

ForeSTalk

RESOURCE MAGAZINE

SUMMER 1980



ForestTalk

Volume 4 Number 2 Summer 1980

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ForestTalk Resource Magazine is published quarterly by the Province of British Columbia, Ministry of Forests, Information Services Branch, 1450 Government Street, Victoria, B.C. V8W 3E7. Telephone: (604) 387-5985.

Designed to encourage interest, discussion and understanding of British Columbia's forest, range and recreational resources, ForestTalk is available free on request. Second class mailing registration No. 3863. International Standard Serial Number ISSN 0700-1770.

ForestTalk welcomes submissions from professional writers and photographers on themes related to the B.C. forests and their uses. Address enquiries to the editor.

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The Ministry of Forests is preparing today to meet the forest management needs of the future. The recently released *Forest and Range Resource Analysis* and its supporting technical report describe the present state of these resources and assess trends in future demand and supply. The accompanying *Five-Year Forest and Range Resource Program* provides a course of action aimed at the tough challenges expected in the next five years, as well as addressing those problems and opportunities the province will face over several decades.

These unique documents reflect the Ministry's commitment to effective and consistent forest and range management. The challenge today is to implement an orderly transition from the harvesting of old-growth stock to the use of well-managed second-growth forests.

Tom Waterland

Hon. Tom Waterland, Minister of Forests



Province of
British Columbia

Ministry of
Forests



From similarly rugged beginnings the town of Powell River and the B.C. Forest Service literally grew up together. And although the title of "Forest Ranger" is now on the way out, its legacy endures. The cover composition by illustrator Roberto Dosil makes use of historic photographs, provided by the B.C. Provincial Archives and Vancouver Public Library, of the early days in Powell River or similar environs. Of special interest is the Rodmay Hotel in 1909 and the Powell River docks of 1910.

FEATURES

**Lumber Marketing:
How They Play
The Game** There's a lot more to marketing B.C.'s annual 3 billion dollar lumber output than waiting for the orders to roll in; especially in a lean year like 1980 with U.S. housing starts down drastically.
by Ken Bernsohn 3

**ForestTalk Interviews
Peter Pearse** Looking back, what does UBC economist Dr. Pearse think of his 1976 Royal Commission Report on the forest resource and the new Ministry of Forests legislation it inspired?
by Peter Grant 8

**The Forest Rangers
of Powell River** Today's forest managers need to be specialists, not generalists. So the position of the B.C. Forest Ranger, a jack of all trades equally at home fighting fires or cruising timber, is disappearing. And not without some regret.
by Bruce Obee 11

Bark, The Microhabitat Tree bark not only protects vulnerable heartwood from the ravages of the elements; it also sustains unique biological communities.
photo essay by Judy and Gary Green 16

**Undercutting or
Overcutting:
The Rate-of-Harvest
Debate** Are we cutting out timber too slowly? Too fast? How can we know for sure? Here are four differing viewpoints on one of the thorniest issues facing B.C. forest managers.
by Peter Grant 20

DEPARTMENTS

Collections: Who was that other Douglas? Who put the presto in presto logs? Who ever heard of *widu* or *treeo*? 18

Letters 25

**People:
John Hetherington** Log marketing is a fast-paced business where handshakes often seal million-dollar deals. But why does John Hetherington take golf shoes along in a float plane?
by Grant Ellis 26

**Forest Habitat
The Edible Forest:
Roses** The 14 or so members of B.C.'s wild rose family are so beautiful you want to eat them. Go right ahead.
by Enid Lemon 28

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Forestalk Interviews

Dr. Peter Pearse

by Peter Grant

Dr. Peter Pearse came into public prominence in the mid-1970's when, as the government's one-man Royal Commission studying British Columbia's forest resources, he travelled throughout the province to hear the views of everyone and anyone wishing to comment on forest management in B.C. His 400-page report, Timber Rights and Forest Policy, was published in 1976 and quickly became known as simply "The Pearse Report". By any name, his collection of observations and recommendations formed the foundation for the sweeping revision of the province's forest legislation contained in the Forest Act, Range Act and Ministry of Forests Act of 1978.

With his knowledge of politics, economics and forestry, University of British Columbia economics professor Peter Pearse was well-prepared to undertake the Royal Commission inquiry. Raised in the Okanagan and Kamloops area, he studied forestry at U.B.C. and, after completing graduate studies in political economy at Edinburgh, Scotland, returned to U.B.C. where he has established a wide reputation in the field of natural resource economics. Recently Dr. Pearse was awarded the Association of B.C. Professional Foresters' Distinguished Forester Award.

