

**The House of Commons Standing Committee on Natural Resources**  
**Study on Secondary Supply Chain Products in Canada's Forestry Sector**

**Submission of**  
**United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and**  
**Service Workers International Union**  
**("The United Steelworkers")**



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## Introduction

1. This submission is filed on behalf of the United Steel, Paper, Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union (hereinafter the “United Steelworkers”, “USW” or “Steelworkers”) in regards to the House of Commons Standing Committee on Natural Resource’s study “on secondary supply chain products in the forestry sector in Canada.”<sup>1</sup> The United Steelworkers welcomes the opportunity to comment on Canada’s forestry sector.

2. The United Steelworkers is one of Canada’s largest industrial unions, representing more than 225,000 workers across the country. Contrary to what the name may suggest, the United Steelworkers is one of Canada’s most diverse unions, representing workers in every sector of Canada’s economy. Steelworkers can be found working in sectors such as mining, healthcare, education, telecommunications and forestry. USW’s forestry membership is a product of its merger with the Industrial, Wood and Allied Workers of Canada (IWA). As a result of the 2004 merger with the IWA, the Steelworkers represent over 18,000 forestry workers, 32% of whom work in the industry’s secondary supply chain.<sup>2</sup>

3. Maintaining a strong forest industry is not only in the interest of the 211,000 Canadians whose jobs are supported by the sector, or the 600 communities dependent on the sector, it is crucial to the health of the country’s economy as a whole.<sup>3</sup> In 2016, the forest industry contributed \$23.1 billion to Canada’s GDP.<sup>4</sup> The forest industry’s secondary supply chain sector in particular employs 92,281 people throughout the country, and injects \$4.2 billion into Canada’s payroll annually.<sup>5</sup> However, the sector has been experiencing a troubling decline for an extended period of time. The forest industry’s value added sector has lost 43,477 jobs since

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<sup>1</sup> Pursuant to Standing Order 108(2), and the motion adopted by the Committee on Monday, October 23, 2017, the Committee has decided to conduct a study on secondary supply chain products in the forestry sector in Canada.

<sup>2</sup> Throughout this submission the term secondary supply chain and value add are used interchangeably.

<sup>3</sup> Natural Resources Canada, “The State of Canada’s Forests: Annual Report 2017”, page 5

<sup>4</sup> *Ibid*

<sup>5</sup> Statistics Canada. *Table 282-0072 - Labour force survey estimates (LFS), wages of employees by type of work, North American Industry Classification System (NAICS), sex and age group, annual (current dollars unless otherwise noted)*, CANSIM (database). (accessed: accessed: November 17, 2017)

2001.<sup>6</sup> The Steelworkers submit that it is in Canada's interest to reverse this troubling decline. Reversing the secondary supply chain's troubling decline will require a national forest strategy that recognizes the various separate, but interrelated sectors within the forest industry.

## **Overview of Submission**

4. This submission begins with an economic overview of Canada's forestry sector. This overview focuses on the numerous benefits the forest industry provides the 211,000 Canadians employed in the sector. As is explained in this section, workers in the forestry industry enjoy a wage premium of approximately 17% when compared to other Canadian workers, as well as working conditions that provide robust health and safety provisions.

5. Following that initial overview of the forestry sector, this submission details the numerous challenges facing the forestry industry as a whole, as well as the secondary supply chain in particular. Successfully addressing the challenges facing the sector, whether it is low harvest volumes, insufficient infrastructure funding, or decreasing raw log exports will require a national forestry strategy. The specific tenants of this proposed strategy are explained throughout the submission, and summarized in the conclusion.

## **Canada's Forestry Sector**

6. Steelworkers are proud to work in some of the world's leading certified forests. Canadian forests are a leading contributor to the country's economy. Last year the forestry sector contributed \$23.1 billion to the country's GDP.<sup>7</sup> Canada's forestry sector affords the country such a large economic benefit while adhering to some of the highest standards for responsible forest stewardship and sustainable management practices found throughout the world.<sup>8</sup>

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<sup>6</sup> Statistics Canada. *Table 281-0023 - Survey of Employment, Payrolls and Hours (SEPH), employment by type of employee and detailed North American Industry Classification System (NAICS), unadjusted for seasonality, annual (persons)*, CANSIM (database). (accessed: November 17, 2017)

<sup>7</sup> *Supra* note 3

<sup>8</sup> PEFC. (2017). PEFC Global Statistics: SFM & CoC Certification: Data September 2017. Retrieved from: <https://www.pefc.org/about-pefc/who-we-are/facts-a-figures>

