House of Commons
Chambre des communes
Canada

House of Commons Standing Committee on Finance – Pre-budget Consultations 2013

This brief is submitted by:

(•) **an organization** **Organization name:** Forest Products Association of Canada (FPAC)

or

( ) **an individual** **Name:** _____

Topic: Forestry and mining

*Recommendation 1: Please provide a short summary of your recommendation.

The forest products industry is in a global race to transform, creating more value from forest resources. Competitors are innovating and we need to accelerate our efforts. FPAC suggests the federal government renew and replenish the highly successful Investments in Forest Industry Transformation (IFIT) program, scheduled to sunset on March 31, 2014, with $500 million over six years. The reach of the program should also be expanded to include market development initiatives. The IFIT program is a critical component of the government's support of this important natural resource industry.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$500 million-$999.9 million

5 or more years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

This would be a renewal of an existing program. The proposed program renewal duration is in alignment with the time frame of the industry's Vision2020 goals. Therefore the annual allocation of funding can recognize the current tight short-term fiscal situation. This also acknowledges the time required to launch new calls for applications. The remaining 5 years of the program should be evenly funded. FPAC recommends the following annual funding allocation:
2014-15: $25 million
2015-16 to 2019-20: $95 million each year

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Implementation of this recommendation would benefit:
• Forest product manufacturers in Canada;
• About 200 forest dependent communities across Canada in nearly all provinces, the majority of which are single industry towns;
• 230,000 individuals employed by the forest products industry in Canada, including 17,000 Aboriginals, and;
• About 370,000 additional individuals hired indirectly to provide services to the forest products industry.
• Additional indirect benefits from expanding the sector's role in other manufacturing supply chains.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

The industry has a 2020 goal of realizing an additional $20 billion in revenue from new products and markets. This requires long term effort, which a renewed IFIT program would support by de-risking the development and commercialization of new products. An expanded suite of products and markets will make the industry more profitable and economically resilient through time. The IFIT renewal will therefore help forest dependent and single industry communities by providing more stable and better paid employment over time as well as share the ensuing prosperity in rural Canada.

Topic: Forestry and mining

Recommendation 2: Please provide a short summary of your recommendation.

Over the last few years, the Forest Innovation by Research and Education (FIBRE) network has harnessed the brain power of the Canadian university system in support of the forest sector by aligning innovation with sector specific needs, and ensured results oriented research. This is proving to be a significant competitive advantage globally as new opportunities for growth are being discovered. However, the current program is coming to an end. The federal government is asked, beginning in 2015, to dedicate $60M over three years to a forest industry R&D program through NSERC.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

$10 million-$99.9 million

3 years

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

The forest sector innovation system is composed of eight networks with university and FPInnovations (FPI) collaboration involving $70M over 5 years in funding support for 26 major Canadian universities and 100 professors/400 students. The proposed funding renewal of $60 million over three years, starting in 2015, will enhance research and development coordination amongst universities on the development and use of next generation forest products. FIBRE should continue to act as the coordinating body for the broad system.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Implementation of this recommendation would benefit:
- The Canadian forest products industry
- 230,000 Canadians working in the forest products sector across Canada, and especially those in forest dependent communities
- Canadian universities, various forest sector research groups (e.g. FPI), and researchers
- Other partner industries such as the building and construction sectors and the chemical industry.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

Improved coordination, and better use of innovative research outcomes will support the creation of next generation wood products, pulp and paper, and bioproducts. The development of new products is critical in making the industry more profitable and economically resilient. This will in turn lead to more and better paid employment and "greener jobs" in forest dependent communities across Canada.

Topic: Forestry and mining

Recommendation 3: Please provide a short summary of your recommendation.

Expand the eligibility criteria of Sustainable Development Technology Canada's (SDTC) $500M NextGen Biofuels Fund to cover the full spectrum of bio-energy/bio-based opportunities. This move would support the establishment of innovative commercial scale demonstration facilities for the production of next-generation bioproducts. It would also encourage growth of technology expertise and innovation capacity for bioeconomy applications, and better position Canada in a rapidly growing global market.

Expected cost or savings: From the pull-down menus, please indicate the expected cost or savings of your recommendation to the federal government and the period of time to which the expected cost or savings is related.

≤$499,999

Immediately

Federal funding: Please provide a precise indication of how the federal government could fund your recommendation. For example, indicate what federal spending should be reallocated, what federal tax measure(s) should be introduced, eliminated or changed, etc.

There is no incremental cost for this measure. Expanded eligibility criteria should be consistent with the broad objectives of the current SDTC NextGen biofuels funds and support the:
- Establishment of innovative commercial scale demonstration facilities
- Effective use of Canadian biomass feedstocks, including forest biomass
- Increase of each project's chance of success to market
- Innovation and market development of new environmentally sustainable products.

Intended beneficiaries: Please indicate the groups of individuals, the sector(s) and/or the regions that would benefit by implementation of your recommendation.

Implementation of this recommendation would benefit a variety of economic sectors that use products which could be bio-based, including but not limited to:
- chemicals;
- automobiles;
- aerospace;
- fuels;
- forest products;
- agriculture;
- etc.

General impacts: Depending on the nature of your recommendation, please indicate how the standard of living of Canadians would be improved, jobs would be created, people would be trained, etc.

This proposal would enable all Canadian firms to innovate and de-risk bio-based projects. Canada's environmental performance, productivity, and job creation record would be improved.

Please use this page if you wish to provide more explanation about your recommendation(s).

The forest products industry is slowly recovering from the latest economic downturn. While the economic situation has improved, the Canadian industry must transform itself and it is not alone in that process. Global competitors are doing the same creating a race for some product development and markets. Canada is leading in a few and following in others.

The industry's Vision2020 has three goals: generate $20 billion in new innovations and new markets; reduce the industry's environmental footprint by a further 35%; and recruit 60,000 new employees including women, Aboriginals and immigrants. This provides focus for the industry's four-pronged transformation strategy that seeks to: 1- increase productivity and competitiveness; 2- diversify markets; 3- grow and capitalize on green credentials; and, 4- produce new innovative products.

The industry is working collaboratively with governments to implement its transformation strategy. Our recommendations address specific areas where the federal government needs to play a continued role. They also recognize and complement existing government programs and industry efforts aimed at individual elements of the strategy. For example, the government and the industry are working collectively and individually to diversify markets, capitalize on our green credentials and enhance our productivity and competitiveness.

Achieving this transformation will not be an easy task. Two examples can illustrate this challenge. First, firms are having significant challenges recruiting individuals to work in the industry, particularly in the skilled trades. This is at a time when the industry needs to recruit approximately 15,000 individuals over the next two years. Moreover, our industry must compete against other industries with deeper pockets to attract and retain employees. The industry’s "The Greenest Workforce" campaign is supporting individual company recruitment efforts. Government measures to facilitate recruitment in natural resource industries are helpful.

Second, the industry has a competitive challenge vis-a-vis its counterpart in the US with respect to pension rules. Specifically, forest products firms in Canada must make inflated pension contributions due to artificially low interest rates used to value defined benefit pension liabilities. In contrast, rules in the US use more favourable interest rates to calculate those liabilities, thus lowering defined pension contribution requirements. This support has translated into about $2 billion in direct benefit to the forest products industry in the US. This discrepancy in pension frameworks between the two countries disadvantages Canadian forest products firms. It is also ill timed as Canadian firms have a critical need for their cash flows to invest in the transformation of their operations. This underlines the need for continued transformation support by the federal government.

*Please note that at least one recommendation must be provided