



Forests: Building a Future for Québec



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Message from the Premier



The forest is part of who we are. Québec's first companies worked in the forests, and from generation to generation, in almost every region, daily life was regulated by the forest. We are a people of the forest. The challenge facing us today is to ensure that the forest, so solidly anchored in our past, is also part of our future.

A series of events beyond our control, from an appreciating Canadian dollar to increased oil prices and a slowdown in the US economy, have highlighted the difficulty involved in adapting Québec's forest sector, regulations and organization to a shifting economic context and the new values of sustainable development.

Our government has intervened initially to help workers, communities and forest companies survive this crisis. Together, we must now define a new model for managing the forest that will allow us to overcome the current challenges and ensure the profitable, sustainable and harmonious development of forests for the benefit of present users and future generations.

Since 2003, our government has taken key actions to strengthen Québec's economic foundations. We have carried out an in-depth review of the corporate tax system to make Québec more competitive; we have made support for innovation the cornerstone of our assistance for businesses; we have increased our investment in workforce training; and we have launched major government projects in the fields of renewable energy and infrastructures. These actions have made a major contribution to the performance of Québec's economy, which has recorded a historically low unemployment rate and an unprecedented number of Quebecers in employment.

Building on the foundation of a healthier, more competitive economy, we can launch a campaign to bring new prosperity to Québec by diversifying our economic partnerships and reaching out to new markets. The forest sector as a whole must join this movement in Québec to face challenges and achieve prosperity.

This is the goal underlying the proposals presented here, and the consultations that will follow. We are a people of the forest, as we were in the past and will be in the future.

Jean Charest
Premier of Québec



Message from the Minister of Natural Resources and Wildlife



Our forest sector is at a crossroads, facing all the major challenges of our time, which include economic and regional development, international competition, sustainable development, climate change, the cohabitation of various communities and First Nations, and workforce availability and training. All these challenges are present in the forest sector, and have an impact on the workers and communities that derive their living and their pride from the forest.

The publication of this document reflects the answer to a simple question: are we currently managing the forest in a way that meets all these challenges? The answer is No. The forest industry is struggling to adapt to a changing economy, and public confidence in the way the forest is managed has declined. There is general agreement on these points among forest stakeholders, and a willingness to undertake a project of major importance: a reform of the forest regime, which is too complex and too rigid.

We must redefine the roles and responsibilities of all players to ensure that the forest is managed in a sustainable manner. We must create new forums to ensure that all users of the forest can settle their differences and build a shared vision of forestry. We must re-examine our supply cycle and strike a balance between stability, which allows established companies to plan their growth, and flexibility, which allows new players to enter the market. We must promote innovation at all levels, from harvesting to tertiary processing, to support the emergence of new, higher value-added products. In short, we must renew our relationship with the forest.

This ambitious program began with the implementation of several of the recommendations made by the Coulombe Commission in its 2004 report. It has drawn inspiration from the work of and consensus positions defined at the Summit on the future of Québec's forest sector, held in December 2007. This document sets out the main elements of governance and management that will structure Québec's next major forest policy. It is designed to inform the population, and stakeholders in the future of the forest and the forest sector, of the questions currently being examined at the MRNF and, more broadly, within the Québec government. It is also the starting-point for a consultation process on the orientations it introduces.

As pointed out during the work to prepare the recent Summit on the future of Québec's forest sector, the goal is not change for change's sake. Instead, our objective is to rally our forces, combine tradition with potential, and use the forest to work together to build a future for Québec.

Claude Béchard

Minister of Natural Resources and Wildlife





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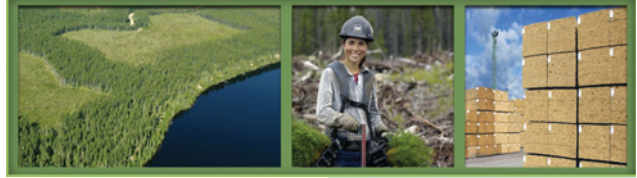


INTRODUCTION

Since its introduction in 1986, Québec's forest regime has been subject to ongoing review and public debate. Over the years, this has led to the recognition of new forest-related issues (whether social, environmental or economic), new management approaches and, when necessary, amendments to legislation (such as the *Forest Act*) and regulations.

More recently, the Coulombe Commission (Commission d'étude sur la gestion de la forêt publique québécoise) conducted an exhaustive examination of Québec's forest regime (see Appendix 1). Its report, submitted to the Government in December 2004, contained around 80 recommendations covering several aspects of forest management. The Commission suggested ways of improving the regime as it applied to the forest itself, and also to the economy, wildlife, society and the regions. A number of recommendations have been implemented, including those concerning a reduction in allowable cuts, the appointment of a Chief Forester, and the gradual introduction of ecosystem-based management. In this document, as part of this ongoing process, the Québec Government proposes a new model for forest management in the wake of the Coulombe Commission's work.

The *Forest Act* of 2007 is no longer the *Forest Act* of 1986. The forest regime introduced over twenty years ago led to the revocation of the timber limits and significant growth in the forest industry generally and the sawmill sector in particular. It also introduced a management approach based on the concept of *sustainable yield* and the awarding of agreements, timber harvesting dues based on stumpage value, and regulations to protect the environment and govern management practices in publicly-owned forests. In light of new knowledge and in response to changes in the values of Québec society, various other elements have been added, some recently, in connection with sustainable development, management by objectives and by results, public participation, accountability, and greater transparency in the management process (see Appendix 1).



A number of the Coulombe Commission's recommendations have been implemented since 2005, including those concerning a reduction in allowable cuts, the appointment of a Chief Forester and the gradual introduction of ecosystem-based management. In this document, as part of this ongoing process, the Québec Government proposes a new model for forest management in the wake of the Coulombe Commission's work.

However, the Ministère des Ressources naturelles et de la Faune (MRNF) notes that these changes to the forest regime have failed to generate either public confidence in the way the forests are managed or a consensus among stakeholders concerning priorities for the future. In addition, the forest management process has become more unwieldy, just as the social and economic context has become more complex. For example, the objectives of conservation and biological diversity have raised questions about conventional logging practices, relations with Aboriginal communities need to be thought of in a new way following changes in the field of Aboriginal law, and a reduction of the allowable cut and manpower availability have had a direct impact on the competitiveness and viability of Québec's forest sector. These factors, among others, require businesses to re-examine the potential of their facilities. For communities and regions, the main issue is economic development. For the Government, the future of Québec's forest heritage and the forest sector are at stake.

