



Natural. Valued. Protected.

TENURE MODERNIZATION

**Ontario's Forests.
Ontario's Future.**

Leigh Colpitts

Supervisor, Forest Economics & Trade

March 31, 2009



Ontario budget announcement - March 26, 2009

- **“The government will...review Ontario’s forest tenure and pricing systems, exploring options to improve their design. Working with industry, environmental groups, Aboriginal communities and the broader public, the government will help create the best environment possible for Ontario’s forest product businesses to succeed, while balancing this with sustainable practices.”**

1. What is forest tenure?
2. Historical perspective
3. Current situation
4. Considerations for the future

Tenure

- legal term – a mode of holding lands in subordination to a superior.
- Business relationship among society (government), public forest resource and forest resource industry

What Do We Mean By "Tenure"?

Disposition

How govt
determines who
can use the timber

Ontario's
Crown
Forests

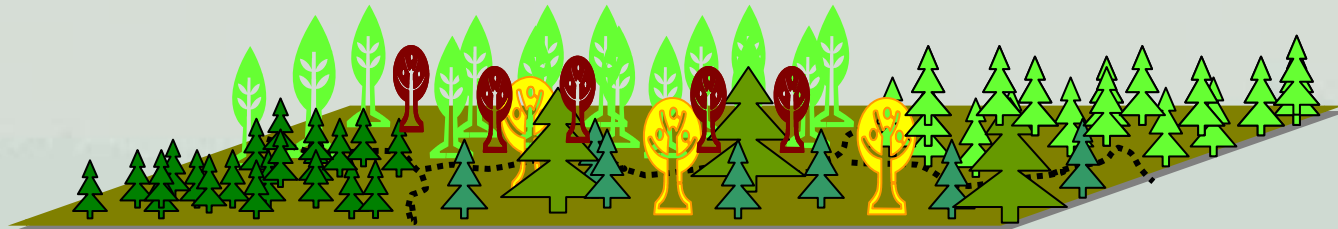
Pricing

How price is
determined

Licensing

Legal conditions
and obligations

Crown Forest Resource



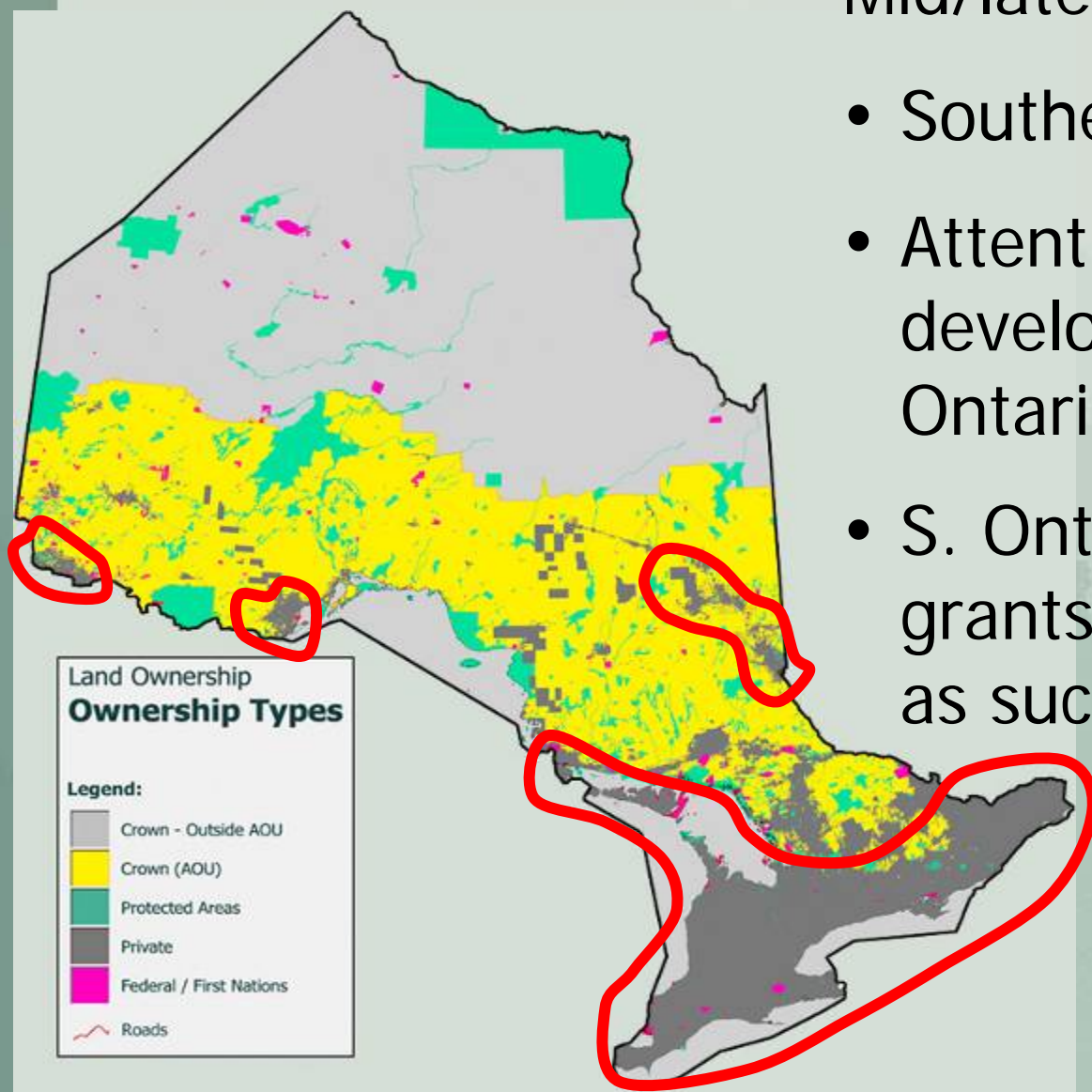
Creating Value

*Social
Value*

*Economic
Value*

*Environmental
Value*

Historical: Mid-1800s



Mid/late-1800s:

- Southern Ontario settled
- Attention turned to developing northern Ontario
- S. Ontario model of land grants (agriculture) not as successful in north.