It has been two years since the introduction of the new forest legislation, and recently Dr. Pearse took time out from a busy schedule to reflect on the Pearse Report, the new forest legislation, and the future of B.C.'s forest industry. Although he finds that some parts of the new forest legislation do not reflect his views on forest policy as expressed in his report, he is quick to point out that the new legislation is "a masterpiece in the way it is drafted".



FORESTALK: The Pearse Report laid the foundation for the development of the province's new forest, range and recreation legislation which came into effect in 1978. What is your overall reaction to this new legislation?

PEARSE: I think the legislation is a masterpiece in the way it is drafted. It has exceeded my expectations in terms of clarifying the Crown's responsibilities and the rights and obligations of timber licencees. British Columbia's legislation for natural resource industries — the Fish and Wildlife Act, the Mining Act, the Water Act — is rife with ambiguities and ministerial discretions, which in my opinion are not very appropri-

ate. The new forest legislation is precise and well organized.

FORESTALK: Are there any aspects of the legislation with which you disagree?

"I happen to think that the issue of consolidation, or concentration, in the forest industry is a terribly important one."

PEARSE: There is only one issue on which I have reservations, and I'm hesitating answering your question. I'm gratified that the government incorporated into its forest legislation as many of my suggestions as it did.



PHOTO: John Thomson

FORESTALK: Has your concern about the concentration of the industry changed at all since your study?

"The government should not be encouraging bigness; it ought to take an unbiased view and let the market sort out who is efficient and who should get the timber."

PEARSE: If anything, it has increased. The industry has been consolidating very rapidly in the past few years. The industry is growing, but the resource is being concentrated in the hands of fewer and fewer larger and larger companies. The pace of concentration hasn't abated since my report was written in 1976.

I went to great pains in my report to recommend the removal of the biases in the forest tenure system which encouraged consolidation, so that small operators could compete with the big operators. As far as I can see, in the logging and sawmilling sectors there are limited economies of scale; small operators are often just as efficient as big ones. The government should not be encouraging bigness; it ought to take an unbiased view and let the market sort out who is efficient and who should get the timber. But it has left certain forces in the tenure structure that will continue to encourage consolidation. In other words, the only way a company is going to be able to grow is by buying somebody else out.

FORESTALK: How much competition is there in B.C.'s forest industry, compared to other places?

PEARSE: We allocate almost no timber in British Columbia through competitive sales. It's all parcelled out on a bilateral arrangement between the government and the companies, and the price is negotiated.

In the United States, nearly all public timber is allocated through public auction. Competitive sales serve their normal market function of helping to sort out the allocation of timber among the efficient operators. Also, when people bid against one another they never pay more than they're willing to. One result is that the consolidation of the industry isn't nearly as marked in the United States.

But I didn't recommend as much competition as in the U.S., only that a substantial fraction of the timber allocation in each Public Sustained Yield Unit [currently being reorganized into Timber Supply Areas] be made available through competition. The new legislation allows for this, but I fear that there will be little timber available for competitive sales.

FORESTALK: While your report recommended more competition in the forest industry, it also stressed the need for security of tenure. Can you explain your thinking on this?

"We must give a reasonably secure raw material supply to people who invest in the industry, so that they can operate efficiently and do their investment planning."

PEARSE: I recommended strengthening the security of licences in various ways. We must give a reasonably secure raw material supply to people who invest in the industry, so that they can operate efficiently and do their investment planning.

I also felt, however, that we had to retain some flexibility in the way the Crown allocates its timber. It's important for the Crown to be able to reallocate some timber to accommodate the changing needs of the industry, and to meet the other demands on the forests. Nobody knows what the forest industry is going to be like 50 years from now. As a result of this legislation, however, it appears that the Crown's commitment to existing holders of timber rights is locked in more firmly than before.

FORESTALK: In your view, could this situation pose problems for the forest industry?

PEARSE: I keep telling my friends in the forest industry that unwittingly they may be undermining their own position by always pressing the government for even firmer commitments of timber. If one reads the history of forest policy in Canada — in Newfoundland, in New Brunswick, Quebec, Ontario, British Columbia — you'll find instances where the Crown has made commitments of a very long-term nature, subsequently regretted it and used legislation to abrogate these commitments.

It sounds a bit like a dog in the manger to come along afterwards and say: "You've done everything right — except this!" But I happen to think

"The industry is growing, but the resource is being concentrated in the hands of fewer and fewer larger and larger companies."

that the issue of consolidation, or concentration, in the forest industry is a terribly important one. Although I brought this out in my report, the government clearly was not convinced by my arguments on this point.

In B.C. we've got an enormous forest industry; nearly half the forest industry of Canada is located here. There's room for scores of companies of efficient size. Corporate consolidation isn't necessary. Monopolies do not serve the public interest; that's why every advanced industrial country has extensive legislation for the control of monopolies.