In the last few years, Québec has faced a slowdown affecting the whole forest sector. This is mainly due to the economic context, which has seen strong growth in the value of the Canadian dollar, increased fuel costs, a downturn in the US economy and an increase in international competition. However, the slowdown has not been caused by economic factors alone.

- The slowdown is structural, because it is difficult for the forest industry to adapt to the changing economic context by investing in modernization and innovation. The industry has reacted by attempting to reduce costs, leading to mill closures and layoffs with severe consequences, especially in outlying regions.
- The slowdown is organizational, because the rigidity of the current rules makes it difficult for new players to enter the market, forest yields in Québec are low compared to other similar forests elsewhere in the world, the various users of the forest (wood products manufacturing, recreation and tourism, outdoor pursuits, etc.) find it difficult to agree on a shared vision for forestry practices, and the division of responsibilities between the Government, the industry, regional authorities and Aboriginal communities often leads to conflicts and lost opportunities.
- The slowdown is social, because forest management is not perceived to be in keeping with the principles of sustainable development. Confidence in public forest management has been lost, and future workers are in short supply since fewer young people are attracted to work in the forest sector.

The slowdown therefore has many causes, and its roots stretch back into the past. All the partners in the sector recognize today that piecemeal change is no longer an option, and that new management approaches must be introduced as part of a new forest regime.

In light of these observations, all raised recently at the Summit on the future of Québec's forest sector, this document sets out a vision, objectives and orientations as the basis for a reform of Québec's forest regime. The options considered, which include an ability to adapt to the needs and potential of each region, will make it possible to manage Québec's forests on the basis of their composition (hardwoods, softwoods or mixed) and their other ecological, economic and social characteristics.

In the last few years, Québec has faced a slowdown affecting the whole forest sector. However, this slowdown has not been caused by economic factors alone. It is also structural, organizational and social. All the partners in the sector recognize today that new management approaches must be introduced as part of a new forest regime.



CHAPTER 1

Background for the Reform

The Forests of Québec: some figures

- Québec's forests represent 20% of all forests in Canada and 2% of all forests in the world.
- An area of 761,100 km², the equivalent of Sweden and Norway combined, has dense forest cover. Of this area, 55% is composed of productive forest land (the so-called commercial forest).
- Québec's forests provide habitats for over 200 species of birds, 60 species of mammals and 100 species of fish.
- In terms of area, 90% of Québec's forests are under public ownership.
- Privately-owned forests contribute around 20% of mill supplies.
- In Québec, an average of 1% of the area of the commercial forest is harvested each year. Over 80% of the harvested areas regenerate naturally.
- Less than 20% of the boreal forest zone is under management and may eventually be harvested.
- The system of protected areas in Québec currently totals just over 80,200 km², 162 times the area of the island of Montreal and more than the total area of New Brunswick. The objective is to protect 8% of Québec's total land mass by the end of 2008.
- Around 150 million seedlings are planted each year in public and private forests to complete the regeneration of harvested areas.
- In 2007-2008, the Québec Government invested around \$315 million each year in public forests, and \$77 million in private forests.
- Québec has produced regular forest inventories for the last 40 years. Today, it has a network of more than 28,400 ecological observation points.

The forest sector: a structural element for Québec and its regions

A dynamic industrial sector

- 210 communities whose economy is based on the forest
- Almost 128,000 direct jobs, including 83,500 jobs in primary and secondary processing and forestry
- \$30 billion in shipments each year
- 4% of the gross domestic product (GDP)
- 15% of all manufacturing exports
- Almost \$11 billion in added value for Québec's economy

A range of benefits

Wildlife, tourism and outdoor activities

- Over 30,000 direct, indirect and induced jobs
- \$3 billion spent by outdoor enthusiasts
- \$1.5 billion in added value for Québec's economy

Other commercial activities

- \$156 million in maple syrup production
- \$38 million in blueberry production
- \$50 million in Christmas tree production

These key data illustrate the importance of the forest for Québec and for the lives of Quebecers. However, it is also important to recognize that the development of our forest resources is not currently generating all the expected benefits, and is no longer a source of pride for the population. This is why we must move forward and undertake a far-reaching review.

By defining a vision to **build a future for Québec using the forest**, we can establish a management approach that fully integrates the values of sustainable development in order to provide stimulating jobs for workers and bring renewed prosperity to communities and regions. We can also ensure that the forest continues to be part of Québec's identity, and that its approach to forest management is recognized around the world.

More specifically, the new forest regime must give communities and regions more input into the future of their own forests. It must ensure the ongoing survival of the forests and protect

biological diversity. It must draw on a pool of qualified workers, proud of their skills. It must promote the ongoing operation of dynamic businesses striving for excellence and competitiveness. It must attract investment to increase timber production and apply targeted silvicultural treatments that reflect the latest scientific knowledge.

The new forest regime must also rally widespread support by reconciling the various users of the forest environment and bringing together communities that depend on the forest, including First Nations communities, around a set of shared values and goals.

Last, the new forest regime must lead to a modern appreciation of wood as a material whose ecological and environmental qualities make it a cornerstone of sustainable development, and as a source of wealth and pride for all Quebecers.



EXISTING ADVANTAGES

The current forest regime has led to the emergence of a number of key advantages, in terms of economic development, protection for the forest environment, participation by civil society in forest management, and workforce expertise. These advantages must be retained in any new management approach, because they underlie other values that are important to Québec society.

- Forestry practices in Québec's forests must be sustainable and meet the environmental, economic and social criteria set out in the current Act. The ability to comply with these requirements must be enhanced by the development and sharing of knowledge and expertise.
- Forest management must continue to support the economic development of communities, in particular by allowing them to play a key role in decisions on forestry practices, while targeting wealth creation and long-term employment.
- Forest management must take into account all the resources in the forest environment, by involving users in the decisions made about forestry options. Through this type of integrated resource management (IRM), a balance between the values of the forest environment and the accommodation of all users must be given priority.
- Forest management must specifically take the Aboriginal presence into account, by continuing to involve Aboriginal communities in the preparation of forest management plans and in economic development projects. The forest management approach must allow the State to honour its commitments to the Aboriginal communities, must be adaptable to take Aboriginal rights or claims into account, must promote methods that allow a better understanding of Aboriginal values, and must contribute to the building of new local and regional partnerships.
- Current progress toward participatory forest management (consultation policy, consultations concerning forest management plans, etc.), and toward transparency (accountability, etc.), must continue.
- Expertise developed in the forest and in mills must be used to help train the next generation of workers.
- The measures defined over the years to ensure the protection and development of the forest environment (see Appendix 3) must be extended, and also improved.
- The objective-oriented and results-based approach introduced in 2001 (including a review of forest management and environmental performance, mandatory remedial programs, etc.) must be promoted, and a strict management framework to ensure that targets are reached must be introduced.
- The work started over twenty years ago to introduce new forestry practices (silvicultural work, ecoforest inventories, seedling production) and increase the knowledge base must continue in a manner consistent with forest-related, economic and budgetary priorities.
- Québec's leadership in the avoidance, detection and prevention of natural disturbances must be continued.
- The measures currently implemented to improve the calculation of allowable cuts must be maintained.
- The forest regime must continue to support the public-private partnerships introduced in the form of regional agencies for private forest development. Application of the notion of "residual supply", which gives priority to timber from private forests in mill supplies, must also be maintained.
- The market principles underlying the dues payable for the use of forest resources, and which are consistent with international trade rules, must be maintained.