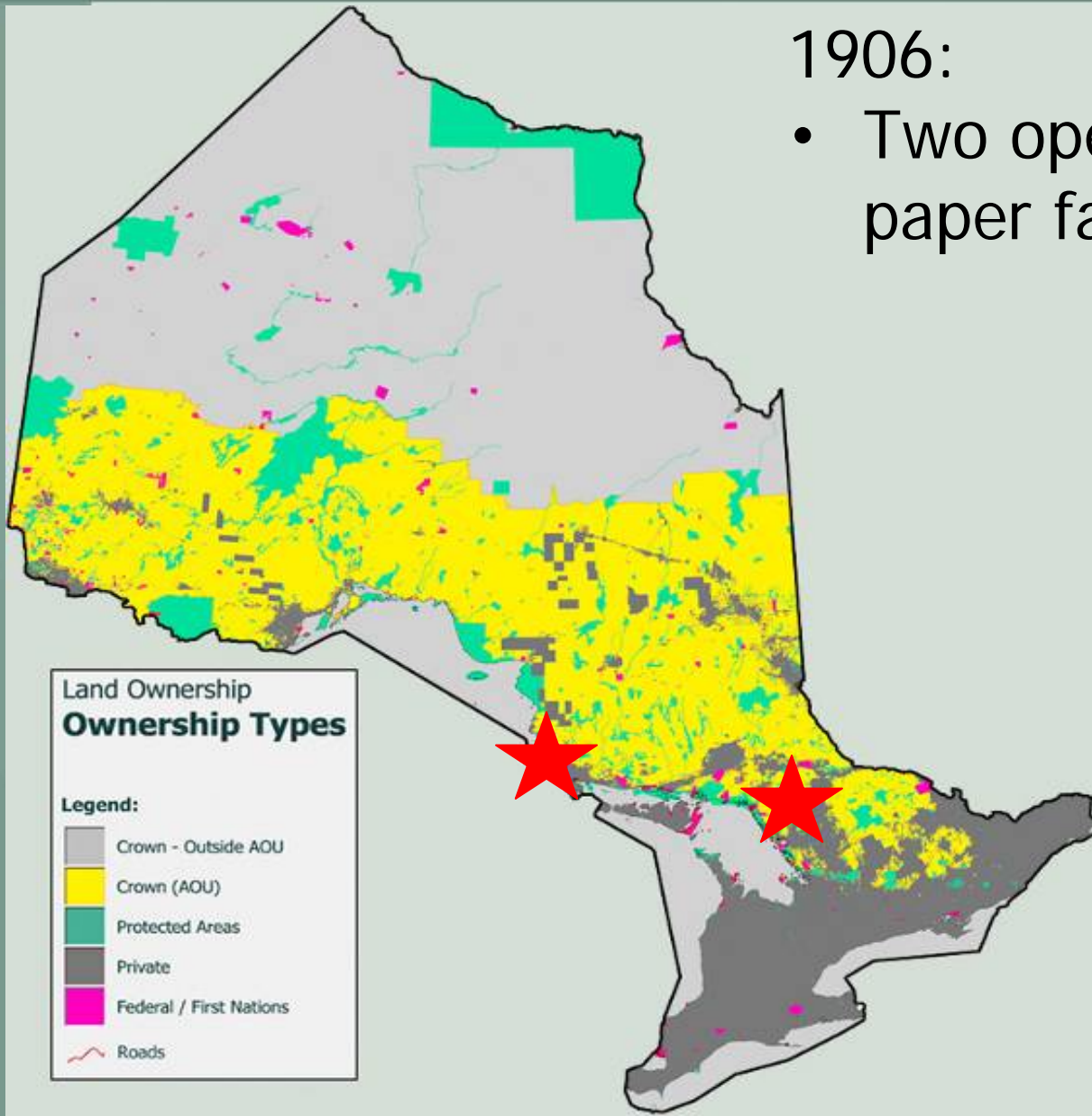
Early 1900s:

- Ontario government aspired to use new wood pulping and paper making industry as lever to develop northern Ontario
- Pulp and paper industry required massive infrastructure development
- Capitalization/financing required guaranteed supply of pulpwood
- “Pulpwood Agreements” negotiated to assure supply

