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SOFTWOOD LUMBER CRISIS

INQUIRY—DEBATE CONTINUED

Speech by:

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[Translation]

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Hon. Diane Bellemare (Legislative Deputy to the Government Representative in the Senate): Honourable senators, today I want to talk to you about the Canadian forestry industry, and I thank Senator Maltais for bringing this inquiry forward. Like my colleague, I am also very worried for the thousands of Quebecers and Canadians whose economic security is threatened by the measures that are hurting the softwood lumber industry.

Before I get into the specifics of my speech, I would first like to put the importance of the forestry industry into perspective within the Canadian economy. As you may know, Canadian forests cover a surface area that is twice the size of Quebec, and Canada is home to approximately ten per cent of the world's forest cover, according to Statistics Canada. The development of this natural resource generates 1.25 per cent of Canada's GDP. Over 200 Canadian communities depend on forestry resources, and the average salary in this industry is \$1,000.82 a week, according to the Forest Products Association of Canada. The vast majority of the industry's production is intended for export and falls into three main categories: pulp comprises 24.6 per cent; paper comprises 30.6 per cent; and softwood lumber comprises 44.7 per cent. The forestry industry generates a trade surplus worth \$19 billion.

The forestry sector as a whole has always been a major contributor to job creation in Canada. At its height in the 1970s, it employed nearly 380,000 people, although that number has dropped over the years, levelling off at around 235,000 jobs. In 2016, the industry employed 238,000 people. If we include indirect employment, some 600,000 jobs in Canada depend on this industry, primarily in rural areas. As part of its Vision2020 challenge, the Forest Products Association of Canada expects to need at least 60,000 more workers to fill the positions that will become vacant because of 40,000 retirements and the 20,000 new positions that will be created in the future.

Employment trends in the lumber industry were similar to those in the forestry industry in general. Between 2004 and 2009, the number of jobs in Canada's lumber industry dropped from 50,000 to 26,300. Most of Canada's lumber industry jobs, 40.8 per cent, are located in British Columbia, followed by Quebec, at 30 per cent, and then Ontario and Alberta.

The softwood lumber subindustry is the one we are hearing about the most these days because of the expiration, on October 12, 2016, of trade agreements between the United States and Canada. It is a very cyclical industry that is tied to the construction industry in Canada and the United States. As you know, after the 2008 crisis, the construction of new homes was at an all-time low in the United States. That hurt the lumber industry, and American producers waged a trade war against Canadian producers. At the time, the Canadian government managed to sign a deal with the United States that stabilized Canadian forestry companies' access to the American market.

However, that agreement has expired and it will not be easy to renegotiate under the Trump administration. Since President Trump was elected, there is every reason to believe that the U.S. lumber lobby will get what it wants from U.S. federal authorities.

As you know, the American lumber industry is almost able to meet domestic demand. That being said, is it possible for Canada to improve its economic strategy and, more importantly, its employment strategy in the forestry industry? I'm not an expert on the forestry industry, but I can talk about well-designed, productive employment strategies. I have done a lot of work in that area in the past, both as an academic and on the ground with the Government of Quebec and various employers and labour organizations. I have no intention of being an employment guru, believe me. I just want to illustrate what we can do as a society to get out from under American protectionism over forestry products and safeguard ourselves.

To make my point, let me quickly go over the Finnish strategy for forestry development. In terms of natural resource development, the forestry has always supported Finland's economy. The forestry industry represents 5 per cent of Finland's GDP, which is rather significant. This industry generates a significant trade surplus for Finland and creates many jobs.

Finland's forestry industry has also had to adapt to global conditions. However, Finland seems to be adopting a different strategy from Canada's. Finland's traditional market for forestry products is Europe, including France, Germany, the United Kingdom, and Italy, but the demand for traditional products such as pulp, paper, and softwood lumber has decreased over time.

As a result, Finland turned toward Asia, in particular, in order to diversify its markets. It made sure to have a strong domestic demand by building innovative wood buildings. It focused on developing machinery and equipment for export. Some Quebec companies have even purchased machinery from Finland. Finnish companies then exported their know-how to Asia to produce wood material from Asian shrubs.

Finland also diversified its production. It has been making significant investments in research and development and now produces clean, renewable energy from forestry resources. Today, Finland's forests are also used for recreation, tourism, and environmental purposes. All of this was made possible through collective efforts, which helped not only the industry, but also educational and research institutions and local communities.