The proposed reform of the forest regime reflects a vision for the future, while retaining a number of key advantages from the present day. It is intended to provide a way of dealing with various issues that the forest regime faces in a context of modernity and adaptation to change. Whatever the parameters, it is essential to target changes that will renew Quebecers' trust in the forest management process.

I. Strategic development of the wood processing sector

Although Québec is the Canadian leader in the development of value-added wood products, it is clear that the industry in Québec has so far focused mainly on the production of commodities such as specific types of paper and construction materials. The entire wood products sector is currently facing serious difficulties and its competitiveness is being challenged. Several mills have had to close temporarily or permanently, causing thousands of workers to be laid off and generating social and economic problems in the municipalities and regions affected. There are several reasons for this decline, including the increased value of the Canadian dollar compared to the US dollar, a conjunctural drop in demand in the United States for several wood products, a weak market for various types of paper, an increase in the cost of petroleum products, and a wood fibre supply cost that is considered to be too high for the value of the products manufactured. In addition, competition from developing countries has changed historic market patterns.

Although Québec is the Canadian leader in the development of value-added wood products, it is clear that the industry has so far focused mainly on the production of commodities such as specific types of paper and construction materials. The entire wood products sector is currently facing serious difficulties.

Analysts and specialists agree that the Québec wood products industry must restructure and diversify its production. The State has a role to play, for example by providing support for workers and communities affected by mill closures and restructuring. The actions of the State, including those undertaken as part of the forest regime reform, must be based on a clear vision of the future of the processing sector and on a defined strategy for all stakeholders. The diversification of production to include more highly processed products will help Québec's economy as a whole and reduce the volumes of wood subject to commercial constraints, in particular under the Softwood Lumber Agreement with the United States. Only a more competitive industry, with more flexibility and ability to innovate, will be able to generate sustainable, well-paid jobs.

II. Full involvement in forest management by communities and regions

Regions, municipalities and Aboriginal communities would like to be more closely involved in the management of the public forests and the forestry practices applied, in order to control their development and derive more benefits from the forest. Over the years, they have become involved in various ways. Regional county municipalities manage forests on intramunicipal public land, and the Regional Conferences of Elected Officials, along with the regional county municipalities, administer Component II of the private forest development program, promoting projects of structural importance within their territories. In addition, municipalities and Aboriginal communities hold harvesting rights in public forests under contracts or agreements with the Minister of Natural Resources and Wildlife. This allows them to generate revenue from the sale of wood and invest in development. Over the last fifteen years, the regions have been invited to participate in various public consultations on key forest management issues. More recently, the MRNF has guided an initiative, in collaboration with the regions, to establish regional land and natural resource boards (RLNRBs).

Local and regional communities would like to have more direct involvement in forest development. This suggests that a new management partnership needs to be established.

Although this context continues to evolve, it no longer meets the expectations of local and regional communities, which would like to have more direct involvement in forest development. The MRNF, in turn, is seeking to improve its services to the population by establishing a stronger partnership with regional communities without multiplying structures or abdicating its responsibilities as the manager and steward of the public heritage.

III. Attracting and retaining workers

The vitality and sustainability of the forest sector depend on its workforce. It is of primary importance to have a sufficient number of competent, motivated workers, able to develop the forest heritage and process its products for the benefit of Quebecers and the many communities whose economy is closely linked to the forest.

The availability of interested, qualified workers is a crucial factor in the future success of the forest sector.

Unfortunately it is clear that many young people do not currently see their future as lying in the forest-related professions. Schools are attracting fewer students, and some programs are under threat because of declining enrolment. In the forestry sector in particular, the silvicultural professions are not attractive to prospective workers looking for good working conditions, stability, a satisfactory level of pay and professional recognition. The availability of interested, qualified workers in the various fields of forestry is a crucial factor in the future success of the forest sector.



IV. The need to increase forest yields and support the development of all forest potential

Most of the wood from public forests available each year for processing, as established by the allowable cut, has been allocated to forest companies or, in a few cases, to organizations that carry out forest management work and sell wood to mills.

Québec must obtain a better yield from its forests to promote the competitiveness of high-performance primary, secondary and tertiary wood processing mills.

This approach, which for many years supported economic activity in outlying regions, has resulted in a situation where the Minister of Natural Resources and Wildlife, today, has almost no available volume to support innovative industrial projects that require the

allocation of timber from the public forests. Several local and Aboriginal communities have also requested volumes of wood to consolidate their development or try out new management approaches.

All the signs show that Quebecers would also like to see more diversity in the development of the potential present in the forests. However, if a new project for forest tourism or the development of resources other than wood, for example, leads to a reduction in the allowable cut, then it encounters the same problem of lack of available volume. The same applies to the creation of protected areas, which involves difficult choices because of the effect the reduction in harvesting areas may have on mills, workers and forest communities.

These problems have occurred at the same time as a decrease in the allowable cut in Québec over the last fifteen years. The development of more availability over the short and medium term has become a major issue for forest management, and it appears evident that the scope of forestry work must be extended to increase timber yields. In addition, the use of more responsive strategies should help reduce the losses resulting from natural disturbances. All these elements will consolidate, and even increase, the industrial base and promote the competitiveness of high-performance mills with high added value in primary, secondary and tertiary wood processing.



V. Integrated management of the resources of the forest environment

The current *Forest Act* contains several provisions designed to harmonize forest management activities with the activities of other land and resource users.

Québec must reconcile the various uses of the forest.