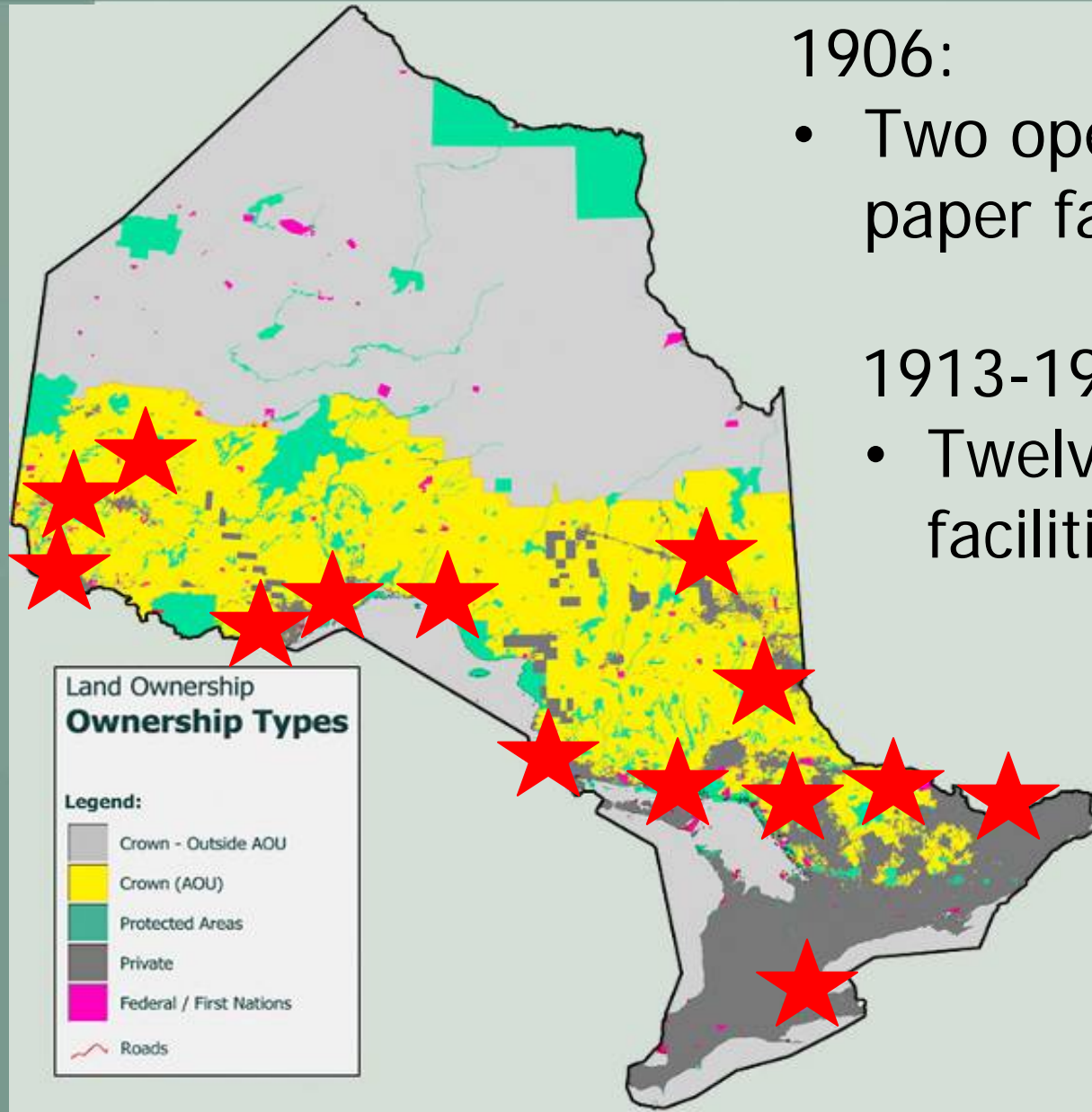
Historical: Early 1900s

1906:

- Two operating pulp and paper facilities



Historical: Early 1900s



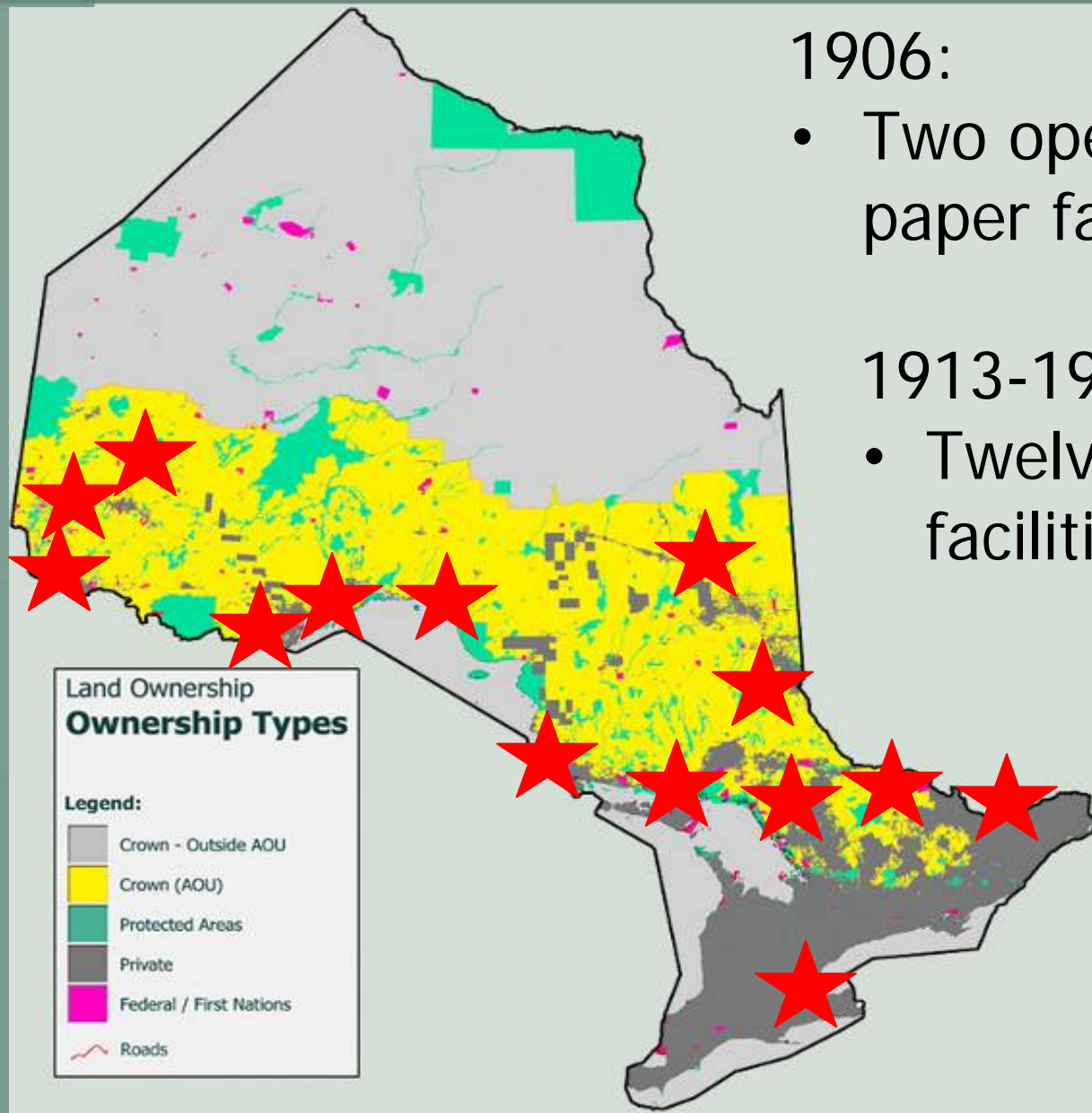
1906:

- Two operating pulp and paper facilities

1913-1928:

- Twelve pulp and paper facilities built in Ontario

Historical: Early 1900s



1906:

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1913-1928:

- Twelve pulp and paper facilities built in Ontario

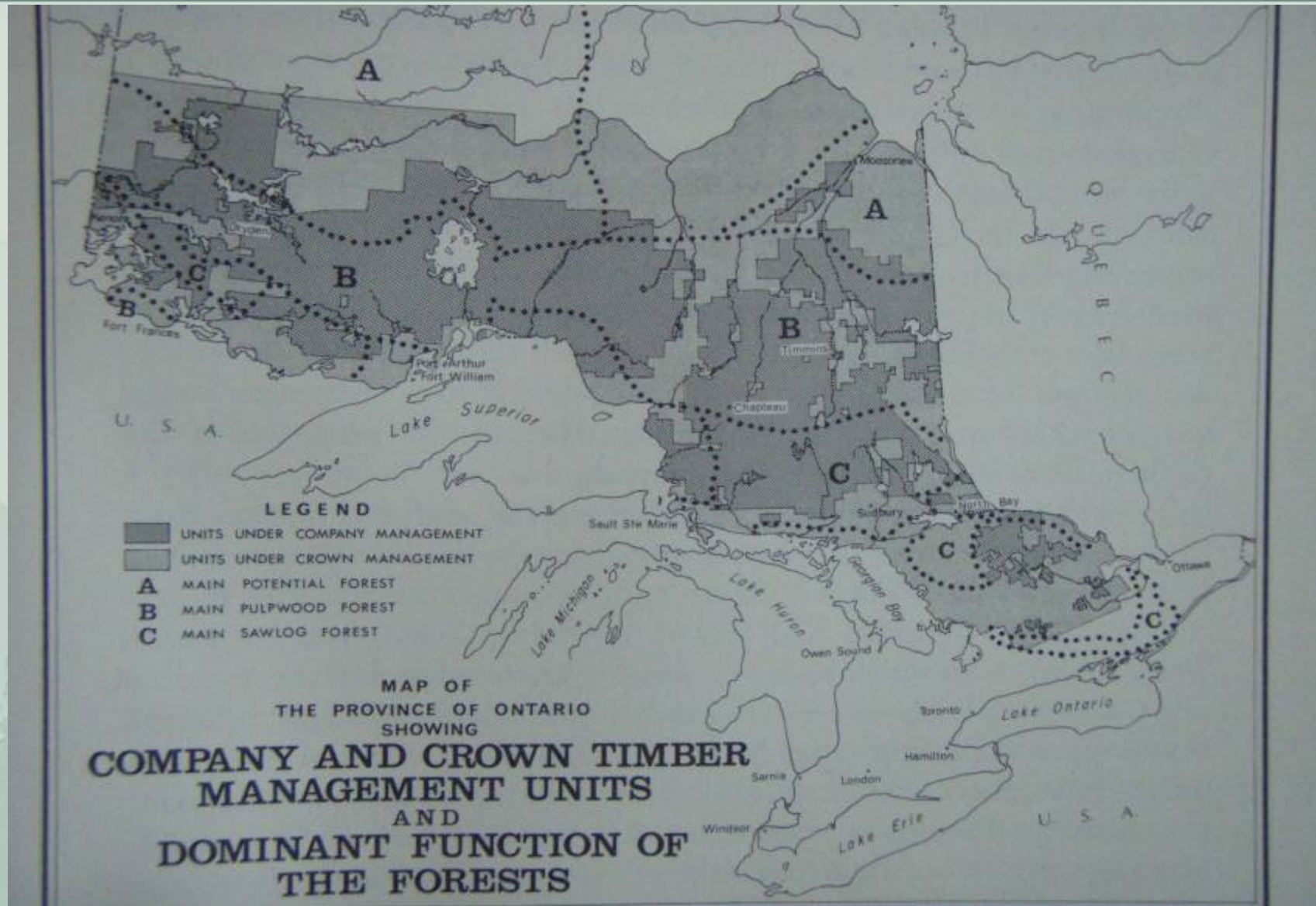
- “Pulpwood Agreement” was key ingredient in development of northern Ontario

1940s:

- Royal Commission of Enquiry (Kennedy)
 - 72 recommendations
 - “Modernized” forest management in Ontario; harvest based on sustained yield
 - Management plans to be based on science, written by professionals, approved by government
 - Industry more closely regulated

- Crown Timber Act (1952)
 - Company Management Units
 - Companies conducted forest operation activities
 - Government prepared **timber** management plans, funded silviculture, forest protection, compliance monitoring
 - Crown Management Units
 - Government prepared **timber** management plans + conducted forest operations activities.

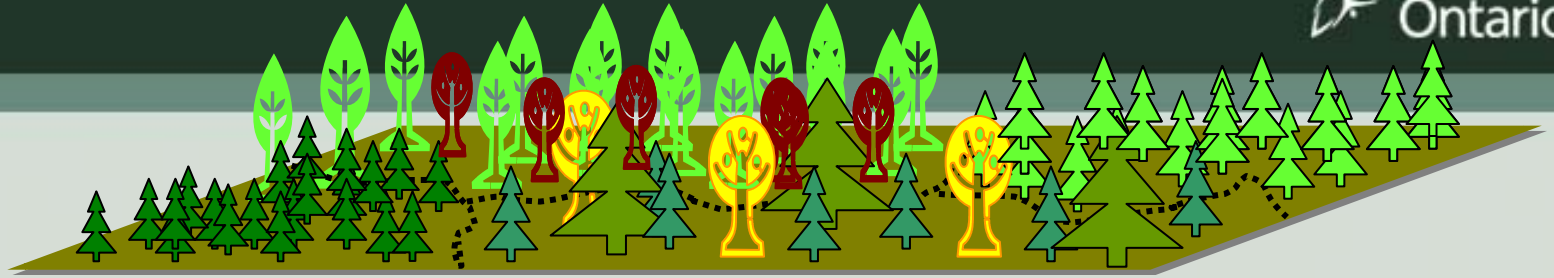
Historical: 1950s



- Crown Timber Act (1952)
 - Company Management Units
 - Crown Management Units
 - **1980s – Forest Management Agreements**
 - Companies prepared *timber* management plans, conducted forest operations activities
 - Government approved plans and funded road building, silviculture, forest protection, monitored compliance

- Crown Forest Sustainability Act (1995)
 - Sustainable Forest Licence (SFL)
 - Increased responsibility (and cost) on industry
 - Companies prepare **forest** management plans (substantially more depth than timber mgt plans), conduct forest operations, absorb cost for roads.
 - Government approves plans, monitors compliance, funds silviculture (trust funds), forest protection (and recently funds portion of road construction)
 - Independent Forest Audits

Crown Forest Resource



Policy Development - Long-term Forest Sustainability



Policy Implementation – Public interest aspects of forest mgt.