The steps that Finland took were reasonable and we can certainly learn from them. The Forest Products Association of Canada is already headed in that direction. It is encouraging its members to diversify their markets and products as demonstrated in a press release that was recently issued by the association, which reads as follows:

As we work with the federal government to defend our industry, this is a reminder of the importance of innovation to the future of Canada's forest products sector and the need to diversify our export markets and products.

The association is pleased to see that more and more wood is being used to produce energy. In short, the strategy proposed by the Forest Products Association of Canada is not very different from Finland's strategy.

However, it may take time to see the results of such a strategic shift in Canada. It may take longer than it did in Finland. Why? There is a fundamental difference between Canada and Finland. Canada is a huge country. It is also a confederation in which power is shared. In Canada, logging falls under provincial jurisdiction. The large number of stakeholders makes it difficult to implement this sort of strategy in Canada. In other words, such a strategy would involve significant collective action. It cannot be achieved through the decisions of individual companies alone.

The Forest Products Association of Canada and its provincial counterparts can hammer this message home to their members, but a strategic shift will happen only in concert with meaningful public action. It must be backed by political, public and collective policies and strategies. It cannot be left up to a single level of government or to businesses.

There are already forums in Canada for discussing forestry-related issues. For example, the Canadian Council of Forest Ministers, established in 1985, brings together all federal, provincial and territorial forest ministers. According to the council's website, its primary role is to provide the following:

A forum of discussion and exchange of views on forestry-related issues of common interest or with an intergovernmental or international standpoint.

A vehicle to work cooperatively on common forest and forestry-related issues of Canadian and international concern.

However, the council is less interested in forestry-related jobs and economic development than it is in the bioeconomy. For those who, like me, are not that familiar with bioeconomy issues, this is a sector focused on offering goods and services based on renewable resources in a sustainable fashion while limiting environmental impacts in order to address climate challenges. That is why the council's priority is to do the following:

... meaningfully contribute to advancing forest sector innovation in Canada to support climate change mitigation, long-term environmental sustainability, economic competitiveness and green jobs.

Its targeted outcomes are limited to indicators based on activities, such as seminars, that are not really relevant to the public and do not measure jobs created, investment in innovation or added value in any useful way.

I am not familiar enough with the forestry sector, unfortunately, to criticize the work of the council, and that is not my intention. Concerted efforts by governments, as part of a strategy to provide productive and appropriate employment, could encompass joint, provincial, and local action to rethink

a forestry development strategy that is also a green strategy. As we know, job creation is not necessarily inconsistent with the development of a sustainable economy. The employment lens would allow us to adapt short-, medium-, and long-term actions to make forestry operations profitable while creating wealth that would allow us to be green.

In the short term, we must secure our exports to the United States. However, Canada has no control over the decisions made by the Americans, especially given the protectionist era that is looming. Therefore, we must try to open markets elsewhere.

Furthermore, we must also compensate employees who lose their jobs. Employment insurance can provide income for the unemployed. However, we must do more with the employment insurance program. We should use these financial means to also develop the skills of this sector's employees and to prepare them for the jobs of the future. Local and regional authorities must work together to identify the skills to be developed.

We must also diversify production and innovate. According to the Forest Products Association of Canada, the forestry industry invests 0.35 per cent of its revenue in research and development. That undoubtedly represents a large amount of money, but we must do more. There must be more processing of softwood lumber in order to increase the value added by Canada. Some B.C. firms, as we recently saw on television, have launched these types of initiatives, which should catch on. For example, Quebec could build more prefabricated homes to be exported in the event of disaster or to meet other needs in countries ravaged by climate or war.

Partnerships need to be established with educational and research institutions, with universities, architecture and engineering departments, always through a workforce lens. Through training and educational and research institutions, we will be able to innovate and find new uses for forest products. I humbly believe that, through the prism of employment, Canada will find the energy needed to further stimulate the collective action required to create a sustainable development strategy for our forests. This is what I call a full employment strategy.

Dialogue in the forestry sector that includes political forces working for the development of sustainable jobs will help mobilize industry players, including the workforce and businesses. This cooperation will also ensure consistency between the policies made and the actions taken by the players. It will also help set clear, results-oriented objectives for all industry players.

Honourable senators, in closing, I would like to point out that the real challenge facing the Canadian forestry sector will be in adapting to the new economic realities and taking the appropriate collective action. The goal of suitable, productive work, I believe, will galvanize this collective action. That is what a full employment strategy is all about.