However, some people consider that these provisions are insufficient to address the multiple uses of some areas (for example, wildlife reserves) or elements that must be protected (such as landscapes). According to some commentators, the presence of a single forest manager for each forest area would promote integrated resource management (IRM), while others believe that IRM will only be fully achieved as a controlled balance between the various users of the forest environment.

Some stakeholders would like the MRNF to show more leadership in the IRM field, supervise the preparation of forest management plans more closely, and arbitrate in conflicts between forest users. In addition, the National Wildlife Table, legally established in the fall of 2007, and the regional wildlife tables could all make a greater contribution. IRM implementation is often blocked by a lack of the funding needed to complete inventories or forestry projects. Lastly, regular suggestions have been made that all users with an interest in a given area should contribute to the cost of IRM.

VI. Aboriginal participation

The forest has always been at the heart of the lives of Aboriginal communities. The forest environment is a fundamental element in their history and culture and has allowed their communities to flourish and their businesses to develop. The public forests must be managed in a way that takes their rights and claims into account, along with their values, knowledge, concerns and needs, in keeping with the principles of sustainable forest development and with the idea of equity for the Québec population as a whole. The Aboriginal communities, in turn, must help establish partnerships for regional and local development with all forest stakeholders.

The public forests must be managed in a way that takes the rights, claims, knowledge, concerns and needs of the Aboriginal people into account. The Aboriginal communities, in turn, must help establish partnerships with other forest stakeholders.

VII. The need to increase the flexibility and accountability of forest management

Various amendments to the *Forest Act* over the years have introduced rules to deal with the complex situations facing forest managers, who must plan harvesting and management work while protecting landscapes and biological diversity. They must also adopt an ecosystemic approach, contribute to the overall protection of the forest environment against natural disturbances (fire, insects, etc.), involve the general public in the planning process, harmonize operations with the needs of other forest users, restore harvested areas to a productive state and report on their activities. Gradually, the context for forest management has changed to the point where, in 2008, the results are sometimes far removed from the expected outcome, because the MRNF and forest managers have progressively lost their ability to adapt practices to local conditions and characteristics.

Gradually, the context for forest management has changed to the point where, in 2008, the MRNF and forest managers have progressively lost their ability to adapt practices to local conditions and characteristics. Many people now want a form of management based on objectives and results.

There is general agreement that “ground rules” remain essential to ensure the ongoing survival of the forest heritage, guarantee sound management of public funds, and provide for full and accurate reporting of the state of the forest, the results of the forest regime and the quality of forest management. However, excessive standards or legislation can paralyze the system and increase costs for the State and for forest managers. Some people have called for a management approach based on objectives and results that will take regional or local particularities into account. Some stakeholders, and especially industrial users who see an opportunity for reducing the cost of fibre, would like to see the introduction of a more dynamic form of planning for forestry operations.

VIII. The effects of climate change

Forests can help mitigate the effects of climate change thanks to their ability to capture and retain carbon (acting as carbon sinks), and by supplying wood products that ensure that carbon remains captive for long periods of time. The reform of the forest regime will offer possibilities to build on this ability.

A more flexible approach to forest management will be needed in a period when adaptation to climate change is inevitable.

Some people consider that a more flexible approach to forest management will be needed in a period when adaptation to climate change is inevitable. Although growth in some Québec forests may increase with global warming, the increased frequency and intensity of natural disturbances (fire, insects, etc.) must also be anticipated. There is a risk that climate change will modify the forest’s ability to act as a carbon sink because of the temporary disappearance of some forest blocks. In addition, climate change may affect the quantity and quality of mill supplies, among other things because an increasing percentage of timber will come from stands affected by natural disturbances. The new forest regime will have to offer the flexibility required to deal with these problems.

IX. Public trust in forest management and the future of the forest sector

During the last decade, forestry in Québec has lost credibility, in particular following the 1999 release of the film *L'erreur boréale*. The report tabled by the Coulombe Commission in 2004 identified various problems and possibilities for improvements. Successive decreases in the allowable cut, despite the application of the sustained yield concept, and the postponement to 2008 of the deadline for completing the network of protected areas, are other examples of factors that have led to a decline of public trust in forest management.

Several measures have been adopted in the last few years to increase the credibility and transparency of the forest management process (adoption of a consultation policy, requirements concerning the involvement in the planning process of regional county municipalities, Aboriginal communities and wildlife managers, the appointment of a Chief Forester, a report on the state of Québec's forests by the Chief Forester, etc.). The reform of the forest regime must restore the ties with the general public by providing an assurance that the forests are properly managed and developed. Trust is fundamental in order to interest young people and attract them to various forest-related trades and professions.

The reform of the forest regime must restore the ties with the general public by providing an assurance that the forests are properly managed and developed. Trust is fundamental in order to attract and retain a dynamic workforce in the forest sector.





CHAPTER 2

Five Major Objectives

This document proposes five major objectives to guide the reform of Québec's forest regime, based on elements of the vision presented for consolidating the basis of forestry in Québec. The objectives take into account the issues presented in the preceding chapter, as well as the elements of the current regime that need to be maintained. Both the objectives and the ensuing orientations reflect the observations made and the consensus that emerged from the December 2007 Summit on the future of Québec's forest sector.

1

Establish a true industrial development strategy and a new appreciation of timber as a material in Québec

A number of events, including the slump currently affecting the forest sector, have raised public awareness of the economic, social and environmental importance of the forests in Québec (see Appendix 2).

- More than 128,000 direct jobs depend on forest management and primary, secondary and tertiary processing of wood products. Each year, the sector pays salaries estimated at \$5 billion, makes shipments of nearly \$30 billion and contributes more than \$11 billion in added value to Québec's economy.
- Wood as a material is renewable, and can be recycled and reused. It clearly offers more benefits in terms of environmental impact, energy efficiency and sustainability than other materials such as concrete and steel. Wood also acts as a carbon sink.
- Québec's structural, engineering and decorative wood products meet a variety of needs in the residential, commercial, industrial and institutional construction sectors. The world markets for many of these products are growing, and Québec is well placed to benefit from this growth. Support for the development of the Québec and Canadian

domestic market could also play a significant role in sustaining jobs both in the forest and in the mills, and would also help to showcase Québec's products on international markets.

The current slump, combined with the development challenges now facing Québec's forest sector companies, requires a significant shift of position on the part of the industry. The forest regime must create an attractive business environment that enables firms to adjust continually to changing world markets. In other words, it must establish conditions that will allow Québec's industry to become more competitive in sectors where the demand is high, for example by adopting leading-edge technology. If they are to reposition, the companies must also diversify their production in order to take advantage of emerging market niches.