Forestry operations – roads, harvest, forest renewal, etc.



Manufacturing

**Co. "A"
Pulp & Paper**

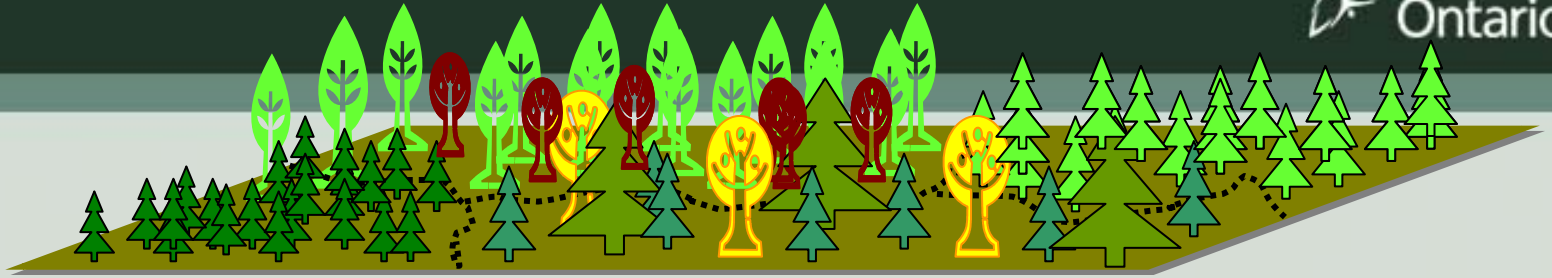
**Co. "B"
Softwood
Lumber**

**Co. "C"
Oriented
Strandboard**

**Co. "D"
New Biofibre
Enterprise**

Private Goods

Crown Forest Resource



Incentive:
Maximize
public value
(provincial)

Policy Development - Long-term Forest Sustainability

Policy Implementation – Public interest aspects of forest mgt.

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Manufacturing

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Pulp & Paper

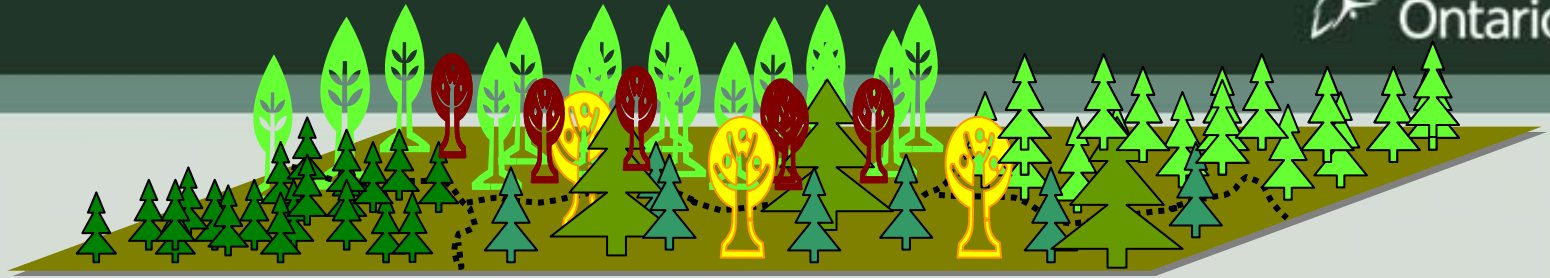
Co. "B"
Softwood
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Co. "D"
New Biofibre
Enterprise

Incentive:
Maximize
shareholder
value
(firm)

Private Goods



Policy Development - Long-term Forest Sustainability

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Forestry operations – roads, harvest, forest renewal, etc.

Co. "A"
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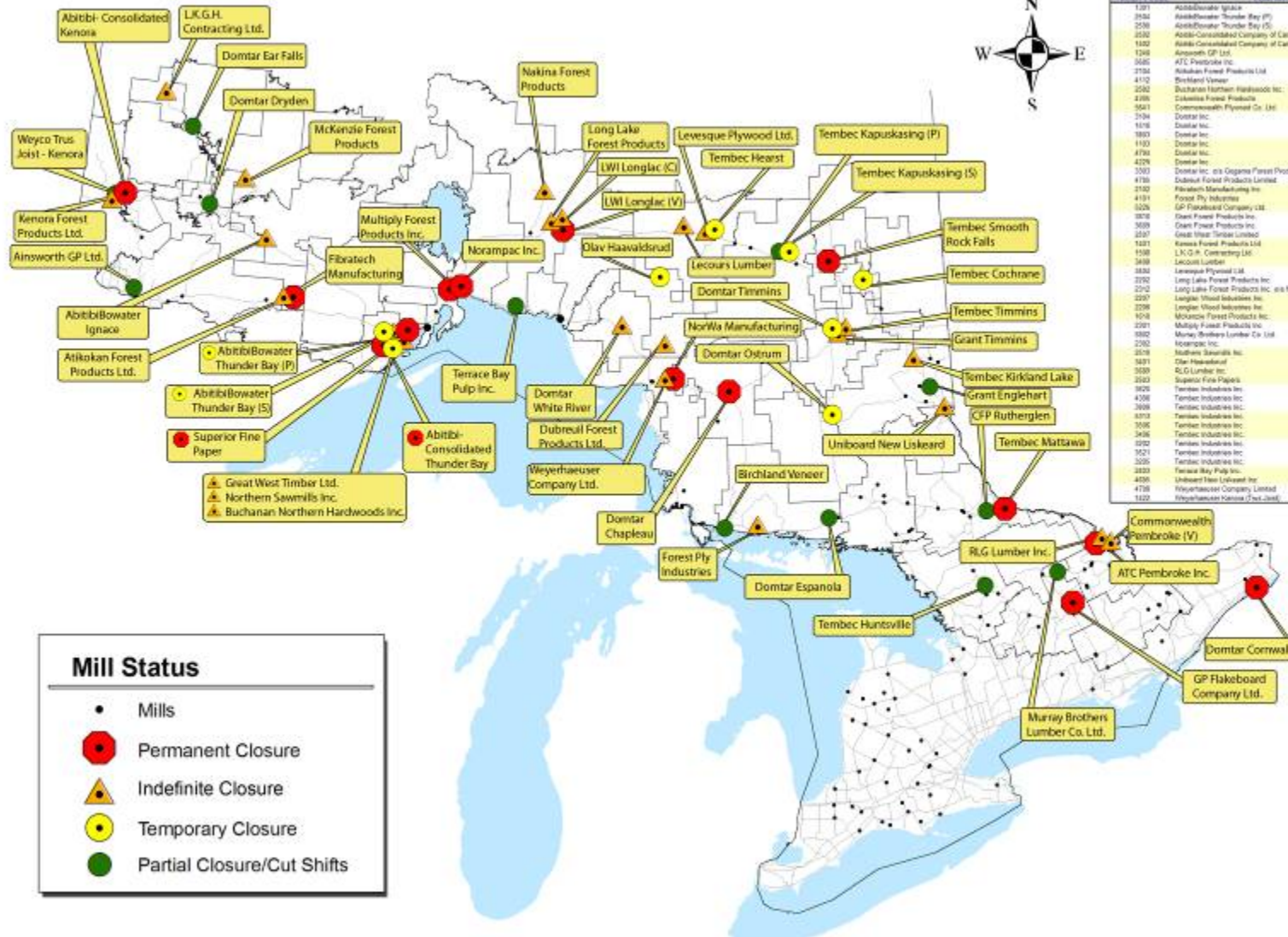
Co. "D"
New Biofibre
Enterprise

