



Position on the Proposed Framework to Modernize Ontario's Forest Tenure and Pricing System

Joint Statement by the Timmins Economic Development Corporation, The Corporation of the City of Timmins & the Timmins Chamber of Commerce

Context

In recent years, the Ministry of Natural Resources and the Ministry of Northern Development, Mines and Forestry (2009) have embarked on a number of initiatives aimed at helping an ailing forest sector. One of the primary issues identified by certain players within the forest sector was that under the current structure, there is limited ability for new entrants to gain access to fibre and for existing users of the province's wood basket to gain access to *more* wood fibre for innovative or larger projects.

In January 2009, MNDMF formally responded to concerns about limited access to fibre with the Provincial Wood Supply Competitive Process, Stage I, a Request for Expressions of Interest, to determine whether a wood supply competitive process was needed by businesses interested in gaining access, or gaining greater access, to Ontario's wood supply. According to MNDMF, based on the overwhelming participation in Stage I, the Minister moved forward with Stage II with the November 2009 launch of the Provincial Wood Supply Competitive Process, designed to invite interested parties to submit proposals for the potential use of about 11 million cubic meters of unused Crown wood supply (http://www.mndm.gov.on.ca/forestry/crownwood/default_e.asp).

Meanwhile, in August 2009, MNDMF initiated "Ontario's Forests, Ontario's Future. Modernizing Ontario's Forest Tenure and Pricing System: A Strategic Discussion" designed to stimulate discussions and idea-share ways in which Ontario could reform tenure and pricing system – which describes how companies get and pay for wood. By April 2010, MNDMF released "Ontario's Forests, Ontario's Future: A Proposed Framework to Modernize Ontario's Forest Tenure and Pricing System.

Response

We commend the ministry for attempting to address these issues and improve Ontario's forest sector. Unfortunately, while well-intended, the government-led tenure review has not been able to keep pace with the business world. In recent years a handful of industry-driven models have been developed by multiple players in the forest sector, some of which represent unprecedented collaboration between forestry companies. This, in conjunction with the province's Competitive Wood Supply Process, are two key components of the solution industry supports. Our three entities recommend that the provincial government immediately:

- 1. Impose a minimum 3-year moratorium on the *Proposed Framework to Modernize Ontario's Forest Tenure and Pricing System***

The proposed framework is a one-size fits all approach which fails to recognize regions in which successful strategies and solutions have been developed and implemented. A full-system overhaul may be done at the expense of those systems which *are* working well. It would create instability in the wood-supply system, by alienating investment, as forestry operators would be unable to obtain financial support for projects without the assurance that they have access to wood supply for a defined period of time.

Moreover, the proposed framework does not directly outline the issues it aims to resolve. The overall consensus is that the proposed framework will do more in the way of disrupting the forestry sector, rather than help it as intended. Imposing a moratorium will enable a number of initiatives to continue their natural progressions; after which time we would support the government in re-evaluating the need for tenure reform.

2. **Complete the Provincial Wood Supply Competitive Process**

Many in the forest sector view the Wood Supply Competitive Process as part of the solution towards maximizing use of forestry resources and enabling new entrants. If the proposed framework were to proceed, there is broad concern that the time, effort and finances that were invested in Stage 1 and Stage 2 processes will be lost with no measurable return. The process was initiated to make use of existing, unused Crown wood supply, thereby helping Ontario to move towards a strong and diversified forest sector. It is recommended that the government see this process through to completion and hold true to its commitment to do so.

3. **Evaluate existing and emerging co-operative SFL models for regions in which wood supply-reform is necessary**

In recent years, there are a handful of forest management models that have evolved out of need for reform. Models like the Temiskaming Forest Alliance (TFA) and the recently formed Abitibi River Forest Management Inc. (ARF) involve small independent logging operators to large forest products producers. In exchange for surrendering their individual historical harvesting licenses, shares in this forest management cooperative were proportionally allocated and issued to forest products producers and independent logging operators. On behalf of these partners, First Resource Management Group Inc. is responsible for the sustainable forest management of the Abitibi River Forest (http://www.abiriv.com/About_ARF.htm). The Abitibi River Forest SFL was officially established April 2010. The SFL partners spent two years formalizing a forest-management/SFL co-op. The members involved in this model, representing unprecedented cooperation and collaboration in the forest sector, do not want their efforts, time, resources nullified by the tenure reform process.

Models like TFA and ARF create a cost competitive and accessible wood supply, promote efficient and value-added use of timber and are responsive to changing conditions. The models also rely on an impartial forest management business which is sustainable and financially self-sufficient, has clearly defined roles, responsibilities and accountability, operates in a business-like manner, is sensitive to regional and local interests, operates on economically competitive sustainable and ecologically based management areas.

While we applaud the government's intentions in proposing a new framework, the reality is that in order to survive in this global economy, forestry sector businesses have had to work together to develop solutions in a timely fashion. To that end, we encourage MNDMF to evaluate existing co-op SFL models as models that could be broadly applied to other jurisdictions *requiring* tenure reform.

Signed,

Dave McGirr
Chair
TEDC

Fred Gibbons
President, 2009-2010
Timmins Chamber of Commerce

Tom Laughren
Mayor
City of Timmins