It has also become essential, for economic and environmental reasons, to encourage the use of wood as a material in Québec, for example in the construction and energy production sectors, to replace other more energy-consuming, non-renewable, non-recyclable, non-reusable and more polluting materials. This approach would require a much greater appreciation of wood as a creator of jobs in Québec, and as a foundation for every facet of sustainable development.

First objective

High value-added products and greater appreciation of wood as a material

- Prepare the future by establishing an industrial development strategy based on competitive mills and the processing of high value-added products.
- Establish incentives to increase the use of wood as a material in Québec, for example in the construction and energy production sectors, to replace other more energy-consuming, non-renewable, non-recyclable, non-reusable and more polluting materials.

Enhance Québec's forest heritage through integrated resource management and sustainable development

By adhering to the principles of sustainable development, Québec has undertaken to establish specific forest resource protection, conservation and development orientations throughout its territory. It is a fact that the variety and sheer number of users in the forests place enormous pressure on timber supplies, either by reducing the areas available for silviculture and logging, or by placing constraints on timber production. As a result, Québec now finds itself in a position where it does not have the flexibility it needs to satisfy its existing demands and allow for the introduction of new development projects. The recent allowable cut reductions announced by the Chief Forester in December 2006 clearly reflect the complexity of all these issues, which have a major impact on regional economies.

From a silvicultural standpoint, it is perfectly feasible to increase the timber yields of Québec's forests and thereby enhance the forest heritage for future generations. In the softwood forests, average volume production remains stagnant at around 1 m³/hectare/year, whereas even moderate quality stands can easily produce 2 m³/hectare/year. In the hardwood stands, yields could be tripled on some sites, and tree quality could be improved tremendously. The availability of certain high-value species such as white pine and red oak could also be increased significantly.

Recent research clearly shows that it would be possible to increase the average timber yield of Québec's forests. Other forestry countries have set similar goals, and we should be inspired by their determination and long-term commitment.



The current timber yields of Québec's forests should be improved, as should the quality of the wood itself, especially in the hardwood forests.

Second objective

Forests that produce more, better quality wood

- Provide Québec with a Sustainable Forest Management Strategy
- Establish the conditions needed to double the total value of goods and services produced from Québec's forests (wood, wildlife, recreation, etc.), mainly by increasing timber yields.
- Generate enough high-quality timber to increase availability and allow Québec to make meaningful choices in the area of forest conservation and development, and to achieve a balance between the environmental, social and economic dimensions of sustainable development.

Give the regional authorities new responsibilities for managing public forests

There are many elements suggesting that Québec needs not only to change its approach to forest management in the future, but also to redefine the roles and responsibilities of the various stakeholders. They include the desire of local, regional and Aboriginal communities to be more involved in decisions affecting their development, the need to bring together a large number of stakeholders, and a constantly changing environment that has become extremely complex. If the system is to become more efficient and flexible, if stakeholders are to become more involved in and more accountable for sustainable forest management, and if the forest sector is to be innovative, competitive and able to create sustainable jobs, who needs to do what in the future?

Third objective

Management based on a new division of responsibility

- Give the regions more input into the decision-making process, to promote the development of a long-term vision for the management of land and resources.
- Give Aboriginal communities more opportunity to participate in development and achieve prosperity.
- Promote better conditions for forestry workers.
- Improve the quality of forestry practices by opting for management by results and accountability of various stakeholders.



Under this particular objective, the current approach needs to shift towards a form of forest management in which the regions are more involved, that will foster the development of a long-term vision of land and resource management, and that will allow the stakeholders to pool their skills. It also involves a redefinition of the MRNF's powers and roles, and a transfer of certain responsibilities to accountable organizations in the regions.



Give companies access to a secure supply for some of their needs, and create a competitive market for wood from the public forests

Everyone acknowledges the importance of raw material supply security for the processing mills. Supply costs also have a major impact on the companies' competitive capacity and profitability. Any changes to Québec's forest regime must necessarily take these strategic issues into account.

As far as wood supplies are concerned, the current forest regime provides a certain number of companies (215 out of 475 firms with wood processing mill operating permits) with access to volumes of wood from the public forests by means of a timber supply and forest management agreement (TSFMA). The existence of the TSFMAs in the last 15 to 20 years has not only guaranteed a certain degree of supply stability for the pulp and paper mills, but has also helped the sawmill industry, which has developed throughout Québec's forestry regions. More recently, forest management contracts (FMCs) and forest management agreements (FMAs) have also been introduced to give regional organizations such as Aboriginal communities, forestry cooperatives and municipalities access to timber supplies. However, these tools have not been sufficient to achieve the goal of diversifying tenure in the public forests, due to a shortage of available volumes and areas of forest not covered by agreements.

The next forest regime should allow the forests to be managed in a way that will facilitate the development of dynamic, flexible companies able to react quickly to economic and market changes. The Government must also be able to derive revenues from the public forests, for the benefit of the entire population.

Fourth objective

A stable, more easily accessible timber supply for a dynamic industry

- Give current TSFMA holders priority access to a specified volume of timber.
- Give more companies access to volumes of timber harvested in the public forest, at competitive prices.
- Encourage companies to be flexible, responsive and competitive.

Ensure that forest management reflects the realities of climate change

Québec's Climate Change Strategy emphasizes the importance of addressing climate change and adjusting to its effects. Québec's forests play a major role in this, since they capture (sink) and store (reserve) carbon and then, especially during major natural disasters, release it into the atmosphere in the form of CO₂, one of the principal greenhouse gases responsible for climate change. Basic wood products are also important carbon reservoirs, since they store carbon as long as they are not burnt or left to decompose. As an example, carbon accounts for half the mass of a piece of lumber.

Climate change is real, and is a significant concern for the population of Québec. The next forest regime must therefore contain management measures that will make use of the forest's potential as a carbon sink in the fight against climate change. For example, the restoration of sites to productivity soon after logging helps maintain soil fertility and reduce losses of productive forest area, thereby optimizing the reserves of carbon from the forest. A certain amount of flexibility is also required to address the inevitable impacts of climate change on the forests. In addition, the use of wood as a basic material must be promoted, both for its environmental properties and its ability to store carbon.

Fifth objective

Management that addresses the problem of climate change

- Use the forest's potential to act as a carbon sink, to mitigate the impact of greenhouse gas emissions.
- Introduce the type of flexible management required to deal with the inevitable effects of climate change on the forest environment.
- Promote the use of wood as a basic material, both for its environmental properties and its ability to store carbon.