Sustainable Forest
Licence (SFL)

Private Goods

Ontario Mill Status

Mill Status



MILL ID	COMPANY	LOCATION	INDUSTRY TYPE	STATUS
131	AbitibiBowater Ignace	Ignace	Sawnl 07 299	Indef. Closure
354	AbitibiBowater Thunder Bay (P)	Thunder Bay	Pulp, Paper and Paperboard	Temp. Closure
258	AbitibiBowater Thunder Bay (S)	Thunder Bay	Sawnl 07 299	Temp. Closure
652	Abitibi-Consolidated Company of Canada	Thunder Bay	Pulp, Paper and Paperboard	Perm. Closure
100	Abitibi-Consolidated Company of Canada	Norona	Pulp, Paper and Paperboard	Perm. Closure
124	Albion GP Ltd.	Barrie	Composite Solids and Panels	Partial Closure
645	ATC Pembroke Inc.	Pembroke	Composite Solids and Panels	Indef. Closure
214	Atkinson Forest Products Ltd.	Barrie	Sawnl 07 299	Indef. Closure
412	Birchland Veneer	Thessalon	Veneer Mill	Cut Shifts
252	Buchanan Northern Hardwoods Inc.	Thunder Bay	Indef. Closure	Indef. Closure
498	Colman Forest Products	Northington	Veneer Mill	Partial Closure
541	Commonwealth Plywood Co. Ltd.	Pembroke	Veneer Mill	Indef. Closure
574	Dorstar Inc.	Chatham	Sawnl 07 299	Perm. Closure
1018	Dorstar Inc.	Carleton Place	Sawnl 07 299	Partial Closure
180	Dorstar Inc.	Timmins	Sawnl 07 299	Temp. Closure
1100	Dorstar Inc.	Clyton	Pulp, Paper and Paperboard	Partial Closure
476	Dorstar Inc.	White River	Sawnl 07 299	Indef. Closure
424	Dorstar Inc.	Deerpole	Pulp, Paper and Paperboard	Partial Closure
330	Dorstar Inc. aka Gagnon Forest Products	Oran	Sawnl 07 299	Temp. Closure
478	Dorstar Forest Products Limited	Dobsonville	Sawnl 07 299	Indef. Closure
210	Fibretech Manufacturing Inc.	Albion	Composite Solids and Panels	Perm. Closure
414	Forest Ply Industries	Stouffville	Veneer Mill	Indef. Closure
526	GP Flakeboard Company Ltd.	Darlington	Composite Solids and Panels	Perm. Closure
3018	Kan Forest Products Inc.	Timmins	Composite Solids and Panels	Indef. Closure
509	Clear Forest Products Inc.	Oran	Composite Solids and Panels	Cut Shifts
207	Great West Timber Limited	Thunder Bay	Sawnl 07 299	Indef. Closure
101	Korea Forest Products Ltd.	Norona	Sawnl 07 299	Indef. Closure
618	L.C.C. Contracting Ltd.	Repulse Bay	Indef. Closure	Indef. Closure
348	Lecours Lumber	Carleton Place	Sawnl 07 299	Indef. Closure
380	Lewesque Plywood Ltd.	Heard	Veneer Mill	Indef. Closure
230	Long Lake Forest Products Inc.	Langley	Sawnl 07 299	Indef. Closure
212	Long Lake Forest Products Inc. aka Nakina Forest Products	Nakina	Sawnl 07 299	Indef. Closure
227	Langley Wood Solutions Inc.	Langley	Veneer Mill	Perm. Closure
1018	Maurice Forest Products Inc.	Hudson	Sawnl 07 299	Indef. Closure
201	Multiply Forest Products Inc.	Happily	Veneer Mill	Perm. Closure
602	Murray Brothers Lumber Co. Ltd.	Halesworth	Sawnl 07 299	Partial Closure
292	Norampac Inc.	Deer Rock	Pulp, Paper and Paperboard	Perm. Closure
2018	NorWa Sawmills Inc.	Thunder Bay	Sawnl 07 299	Indef. Closure
181	Olav Haavaldsrud	Hemphill	Sawnl 07 299	Temp. Closure
388	R.G. Lumber Inc.	Pembroke	Sawnl 25 299	Perm. Closure
252	Superior Fine Papers	Thunder Bay	Pulp, Paper and Paperboard	Perm. Closure
3026	Tembec Industries Inc.	Holland Lake	Sawnl 07 299	Indef. Closure
438	Tembec Industries Inc.	Mattawa	Sawnl 07 299	Perm. Closure
308	Tembec Industries Inc.	Timmins	Sawnl 07 299	Indef. Closure
610	Tembec Industries Inc.	Huntsville	Sawnl 07 299	Partial Closure
308	Tembec Industries Inc.	Kapuskasing	Pulp, Paper and Paperboard	Partial Closure
346	Tembec Industries Inc.	Heard	Sawnl 07 299	Temp. Closure
202	Tembec Industries Inc.	Oran	Sawnl 07 299	Temp. Closure
351	Tembec Industries Inc.	Kapuskasing	Sawnl 07 299	Temp. Closure
325	Tembec Industries Inc.	Smooth Rock Falls	Pulp, Paper and Paperboard	Perm. Closure
283	Terrace Bay Pulp Inc.	Terrence Bay	Composite Solids and Panels	Partial Closure
408	Uniboard New Liskeard	New Liskeard	Composite Solids and Panels	Indef. Closure
478	Weyerhaeuser Company Limited	Venus	Composite Solids and Panels	Indef. Closure
532	Weyerhaeuser Company Limited	Unlabeled Board Lumber	Unlabeled Board Lumber	Partial Closure

