

Forest Products Association of Canada

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

Earlier this year the Forest Products Association of Canada (FPAC) unveiled an industry led vision for the future that outlines where the forest industry sees itself by the year 2020. The vision challenges companies and their partners to find innovative ways to transform the sector and help it reach its full potential. The vision states that “by 2020 the Canadian forest product industry will power Canada’s new economy by being green, innovative and open to the world.” The vision sets out 3 ambitious goals for the industry: • Products – generate an additional \$20 billion in economic activity from new innovations and growing markets • Performance – deliver a further 35% improvement in the sector’s environmental footprint • People – renew the workforce with at least 60,000 new recruits including women, aboriginals and immigrants The industry has already made significant progress in becoming more competitive, selling into new markets, cleaning up our operations and developing new, innovative products from the trees we harvest. That said, we are not content to rest on our laurels. We’re convinced that, in partnership with governments, customers and innovators around the globe we can rebuild a viable, profitable, growth-oriented forest products industry in Canada. Over the last six years, the Government of Canada has made unprecedented investments which have accelerated the industry’s transformation and secured hundreds of jobs in rural Canada. We can help ensure the industry’s vision becomes a reality by continuing this partnership by working together and maximizing already-established programs and policies, including retooling Sustainable Development Technology Canada’s (SDTC) NextGen Biofuels Fund and the government’s suite of ecoEnergy programs.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

Technological advances are creating viable transformational pathways for the industry that will allow it to diversify revenues, create new jobs and foster economic independence. Every region of the country has unique transformational opportunities but seizing these opportunities often requires significant capital investments. To help sustain and accelerate transformational momentum and create and protect jobs in rural and forest-dependent communities across Canada, FPAC recommends that the Government of Canada repurpose the money currently sitting idle in SDTC’s NextGen Biofuels Fund to allow it to serve a broader suite of clean bio-technologies. For example, a portion of that \$500 million fund could be used to recapitalize Natural Resources Canada’s (NRCan) successful \$100 million Investments in Forest Industry Transformation (IFIT) program which was over-subscribed by a factor of five and has been an important program in leveraging investment (4:1 average) that’s driving transformation in all sub-sectors (wood, pulp, paper, panels) of the industry. Public Works and Government Services Canada’s (PWGSC) “Kick-start” Program also has the potential to drive industry transformation and employment. The government can help cover the innovation spectrum for

pioneering companies by streamlining the program so that innovative and novel technologies/products that received public support through another program can “graduate” to this powerful strategic procurement program.. This would accelerate a company’s move from basic research, through platforms such as the Natural Sciences Engineering Research Council (NSERC), to commercialization by creating demand for new, innovative forest products ranging from building materials to fuels and medical supplies. Finally, FPAC recommends that the Government of Canada create a program that emulates the U.S. Department of Agriculture’s BioPreferred Program. The purpose of the USDA BioPreferred program is to promote the increased purchase and use of biobased products. The program accelerates economic development, creating new jobs and providing new markets for farm and forest commodities. The increased purchase of bio-based products reduces petroleum consumption, increases the use of renewable resources, better manages the carbon cycle, and contributes to reducing adverse environmental and health impacts – all priorities of the Canadian forest products industry and the Government of Canada. It’s worth noting that Canadian companies can be qualified to sell bio-based products to the U.S. government through the BioPreferred program.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

A recent report by the Conference Board of Canada on behalf of the Forest Products Sector Council has identified key demographic trends in the forest products industry including a set of labour demand projections to 2020 and employment demographics of the most in-demand occupations on a national, regional and sub-sector level. One of the biggest challenges ahead for sector employers will be the magnitude of retirements expected on the part of the sector's large cohort of older workers. Based on current demographics and past retirement and attrition patterns, it is estimated that more than 50,000 workers will leave the sector in the next decade. When the number of new hires, as a result of attrition, is coupled with projected recruitment needs due to economic recovery, the forecast requirement for new workers climbs as high as 120,000 people over the coming decade. FPAC’s vision of hiring at least 60,000 new recruits between now and 2020 is based on modest growth estimates for the industry which factor in our ongoing transformation and incorporate new opportunities in the bioeconomy that broaden the industry’s required skill sets. It will come as no surprise to government that the resources sectors compete for many of the same skilled tradespeople. To that end, the forest products industry encourages the government to continue taking actions to increase the absolute number of skilled tradespeople available for hire, particularly through immigration reform and efforts to engage Aboriginals and women in non-traditional roles. At a more granular level, FPAC recommends that the government reviews the need, applicability and availability of the Northern Living Allowance and associated deductions in now-booming communities. In many circumstance the incentive, which was originally designed to encourage the development of then-frontier regions, is now used to lure employees away from small, rural resource towns to fast-growing, booming energy hubs. This is exacerbating the human resources challenge for many employers, not just forest companies. FPAC encourages the government to review and consider changes to incentive programs that encourage mobility to ensure that they aren’t harming otherwise competitive and productive businesses.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Enhancing productivity is one of the key pillars of the forest products industry's transformation strategy. Further enhancing our productivity and opening new markets will be key to reaching our vision of \$20 billion in incremental revenues by 2020. Given the abundance of Canada's forest resource, the number of new technologies close to commercialization and Canada's global leadership in responsible forest management, Canada has the potential to become a clean bio-energy and bio-product powerhouse. Traditional forest product operations integrated with bio-industries offer the best employment scenario. An integrated forestry operation – a mix of traditional and bio-products - provides five times as many jobs as a stand-alone bio-operation. Being a global first mover in adopting these technologies is key given the current niche market size for some of the most promising products. Investing now should protect our interests in the space for years to come. To ensure this happens, Canada has to remain a world-leading jurisdiction in terms of attracting capital and de-risking first-of-kind commercial applications of technology. To that extent, FPAC recommends that the government permanently extend the Accelerated Capital Cost Allowance (ACCA) provisions for manufacturing equipment, originally tabled in Budget 2007 and extended in Budget 2009. To help ensure these advantages persist over time, FPAC encourages the government to continue to make improvements in Canada's innovation system, in particular by making administrative fixes to the Scientific Research and Experimental Development (SR&ED) tax credit program and continuing to adequately fund Canada's research agencies, such as NSERC and FPIInnovations.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Canadian companies, especially in the resource and manufacturing sectors, struggled during the recent recession and they still face strong economic headwinds. Efficient and cost competitive rail transportation remains essential so that all shippers can get their products to market and contribute to Canada's economic recovery. Railway customers, big and small, spend several billion dollars on rail freight services each year. Many resource-based rail customers are captive to the virtual monopoly power enjoyed by the railways. This unacceptable imbalance of power has led to inadequate service which impacts the competitiveness of Canadian businesses and their ability to serve export markets. The Federal Government's Rail Freight Service Review report, tabled in March 2011, stated that: "the major cause of rail service problems is railway market power, which leads to an imbalance in the commercial relationships between the railways and other stakeholders." Now that the Dinning facilitation process has been completed, we are pleased that the government is preparing to table legislation to ensure balanced negotiations with the railways, supported by timely and effective dispute settlement in case of a dispute between railways and their customers. FPAC encourages the government to act as swiftly as possible to rebalance the commercial framework to encourage real commercial negotiations between the railways and their customers.