CHAPTER 3

Orientations

The most significant changes of direction are illustrated by the orientations proposed to achieve the five objectives. The elements presented in this chapter are intended to trigger extensive reflections about the changes that may be introduced in the short and medium term as part of a new forest regime.

The orientations reflect a context in which forest management must be adjusted to face modern economic challenges in Québec, and indeed in every other economy that is dependent on natural resource use. For example, we need to find ways of relaxing legislative and regulatory demands, so that stakeholders are able to find effective solutions to a range of issues that have become more complex in recent years, due among other things to growing concerns and expectations in connection with sustainable management. At the same time, innovative ways are needed to ensure that management practices are socially acceptable and respectful of Aboriginal values.

Nine proposed orientations:

1. Enhance resource development by implementing forest zoning
2. Refocus the MRNF on its primary responsibilities
3. Give regional authorities new responsibilities for managing the public forest
4. Entrust forestry operations to certified forestry companies
5. Promote a management approach based on sustainable results and accountability of managers and foresters
6. Promote a stable supply of timber by introducing a “right of first refusal”
7. Establish a competitive market for timber from the public forests
8. Create a silvicultural investment fund for intensive silviculture
9. Establish an industrial development strategy based on high value-added products



Orientation 1

Enhance resource development by implementing forest zoning

A small percentage of Québec's forests enjoy special status as parks or ecological reserves and, in the private forests, agricultural maple stands. This is already a form of zoning. However, the proposed orientation will establish three separate categories of forest zones, namely **protected areas**, **ecosystemic management zones** managed in a way that takes advantage of all the resources in the forest environment, and **intensive silviculture zones** composed of sites with high potential for timber production. These zones could be established within the next five years, bearing in mind that the Québec Government has set a target of 8% of protected areas by the end of 2008.

Protected areas

Québec has already adopted a Strategy on Protected Areas, and the new forest zones will be entirely consistent with its proposals. Current legislation establishes the status of each type of protected area and stipulates the operations and uses that are permitted in each case. It also sets conditions for forest operations where they are permitted. In most cases, however, forest operations are prohibited in protected areas.

A joint action plan has been set up by the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP) and the Ministère des Ressources naturelles et de la Faune (MRNF) to ensure that the objectives and deadlines announced by the Government, including the 8% target for protected areas by the end of 2008, are met. In addition, the MDDEP will carry out a review to ensure that the objectives concerning biodiversity representation and protected areas have been attained. If necessary, it will complete the network of protected areas.

Ecosystemic management zones

In areas identified as ecosystemic management zones (i.e. approximately 70% of the productive forest area), development activities, logging and forest resource use must take place within an integrated ecosystem-based management framework. This approach will require a form of planning that is truly integrated. Coordination and harmonization of use will therefore be essential in these areas.

In the ecosystemic management zones, activities must take place within an integrated ecosystem-based management framework. Coordination and harmonization will therefore be essential.

From a silvicultural standpoint, the only post-logging obligation will be to ensure that yields are maintained by bringing harvested areas back into production. Depending on site productivity levels, timber yields may be increased, for example by means of full stocking, where this would produce the necessary economic and forest-related impacts. In addition, depending on the needs and potential of the region, it may be possible to set goals for increasing the production of non-timber resources, and especially those related to wildlife, which would considerably enrich the total value of the benefits generated by these zones. In addition, the production of tools and guides (e.g. silviculture and wildlife guides) must be intensified, and training must be given so that ecosystem-based management can be introduced throughout these zones within five years.

It is generally agreed that the concept of *allowable annual cut* as defined by the Forest Act, establishing a constant volume of wood to be harvested over time for each species, does not provide the flexibility required to address a number of important variables, such as the availability of companion species volumes, the large number of overmature or deteriorating stands in certain areas and the need to apply less well-known silvicultural treatments. This orientation will allow variations in the composition and age structure of forests to be taken into account by reviewing the way in which the concept of allowable cut is applied. Ultimately, the aim is to adopt a timber management approach in the ecosystemic management zones based on a potential harvest volume calculated from available merchantable volumes in the area in question. Harvests will therefore be managed on the basis of area rather than volume, as is currently the case.

In the ecosystemic management zone, the MRNF proposes to lease poorly regenerated or severely damaged areas to private companies, for reforestation. The aim of this measure is to build up a carbon sink that will provide investors with "carbon credits". The income from the leases will be used to promote intensive silviculture on other sites with good potential for timber production.

If the climate change objective is to be achieved, more information will be required so that silvicultural choices can be based on the need for management aimed at enhancing the forest's capacity to act as a carbon sink. In the ecosystemic management zone, the MRNF proposes to lease poorly regenerated areas to private companies, for reforestation. While the terms and conditions of this measure have yet to be determined, its aim will be to build up a carbon sink that will provide investors with "carbon credits". The lessees of these areas will therefore pay for all reforestation work, including the purchase of seedlings. This will generate income that can be used to promote intensive silviculture in other areas. The Government will own any wood produced in the leased areas, and the reforested areas will remain accessible to the public for certain activities (e.g. hunting, fishing, leisure, etc.), provided they do not harm the regenerated trees.

Intensive silviculture zones

The time has come for Québec to make more intensive use of certain target areas with high timber potential. This step is essential in order to give the wood processing industry sufficient flexibility and confidence to restructure and diversify its production.

In the intensive silviculture zones, priority will be given to silvicultural treatments aimed at doubling timber yields in the medium and longer term. The investments required will be safeguarded by legislative protection for the status of these zones.

Intensive silviculture zones will be identified in every forest region. Their status could be established in the Forest Act, as a form of security for future investments. In these zones, priority will be given to silvicultural treatments aimed at doubling timber yields in the medium and longer term. Short-term objectives will also be set, depending on the zone's potential, the companies' needs and the expectations of regional stakeholders.

In the intensive silvicultural zones, it will be possible to develop, harvest and use non-timber resources (e.g. hunting, fishing, recreotourism, etc.). Activities such as these will be taken into account when the forest management plans are drawn up, but they will not be treated as priorities. The requirement to consult will remain unchanged, but the requirement to harmonize activities will be altered to reflect the priority given to timber production. All environmental protection legislation and regulations will, of course, continue to apply.

The choice of silvicultural treatments, and hence the investments required, will be based primarily on forest management and economic criteria. The extent of the work will obviously depend on the availability of budgets (see Orientation 8). Different types of treatments may therefore be selected, for example:

- in the hardwood and mixed forests, treatments aimed at improving stand quality (e.g. selection cutting and introduction of high value species such as white pine and oak);
- in the softwood forests, treatments designed to improve stand growth and bring non-regenerated areas with good potential for growth back into production;
- intensive silvicultural work on sites (both hardwood and softwood) offering good potential, using selected species.