7. From a workers perspective, Canadian forest workers have high rates of unionization. When compared to the general decline of union density across the rest of the Canadian workforce, unionization rates in Canada's forestry sector have remained fairly consistent, a trend generally observed in the natural resource sector.<sup>9</sup> The positive effects of densely unionized sectors, like forestry, are numerous. First, through collectively bargained agreements, workers in the forest industry enjoy wages that are 17% higher than the average.<sup>10</sup> Moreover, Steelworkers agreements contain robust health and safety regulations for workers whether they are out in the forest, or in the mill. Finally, collectively bargained agreements provide middle-class Canadians with compensation packages that support families and secure retirement; thereby, easing the burden on government coffers. For workers who currently have a job, the aforementioned working conditions are strong indicators of an industry that is viable.

8. However, events such as the ongoing softwood lumber dispute, last summer's forest fires and the ongoing mountain pine beetle infestation in Western Canada have placed great pressure on the forest industry. Due to several unseasonable warm winter seasons in a row, the mountain pine beetle outbreak could continue to have an impact on the boreal forest for up to 13 more years.<sup>11</sup> With the implications of climate change, and the fact that we saw the worst fire season in B.C.'s history, the forest industry will continue to experience unpredictable challenges. As the work of numerous analysts has suggested, these challenges will be felt throughout the industry's secondary supply chain, as the industry's various sectors are inextricably interconnected.<sup>12</sup>

### **Trade Agreements**

9. The failure to negotiate a softwood lumber agreement before its expiry has resulted in crushing temporary anti-dumping and countervailing duties. The United States (US) Department

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<sup>9</sup> Galarneau, D., & Sohn, T. (2012). Long term trends in unionization. Statistics Canada. Retrieved from: <https://www.statcan.gc.ca/pub/75-006-x/2013001/article/11878-eng.htm> & Statistics Canada. *Table 282-0164 - Labour force survey estimates (LFS), employees by union status and National Occupational Classification (NOC), Canada, annual (persons unless otherwise noted)*, CANSIM (database). (accessed: November 17, 2017)

<sup>10</sup> Unifor Forestry Policy Working group. (2016). *The Future of Forestry: A workers perspective for successful, sustainable and just forestry.*

<sup>11</sup> Government of British Columbia. (2015). *Mountain pine beetle in B.C.* Retrieved from: <https://www2.gov.bc.ca/gov/content/industry/forestry/managing-our-forest-resources/forest-health/forest-pests/bark-beetles/mountain-pine-beetle>

<sup>12</sup> Coast Forest Products Association Remanufacturers, "Re-manufacturers Supply Chain Project," November 2013

of Commerce is expected to announce its final determination of duties on December 18, 2017.<sup>13</sup> Although the Steelworkers share Ambassador MacNaughton's view that Canada has shown flexibility and put forward proposals that would support a resolution, the fact remains that the U.S Lumber Coalition still retains immense political clout over the matter.<sup>14</sup> As a result, the Steelworkers believe this dispute is unlikely to be resolved anytime soon without a concerted effort put forth by the federal government to resolve the matter.

10. The on-going dispute means that there is unrest and instability for workers in the industry. The impact for some forestry companies means that they may be able to weather the storm for a while, but a permanent solution will need to be resolved.

### **Raw Log Exports**

11. The issue of raw log exports was front and center in the recent provincial election in British Columbia (BC). British Columbians are concerned about the millions of cubic meters of unprocessed logs leaving the province. Log exports have exponentially increased in the last two decades. From 1997 to 2004, the amount of unprocessed BC timber exported has increased from 200,000 m<sup>3</sup> to well over 5.5 million m<sup>3</sup> annually.<sup>15</sup> Wood that is milled in other countries has directly led to mill closures and job losses throughout the supply chain in Canada. There is no hope for a viable value added industry in Canada if no attempt is even made to process the wood in Canada.