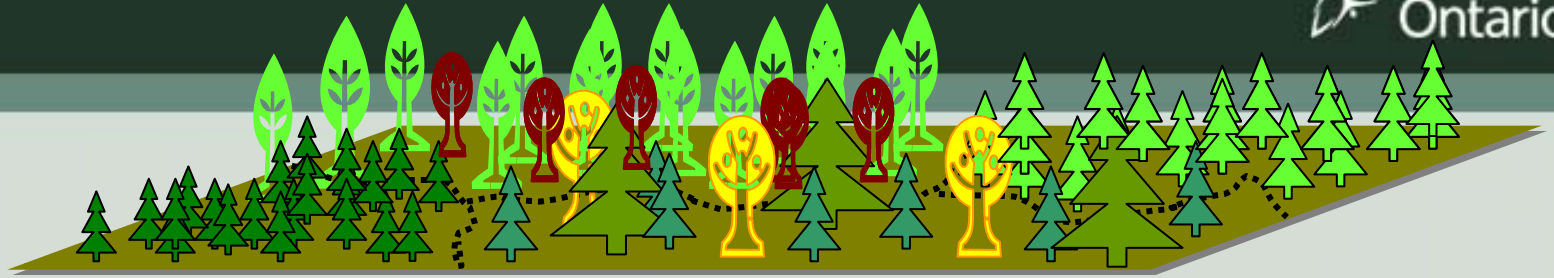
Mill Status

- Mills
- Permanent Closure
- ▲ Indefinite Closure
- Temporary Closure
- Partial Closure/Cut Shifts

Updated February 13, 2009
Time Period: 2003 - Present



Crown Forest Resource



Incentive:
Maximize
public value
(provincial)

Policy Development - Long-term Forest Sustainability

Policy Implementation – Public interest aspects of forest mgt.

Forestry operations – roads, harvest, forest renewal, etc.

Manufacturing

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Pulp & Paper

Co. "B"
Softwood
Lumber

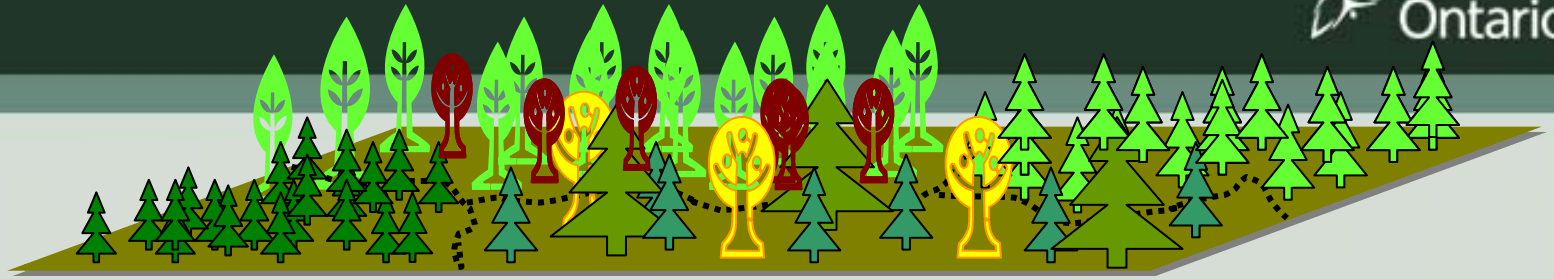
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New Biofibre
Enterprise

Incentive:
Maximize
shareholder
value
(firm)