To prevent conflicts of use and ensure compliance with the broad principles of sustainable management in the public forests, the MRNF will establish the scientific and technical forest management and economic criteria required to identify the intensive silviculture zones, and will provide a list of potential sites. On the other hand, it will be up to the regions themselves (see Orientation 3) to identify the sites that will be included in the zones. As far as size is concerned, the MRNF suggests that approximately 30% of the productive forest area should be designated as an intensive silviculture zone, including any private forests that satisfy the MRNF's forest management and economic criteria.

TOWARDS A SUSTAINABLE FOREST MANAGEMENT STRATEGY

The Québec Government, in its recently-adopted Sustainable Development Act and the ensuing Strategy, has presented its vision of sustainable development, along with the goals it intends to pursue in this area. The Act sets out sixteen principles that will serve as guidelines for future sustainable development actions, including environmental protection, economic efficiency, subsidiarity, internalization of costs and the participation and commitment of citizens and citizens' groups.

An initiative reflecting these government objectives and principles is now required in the forestry community. The MRNF will therefore prepare a sustainable forest management strategy, as part of a process in which all forestry sector stakeholders will have an opportunity to take part. The strategy will gradually become an umbrella for the creation of the management tools required to apply the new forest regime, including forest protection and development objectives and a new Regulation respecting sustainable forest management. It will be based on a coherent, shared vision of forest resource protection and development.

Orientation 1 - A Summary

The MRNF proposes a shift from a generally-applicable forest management approach to **a form of management that allows management operations to be adjusted to the potential of each area**. This will allow timber yields to be increased, will be more respectful of the interests of all forest users, and will also take into account the Government's commitments regarding protected areas and sustainable development. This orientation will be implemented as part of a **new sustainable forest management strategy**.

How this will be done

- By developing a sustainable forest management strategy in collaboration with all the players.
- By introducing three types of zones, into which all the forests will be classified.
 - **Protected areas** set aside for conservation.
 - **Ecosystemic management zones** managed in a way that takes advantage of all the resources of the forest environment, based on:
 - integrated resource management, to ensure that planning and forestry operations are undertaken jointly to harmonize all uses of the forest environment;
 - forestry practices that maintain biodiversity and the viability of forest ecosystems, while meeting social and economic needs;
 - production objectives for various forest resources (wood, wildlife, recreation, etc.) based on the needs and potential in each region;
 - sustained timber yields, by bringing harvested areas back into production.
 - **Intensive silviculture zones** dedicated to timber production because of their high potential. Activities such as hunting, fishing, recreation and tourism could nevertheless continue in these zones.

Advantages

- Provide Québec with a clear, modern vision of sustainable forest management.
- Clarify priorities for the use of public forest land, with the involvement of all stakeholders.
- Concentrate silvicultural work on the most suitable land.
- Protect silvicultural investments in zones with a status defined by law.
- Create sufficient flexibility to accommodate new, innovative companies in all areas of forest use, and promote multi-purpose use.

Orientation 2

Refocus the MRNF on its primary responsibilities

The proposal to refocus the Ministère des Ressources naturelles et de la Faune (MRNF) on its primary mission as manager of the public forests is by no means new. The Government's role in the forests has altered constantly over the decades, reflecting the changing context of Québec society. Originally responsible for every aspect, rather like the welfare state, the Government subsequently became more entrepreneurial, acting as the motor for economic development. Now, however, its role needs to be more strategic in nature, with a long-term vision and the ability to anticipate key future events in a highly complex environment.

The MRNF has turned to the strategic aspect of its role as manager of the public forests, in order to leave more room for other public and private sector players. The MRNF's role will be refocused on its primary functions and responsibilities.

The MRNF accepts this situation and has turned to the strategic aspect of its role as manager of the public forests. It is now time to leave more room for other public and private sector players, to give the regions more say over the development of their forests, and to delegate the responsibilities that these other stakeholders are able to fulfill. However, the Minister of Natural Resources and Wildlife must continue to be the guardian of the public interest in the public forest management process, since the Minister is the only person with the necessary legitimacy and power to act where required. The MRNF must also continue to fulfill its responsibilities towards the Aboriginal communities and to ensure that the prevailing conditions are conducive to their development. On the other hand, it will entrust others with responsibility for certain aspects of forest management planning, monitoring and control.

It is therefore proposed that the MRNF should refocus on the strategic aspects of management to ensure province-wide coherence. The elements in question include:

- the definition of orientations, policies and programs for the development of public land and forest management resources;
- the definition of general values, objectives, indicators and targets for the sustainable management of public land and resources;
- calculation of the allowable annual cut by the Chief Forester;
- the allocation of natural resource rights, the collection of dues, and the assignment of status to defined areas;
- the definition of fundamental standards: legislation, regulations, forest management guides, wildlife management plans, wildlife territory structures, guidelines for the preparation of the integrated regional resource development plans, guidelines for the allocation of contracts for management activities, ecoconditionality guidelines (see Appendix 3), etc.;
- the determination of forest management and economic criteria for the selection of public land for intensive silviculture and the regional allocation of budgets for forestry work in intensive cultivation zones and private forests;
- consultation of and provision of support for Aboriginal communities;
- provision of support for industrial development;
- supervision, improvement and provision of support for data-gathering work (including ecoforest inventories and R&D) concerning land and natural resources;
- evaluation of forest management and forestry operations, and the overall reporting of forest management and the state of the forest;
- promotion of the Québec forest management approach at the national and international levels.

This general refocusing will take place gradually over the next five years. The Minister of Natural Resources and Wildlife will continue to be responsible for the condition and management of the public forests, and especially for establishing general protection and development orientations and objectives. These orientations and objectives will be used by regional and Aboriginal communities when defining their own objectives, indicators and targets. The Minister will also monitor the activities delegated to the regions to ensure that they comply with current legislation and regulations, reflect proper, efficient management of public funds and are consistent with sustainable forest management criteria.



Orientation 3

Give regional authorities new responsibilities for managing the public forests

In many regions of Québec, prosperity depends directly on the forests and forest-related activities. Over the years, regional authorities have asked to play a greater role in the management of public forests and in land use and development decisions in their territories. The Québec Government also feels the regions should be given more power to act, and that decisions should reflect the opinions of communities who live with the forest, including the Aboriginal people.