12. There is a convincing environmental argument to be made for curtailing raw log exports as well. In the overall value chain, the amount of carbon generated rises by about 2.8 times when

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<sup>13</sup>International Trade Administration (November 2, 2017). Fact Sheet: commerce finds dumping and subsidization of imports of softwood from Canada. Retrieved from: [https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/softwood-lumber/doc\\_fact\\_sheet\\_softwood\\_lumber\\_canada\\_ad\\_cvd\\_final\\_nov\\_2\\_2017.pdf](https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/softwood-lumber/doc_fact_sheet_softwood_lumber_canada_ad_cvd_final_nov_2_2017.pdf)

<sup>14</sup> MacNaughton, D. (November 3, 2017). Letter to P. DeFazio, J.H. Beutler, R. Larsen, G. Walden Re: Softwood lumber announcement. Retrieved from: [https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/softwood-lumber/ambassador\\_macnaughton\\_letter\\_to\\_us\\_reps\\_nov\\_3\\_2017.pdf](https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/forestry/softwood-lumber/ambassador_macnaughton_letter_to_us_reps_nov_3_2017.pdf)

<sup>15</sup> Farrell, Norm. (2014). Short-term gain for long term pain, updated. In Sights blog. Retrieved from: <http://northerninsights.blogspot.ca/2014/04/short-term-gain-for-long-term-pain.html>

logs are exported for processing rather than being domestically processed.<sup>16</sup> However, once logging, shipment to the mill and sawmilling – the portions of the process that would take place in either case – are removed from the equation, the amount of carbon generated by shipping increases the total carbon output in the log-export scenario by 13 times.<sup>17</sup>

13. To be clear, the Steelworkers are not arguing that if we “ban raw log exports” there will be no more job loss. That is not the point. There is ample opportunity to reduce Canada’s exports of unprocessed timber, coupled with supports for the retooling and revitalization of many of our mills, that will increase the number of Canadian made wood products available domestically and internationally. With over 100 mill closures in the last 20 years, the Canadian capacity in the value-added market has reduced. To address the needs of the industry to grow we will require national and provincial strategies that clearly lays out the role for public investment and government policies that both discourages the export of raw logs and encourages domestic manufacturing.

## **Infrastructure**

14. There are a number of cost factors that go into a decision to continue to operate or build facilities in certain jurisdictions. For example, when compared to the other international markets that the Ontario forest products sector is competing in for market share, the costs of wood fibre, transportation and energy are all unfavorable for Ontario mills; thereby creating significant competitiveness challenges for the facilities that continue to operate in Ontario.<sup>18</sup> This is a similar story around Canada. Increasing harvest levels over the last couple of years has resulted in a greater demand for primary and secondary forest roads. Yet, provinces continue to provide insufficient funds to maintain the crucial primary and secondary roads necessary to transport wood.<sup>19</sup>

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<sup>16</sup> Raw Log Exports: Bad Economics, Bad for the Planet. United Steelworkers. For a copy please contact 604-683-1117

<sup>17</sup> *Ibid*

<sup>18</sup> Ontario Forest Industries Association (OFIA), “2018 Pre-Budget Submission”, page 11

<sup>19</sup> *Ibid*

15. In today's global marketplace, it is critical that Canada develops a national forestry strategy that reviews its competitive measures to ensure they are indeed competitive. Canada's geographic terrain is large, rugged and challenging to traverse. Thus, primary and secondary roads are strategically important to natural resource development. As the Ontario Forestry Industries Association (OFIA) notes, the lack of adequate road infrastructure funding is inhibiting the sector's return to full productivity, and its ability to contribute to the economic rebound of the province's 100 forest dependent communities.<sup>20</sup> Limiting rural primary as well as secondary road infrastructure, limits the economic development of communities and resource sectors.

### **Harvesting Volume**

16. In some jurisdictions, like Ontario, one of the more pressing issues facing the secondary supply chain is low harvesting volume. As the OFIA points out, Ontario harvests 13 million m<sup>3</sup> - less than 0.5% of its Crown Forests.<sup>21</sup> Ontario's current annual yield of 13 million m<sup>3</sup> is 25% less than what it harvested from 2004–2008. Although the province of Ontario is three times larger than the country of Finland, it harvests approximately 80% less than Finland. To put the discrepancy in harvesting volumes in absolute terms, while Ontario harvests 13 million m<sup>3</sup>, Finland harvests approximately 65 million m<sup>3</sup> annually. This divide is set to grow further as Finland's national strategy is calling for harvesting to increase up to 80 million m<sup>3</sup> by 2025.<sup>22</sup> It is worth noting, that despite Ontario's low harvest volumes, which represent less than 10% of Canada's total harvest, Ontario represents 34% of the Canadian wood sector's total value-added production.<sup>23</sup>

17. The lack of adequate lumber harvesting makes its impact felt down the supply chain. Unlike conventional supply chains, which have a convergent product structure of assembly of different materials, the forest products supply chain networks are characterized by disassembly of the raw-material (tree). In other words, different parts of a single tree are utilized for making several products along the production process in the forest industry. In general, only 31% of a tree is

