alberni

The Ministry of Community Services should undertake an evaluation (including public meetings) of the benefits and impacts of expanding the boundaries of the City of Port Alberni to include the Sproat Lake community and the Beaver Creek Improvement District and Cherry Creek Waterworks District.

### Access

#### Recommendation 10 – Access to Forest Lands and Trails

The Recreation, Sites and Trails Branch of the Ministry of Tourism, Sport and the Arts:

- (1) take leadership to resolve access issues created by the removal of private lands from the TFL (access to Crown assets within private lands);
- (2) sponsor a one day workshop in Port Alberni between users and forest companies in order to establish communication and relationships between people and to begin development of 'protocols' between the parties which recognize rights of access and rights of companies to ensure safety and protection of their equipment;
- (3) develop and maintain the protocols between the parties;

#### Recommendation 10 – Access to Forest Lands and Trails (continued)

- (4) document and publish material on the existing regional trail system in the Valley to enhance its tourism potential; and
- (5) work with recreation interests to identify karst assets of notable value on Crown land with the view to developing them as recreation destinations, and provide protection where required

In the absence of being able to develop substantive protocols we recommend government acquire access by purchase of access rights and that they be registered against title, such as to survive any transfer of that title.

### Tourism

#### Recommendation 11 – Tourism Development

The City of Port Alberni and Alberni Valley Tourism lead the development of a plan to enhance the tourism destination potential of the Valley and apply to the North Island-Coast Development Initiative Trust for funding to implement the specifics of the plan.

### Retirement

#### Recommendation 12 – Port Alberni as Retirement Destination

The City of Port Alberni actively market itself as a retirement destination and that future developments and upgrades of infrastructure ensure that the needs of retirees be specifically considered.

### Education

#### Recommendation 13 – Port Alberni as Centre for Forest Technician Training

The Ministries of Advanced Education and Forests and Range, in their analysis and development of solutions to the education needs of the forest sector, seriously consider the Port Alberni campus of North Island College as the location of additional forest technician training.

#### Recommendation 14 – Support for Tourism and Outdoor Recreation Management

The Ministry of Advanced Education evaluate the Port Alberni campus of North Island College as the location of additional business courses relating to tourism and outdoor recreation management.



## Agriculture

### Recommendation 15 – Agriculture Viability

The Ministry of Agriculture and Lands lead consultations with the Alberni-Clayoquot Regional District and with Alberni Valley farmers to identify any actions that could increase the viability of farming in the Valley with an emphasis on the potential for boutique style farming operations.

## Transportation

### Recommendation 16 – Highway Access into the Alberni Valley

The Ministry of Transportation commence an evaluation of the future highway access needs of the Valley in co-operation with the Alberni-Clayoquot Regional District, specifically an evaluation of the route proposed by Charlie Haggard.

### Recommendation 17 – Airport Development

The Alberni-Clayoquot Regional District create a plan to develop the existing airport by lengthening the runway, installing necessary infrastructure and constructing a water-filled “trough” for float planes to support tourism and economic development.

### Recommendation 18 – Alberni Rail Branch Line

The Alberni-Clayoquot Regional District assess the use of the Port Alberni branch line of the former E&N Railway as either a railway or a multi-use trail and create a plan to implement the use most appropriate for the benefit of the economy and citizens of the Regional District.

## Economic Development

### Recommendation 19 – Strategic Economic Development Plan

The Regional Economic Development Branch of the Ministry of Economic Development provide funding cost shared 50% with the City of Port Alberni to hire a facilitator to help community representatives develop a new strategic economic development plan which will create the vision and priorities to guide future economic diversification and growth.