

## Cut, capped civic taxes urged to help foresters

### B.C. Competition Council recommends sweeping changes

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The B.C. Competition Council has recommended sweeping land-use, policy and taxation changes to help the forest industry deal with deteriorating economic conditions on the coast, a moribund pulp industry, and the mountain pine beetle epidemic in the Interior.

The council recommendations raise what co-chair Dan Miller acknowledges are "hard issues" that affect public interests, particularly on the coast and in the pulp and paper sector.

"The world has changed," Miller, a former NDP forests minister, said Wednesday in an interview. "We either have to recognize that we are in a tough competitive environment internationally and make changes that allow our industries to attract the kind of capital needed to have efficient modern processing plants that can produce a product that's competitive in the global marketplace, or we are out of the game."

The B.C. government appointed the council last year to address economic issues in 12 key sectors. The report, delivered to government already and released publicly Wednesday, covered two -- wood products and pulp and paper.

Miller said British Columbians have to decide: Do they continue with an economic model of large companies that provided social amenities in resource towns, or do they cut back their expectations to keep the industry in this province?

"I am not being cold-hearted. I am not saying, 'To hell with the social contract.' I think all companies should have a social contract. But they have to be competitive, they have to get a return on capital, or they will disappear."

Specifically, the council recommends:

- Reducing and capping industrial taxes levied by municipalities, referred to in the report as "social rent." It can be done voluntarily, or the province could phase in the changes over a three-year period by making up the revenue shortfall with grants. Fifteen municipalities would lose a major source of revenue.
- Making timber harvesting a priority on second-growth lands so forest companies can cut on an "economic rotation," probably when timber is 40 to 50 years old, rather than the current 80-100-year rotation.
- Simplifying and harmonizing the regulatory hoops companies face from the federal competition bureau and provincial agencies when they shut down or consolidate operations.
- Changing forest tenures to give companies more rights and certainty over timber supplies in return for making a commitment to invest in new plants.

The council noted that forest companies have to make a strong commitment to reinvest if they expect

government to improve the business climate for them.

"Success or failure to deal with the problems facing wood products and pulp and paper is primarily the response of the management in these industries," the council states in its submission.

"The council believes that the role of the province is to create the business conditions that encourage investment by existing and new participants. The key to a successful future is new investment."

John Allan, president of the Council of Forest Industries and chairman of the competition council's forestry advisory committee, said the changes the industry seeks are aimed at creating a true market-based climate in B.C.

"We have to recognize that we have gone to a market-based forest economy. And as such, we have to let market forces operate more freely," he said.

Rick Jeffery, president of the Coast Forest Products Association, said despite policy changes already introduced, the coastal industry is still losing money. The escalation of the Canadian dollar has undone much of the competitive advantage companies gained through new forest policies and sawmill consolidation.

"If we don't make money and we don't make a return on capital, capital will not come here. And we are not generating our own cash to reinvest," he said.

NDP forests critic Bob Simpson said the competition council's report is one-sided.

"These recommendations tell us the industry position. Now it's time to ask the communities and the workers and the citizens of B.C. what they want to see happen in their public forests," he said.

"The comment about reducing social rent, in my mind, misses the whole point that these are public forests in which there is an expectation that we derive social rent."

Port Alberni Mayor Ken McRae said the tough love proposed by the competition council will devastate his town, where 40 per cent of the revenue comes from industrial taxes.

"I am not surprised a cap is coming down," he said in an interview.

"The word community has gone out of their vocabulary. I don't hear companies or government using that word any more."

He said if taxes are reduced and capped at 50 per cent, it would be the equivalent of cutting fire protection or shutting down parks and recreation facilities.

"We have already cut our municipal staff by 20 per cent. You get to a point where you can't cut any more," he said.

He said both the province and forest companies have taken billions of dollars in stumpage and profits out of the Alberni region over the years and the "social rent" companies paid helped transfer some of that wealth back to communities.

He said if the province wants to cut or cap municipal taxes, then it should be prepared to redistribute stumpage revenues back to the towns where they money is generated.

The Sierra Club said switching to faster harvesting rotations could impact forest ecology.

"We feel that logging second growth may make sense but only if done in a prudent manner that maintains ecological integrity and protects bio-diversity," said Claire Hutton. "We are concerned that second-growth logging on an economic rotation will not protect these important values."

Jeffery said the shift to intensive forest management would be on some lands, not all and that forest companies can harvest second growth on shorter rotations while maintaining ecological values.

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#### WHAT'S NEEDED:

The B.C. Competition Council recommends major changes to the forest industry, including:

##### Pine beetle

- The province, Ottawa, first nations, communities must come up with a plan to deal the most significant "natural disaster" in the history of B.C.

##### Coastal industry

- Requires a market-driven transition to harvest second-growth timber.
- Must provide and aggressively market products that the export market demands.
- Should develop collaborative labour-management relationships.

##### Pulp and paper

- Municipal industrial tax rates should be reduced and capped.
- Federal and provincial governments must reduce red tape involved in pulp mill and forest firm shutdowns and mergers.

Ran with fact box "What's Needed", which has been appended to the end of the story.