"I wouldn't mind consolidation at the top of the industry if there was room at the bottom for the smaller operators to grow and for new operators to have access to timber."

If small firms are locked in at the bottom and have no opportunities to grow, then I think we've got a dangerous situation. I wouldn't mind consolidation at the top of the industry if there was room at the bottom for the smaller operators to grow and for new operators to have access to timber.

FORESTALK: Doesn't the new legislation make provisions for the allocation of timber to smaller operators?

PEARSE: As I understand the new legislation, Crown timber which is not committed to the major companies can be made available to these smaller operators through competitive short-term timber sale licences and the small business program. How much timber that will be has not been decided yet.

FORESTALK: In your report you stressed the need to take changing world markets into account when framing forest policy. What trends do you see in B.C.'s forest industry in terms of our place in world markets?

"With its rate of development, the southern United States is going to be our real competitor."

PEARSE: I'm less inclined to comment on the short-term outlook than on the long-term. In the long run there are several trends I can point to. Our special advantage lies in our very high-grade stands of old-growth timber. That's what we've been cutting away at all this time,

and that's what the rest of the world has been wanting to buy. But these extensive stands of old-growth are diminishing, and we're going to have to make a transition to second growth — soon. The kind of timber we're going to be using has no real advantage over the kind of timber which can be produced, for example, in Europe, the southern United States, and the East. So the uniqueness of our resource is going to decline.

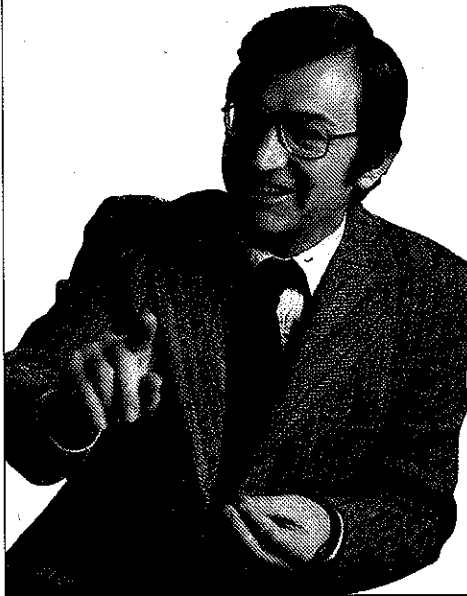


PHOTO: John Thomson

There are trends in the rest of the world as well. In the past few decades there has been a vast opening up of tropical hardwoods and other stands in the less-developed world, partly because of technological changes which enable us to use new kinds of wood. Another trend is the rapid growth of plantation forestry in places like Brazil, Australia and the southern U.S. With its rate of development, the southern United States is going to be our real competitor. There's going to be a lot of timber coming out of those plantations, and they can now use that young material for making plywood, or virtually any wood product.

FORESTALK: How can our forest industry adapt to these trends?

PEARSE: I doubt that we're going to be struggling to the tops of mountains a hundred years from now to get a second crop. I think what's going to happen will be roughly comparable to the trend in agriculture: you withdraw from taking simply whatever nature has to offer and instead adopt intensive management of more homogeneous

forest crops on sites that are manageable — valley bottoms, for example. And we will grow the kinds of forests that are suited to the products we want to produce, rather than adapting our products to the raw material.

FORESTALK: The biggest challenge facing forest managers today is meeting our economic wood needs while tapping the other values of the forest. The key to this is the rate at which we harvest our timber?

PEARSE: The rate of harvest is the most important economic decision made by the government in this province; it determines the availability of raw material for our biggest industry.

The first problem is to get a handle on how much merchantable, or economically-recoverable timber there is. We have huge quantities of data on the forests of this province. During the 1950s the Forest Service's Inventory Division developed a world reputation for its innovative techniques of inventorying vast tracts of wilderness. They did a brilliant job of adding up the volume of wood in every tree of every species in every site in British Columbia. But the data are not interpreted in a meaningful way.

"With a relatively simple econometric technique we can now estimate what it would cost to log a particular type of timber in a particular location."

The kind of analysis that needs to be done doesn't require a host of new information — just a little more sophisticated look at the data we already have. It can be done very quickly with computer technology. With a relatively simple econometric technique we can now estimate what it would cost to log a particular type of timber in a particular location.

FORESTALK: Given the concerns expressed in this interview, are you still mainly pleased with the new forest legislation?

PEARSE: It is a model of how to write natural resource legislation. Much of the content is good, but in certain respects, especially its ultimate impact on the structure of the forest industry, I do have reservations. **A**