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<sup>20</sup> *Ibid*

<sup>21</sup> *Ibid* at page 7

<sup>22</sup> *Ibid*

<sup>23</sup> Ontario Ministry of Natural Resources and Forests, "Value-Added Wood Products", <https://www.ontario.ca/page/value-added-wood-products> (accessed: November 17, 2017)



used for lumber, specialty or engineered products.<sup>24</sup> Thus, ensuring there is a consistently adequate volume of lumber available for the value added sector is imperative, especially when one considers the fact that not all of a tree is even available for value added products. As is made clear in the 2016 Wood Markets “Benchmarking Report” the lack of adequate harvest, as well as overall tree characteristics, make some Canadian jurisdictions, like Ontario, the least profitable in North America.<sup>25</sup> This, coupled with the continuously decreasing value of secondary supply chain products since 2004, presents the value add sector with a difficult financial scenario.

### **Indigenous Reconciliation**

18. The Steelworkers are committed to our role in the reconciliation efforts with Indigenous peoples. The interactions of labour and Indigenous rights are often portrayed in conflict, especially in the resource sector. Fishing and forestry are both prime examples in BC. Both have historically taken place on unseeded and disputed territory. The United Steelworkers want to work with the federal government in developing a national forestry strategy that can support the 9,700 Indigenous workers employed in the forestry sector, while helping the country as whole move forward through the reconciliation process.

### **Recommendations**

19. While many of the issues highlighted above are within provincial jurisdiction, there is an undeniable role for the federal government to play in managing one of Canada’s greatest natural resource. The Steelworkers submit that Canada needs a national forestry strategy that recognizes while the challenges within the lumber, pulp, paper, or value added sector, are unique, they are ultimately interrelated, as the whole sector is highly integrated, and dependent on each facet of the sector succeeding. Moreover, Canada’s national forestry strategy must work with all of the provinces to ease the burden associated with the issues highlighted above, and more careful

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<sup>24</sup> N. Shabani, S. Akhtari and T. Sowlati, "Value chain optimization of forest biomass for bioenergy production: A review," *Renewable and Sustainable Energy Reviews*, vol. 23, pp. 299-311, 2013

<sup>25</sup> Forest Economic Advisors & Wood Markets, “Global Timber, Sawmill, Lumber, Sawnwood Cost Benchmarking Report” (October 2017) page, 75

consideration needs to be paid to the impact and outcomes for workers and their families. As such Canada's forest strategy must address:

**Indigenous reconciliation:** Canada's national forest strategy must support the 9,700 Indigenous workers employed in the sector, while helping the country as whole move forward through the reconciliation process.

**Harvesting volume:** Canada's national forest strategy must work with the provinces to ensure that the supply chain is provided with adequate and consistent volumes of wood.

**Mill investment:** Canada's forest industry needs a national strategy that calls for new investment in Canadian mills. New mill investments can be utilized in a variety of ways. First, new investments can improve the manufacturing capacity of Canadian mills. Increased manufacturing capacity will benefit the secondary supply chain, as any efficiencies realized in one sector of the industry will permeate throughout the entire industry. Secondly, these investments can help mills with the high energy costs they face. The forestry sector as a whole, including the secondary supply chain, is energy intense.<sup>26</sup> The costs that the industry as a whole faces will further increase with the federal government's plan to roll out a \$50/tonne price on carbon by 2022. This new carbon pricing regime will not only risk further impacting tight margins in regions like Ontario, but also risks leading to carbon leakage. Canadian companies are now operating in the southern USA which does not have a carbon pricing regime.

**Infrastructure:** Limiting rural primary as well as secondary road infrastructure, limits the economic development of communities and resource sectors. Thus, the federal government must assist provinces in funding crucial infrastructure.

**Raw log exports:** Wood that is milled in other countries has directly led to mill closures and job losses throughout the supply chain in Canada. There is no hope for a viable value add industry in Canada if no attempt is even made to process the wood in Canada. Canada's national forest strategy must stem the flow of raw log exports.

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<sup>26</sup> *Supra* note 18 at page 17

## **Conclusion**

20. The United Steelworkers thanks the House of Commons Standing Committee on Natural Resources for affording the Union the opportunity to comment on the forest industry's secondary supply chain. Should committee members have any further questions the Union can be reached using the contact information provided on the cover page.