Private Goods

Crown Forest Resource



Government

Policy Development



Policy Implementation



Forestry Operations



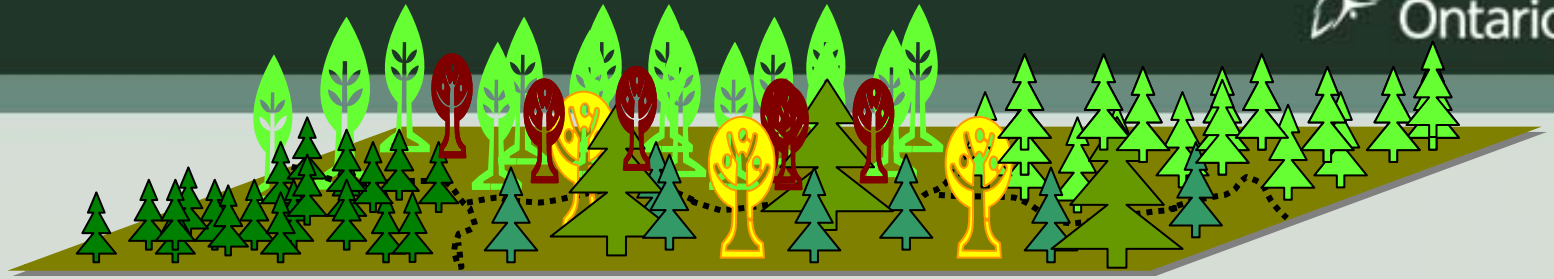
**Manufacturing
Business Entity**

Manufacturing



Private Goods

Crown Forest Resource



Government

Policy Development



Policy Implementation



Forestry Operations



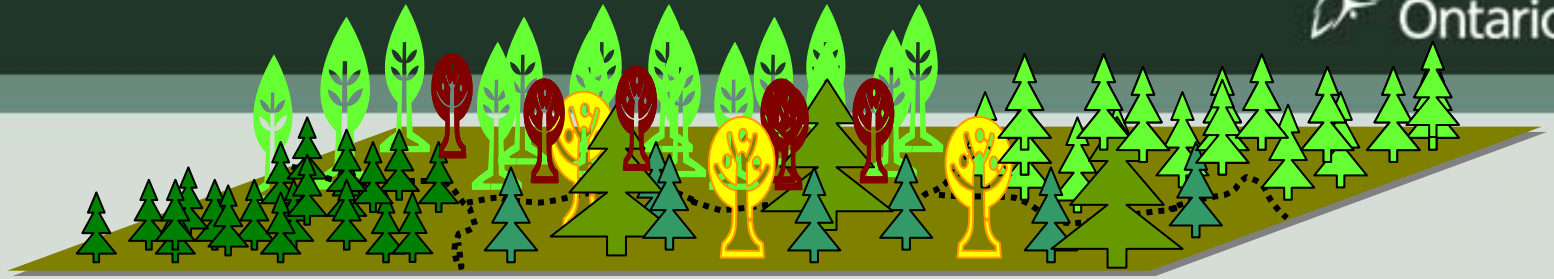
Manufacturing Business Entity

Manufacturing



Private Goods

Crown Forest Resource



Government

Policy Development



Policy Implementation



Forest Operations Business Entity

Forestry Operations



Manufacturing Business Entity

Manufacturing



Private Goods

- Role of Aboriginal communities
- Stakeholder involvement
- Re-examine relationship between forest ecosystem boundaries and operational “wood shed” boundaries
- Increase role for competitive market in wood fibre distribution
- Impacts on international trade agreements

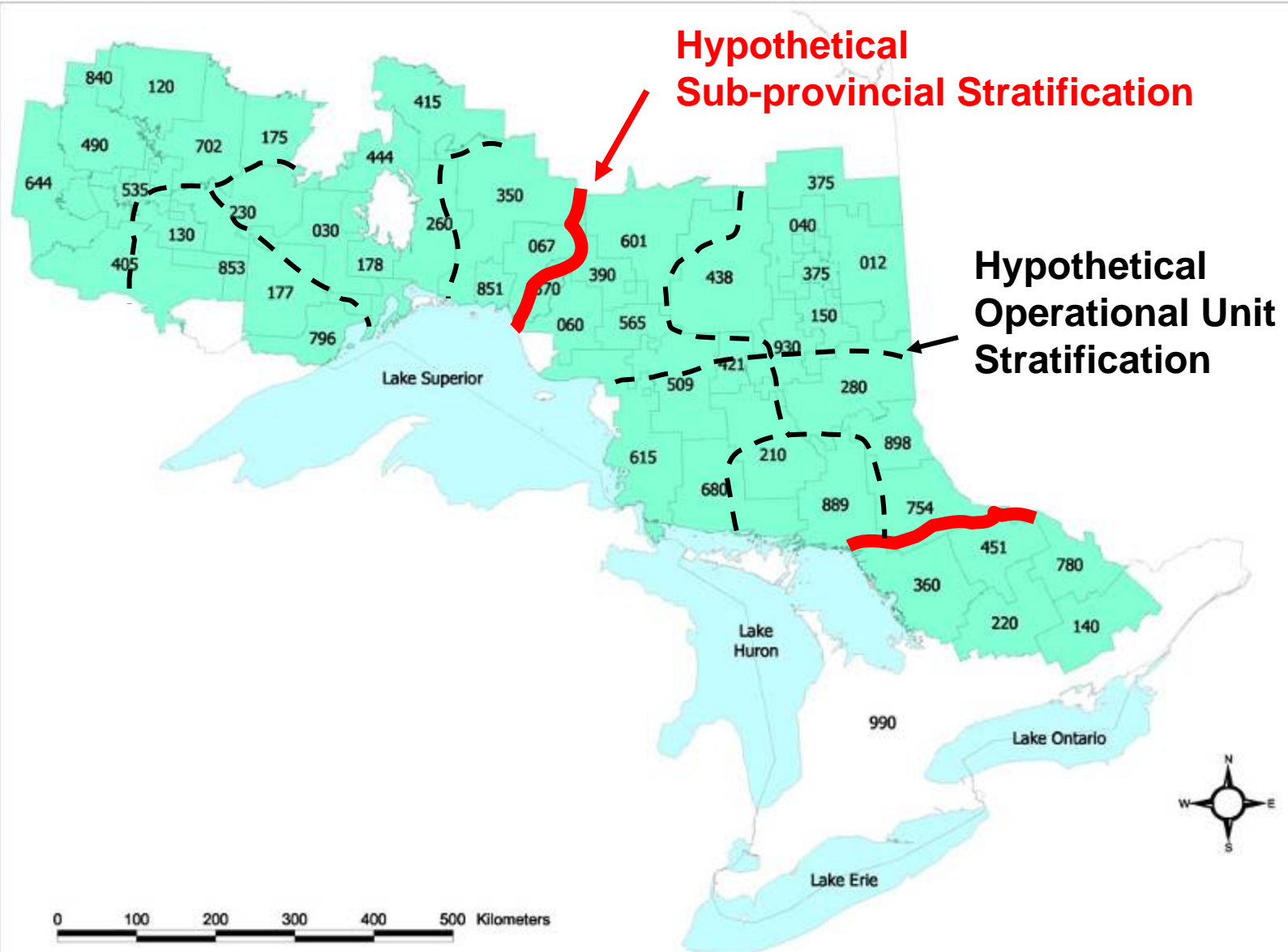
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End



Future Considerations



- Does current system optimize social, economic, environmental value?
- Is there too much government intervention?
- Is there social and political support to privatize Crown land?
- Why are forest products firms divesting private timberlands?
- Can public timberlands be managed as a profit centre? If so, by whom?
- How should government respond where an SFL holder becomes insolvent?
- How should we engage the industry, Aboriginal communities, stakeholders and public-at-large on the subject of tenure reform?