This orientation targets the establishment of integrated, territory-based management of public forest resources by gradually transferring to the regional authorities, over a five-year period, key responsibilities for:

- defining objectives, indicators and protection and development targets for forest resources that comply with the provincial orientations but are adapted to each region;
- preparing, for each ecosystemic management zone, a strategic plan and a forecast of the forestry operations to be carried out over a five-year timeframe, based on the allowable cut established by the Chief Forester;
- determining the financial contributions to be made by various users for the implementation of harmonization measures required for integrated resource management purposes;
- identifying intensive silviculture zones using the forest management and economic criteria defined by the MRNF, and preparing a silvicultural plan for each zone;
- awarding contracts for forestry operations (inventories, logging, other silvicultural work) to certified management companies (cooperatives, groups, silvicultural companies, etc.);
- checking the quality of forestry work, the achievement of objectives and targets, and compliance with forest management standards, and specifying remedial work where necessary;
- guiding the process of obtaining forest certification for land under their responsibility;
- reporting to the Minister of Natural Resources and Wildlife on the results achieved in the areas under their responsibility and the development of land and forest resources, based in particular on independent, external audits.

The additional responsibilities given to the regional authorities must, however, reflect the Government's concerns with respect to the quality of forest governance. In short, the approach to governance must:

- be exercised within a framework in which regional stakeholders communicate and work together in order to avoid overlapping structures and mandates or dilution of expertise;
- involve Aboriginal communities;
- allow the general public in the region to participate fully in the definition of regional forest management issues and objectives;
- provide the Minister of Natural Resources and Wildlife, as the minister responsible for the forests, with the power to ensure compliance with provincial orientations, current regulations and legislation, the conditions on which the responsibility was transferred, and proper use of public funds, etc.;
- guarantee transparency and full accountability.

The MRNF proposes to transfer some significant forest management responsibilities to regional players. This does not involve adding new structures. The goal is to bring regional forces together in order to exercise these responsibilities and manage forest resources within the territory.

This new form of governance should therefore be structured as a partnership adjusted to each region's needs. The partnership's composition and operations, and the roles of the various stakeholders (regional conferences of elected officials, RCMs, Aboriginal communities, regional wildlife tables, regional interest groups, local communities, holders of rights in the forests, forestry professionals, etc.), should also be defined in each individual region.

The authorities to which management responsibility will be transferred have yet to be identified. There are a number of options available, which may be examined with the regions – for example, the regional land and natural resource boards (RLNRBs) or regional agencies created specifically for the purpose, on which RLNRB members would sit. Regardless of the final choice, however, the authority in question must be independent and able to perform a number of operational tasks (planning, monitoring and controlling forestry work, etc.). It should also be willing to consider regional aspirations and be capable of innovation through a management approach that is flexible, integrated, and oriented towards results and objectives. It would necessarily maintain close contact with the Minister of Natural Resources and Wildlife, so that it is able to meet sustainable management requirements in the public forests, and also be fully accountable for its actions. Since complementary action will be a priority, the authority will have to work closely with the regional agencies for private forest development.

The new approach will give concrete form to a structural partnership in each region. The regional authority will work closely with the Minister of Natural Resources and Wildlife, so that it is able to meet sustainable management requirements in the public forests and also be fully accountable for its actions.

The involvement of the Aboriginal communities will be a condition for the success of this new regional approach. The Aboriginal communities have an important role to play in protecting and developing the forests. They also have their own specific concerns, as well as rights that must be upheld. Given the importance of fostering economic development in the Aboriginal communities, forest planning and management must reflect their values and needs, and Aboriginal companies must be able to obtain contracts for forestry operations.

The involvement of the Aboriginal communities will be a condition for the success of this new regional approach. The Aboriginal communities have an important role to play in protecting and developing the forests. They also have their own specific concerns, as well as rights that must be upheld.



If the regional communities are to be directly involved and exercise responsibility in appropriate fields, a sufficient number of realistic conditions must be introduced. For example, they must be given the means they need to fulfill their new responsibilities, and they must have access to the necessary expertise.

The MRNF, through its regional branches, has access to a large network of recognized expertise in the fields of land and natural resource management, and also in customer service and the development of administrative, financial and organizational systems and management. This expertise will have to be transferred or otherwise made available to the regions, on conditions that will be established with input from members of the Québec-Regions Table among others.

This proposed partnership is a major change from the current situation in Québec, and would allow the regions to take responsibility for implementing a significant portion of the forest regime. Its purpose is to avoid duplication of structures and mandates, and dilution of expertise. Generally speaking, it is based on the conviction, shared by many stakeholders, that authorities with a strong sense of belonging to the area will be

better able to devise an ordered, integrated, sustainable vision of forest and resource management and could, through effective and transparent management, create a favourable context for the area's firms. For example, if forestry operations (e.g. logging and silvicultural work) were to be integrated, this would have a positive impact on the cost of fibre for processing. The organization and exercise of delegated responsibilities will be adjusted to the prevailing needs and situation of each region. In addition, a form of partnership based on close, dynamic cooperation will also be formed with the Aboriginal communities.

In short, regional authorities will be given a significant amount of responsibility over the forest sector's contribution to the development of their communities. They will therefore be accountable for the results. Clearly, exercising this responsibility will present a number of challenges, such as providing the wood processing industry with stable supplies and planning forest management in conjunction with regional stakeholders. Having the opportunity to manage development is certainly an asset, but it brings with it the duty to succeed, in the interests of the community.



Orientations 2 and 3 - A Summary

The MRNF suggests a shift from centralized management of the public forests **to a form of management that will give the regions considerable power over the development of their forests.**

How this will be done

By redefining the responsibilities exercised by the MRNF and by regional stakeholders. This will involve:

- Refocusing the MRNF on its strategic functions, such as:
 - definition of government orientations and policies for the management of public land, preparation of draft bills and regulations, allocation of natural resource rights and determination of fees, etc.
- Setting up partnerships of regional stakeholders within regional authorities to which significant responsibilities will gradually be transferred over the next five years:
 - development of the region's vision of forestry, definition and adaptation of resource protection and development objectives, indicators and targets, planning of forestry work in ecosystemic management and intensive silviculture zones, allocation and monitoring of forest management contracts within their territory, etc.

Advantages

- Allow regional communities to take charge of their forest development by establishing decision-making links between communities that derive a living from the forest, including Aboriginal communities.
- Recognize and highlight the value of regional expertise.
- Increase joint action by regional stakeholders.
- Reduce dispersal of resources and overlapping caused by multiple structures.

Orientation 4

Entrust forestry operations to certified forest companies

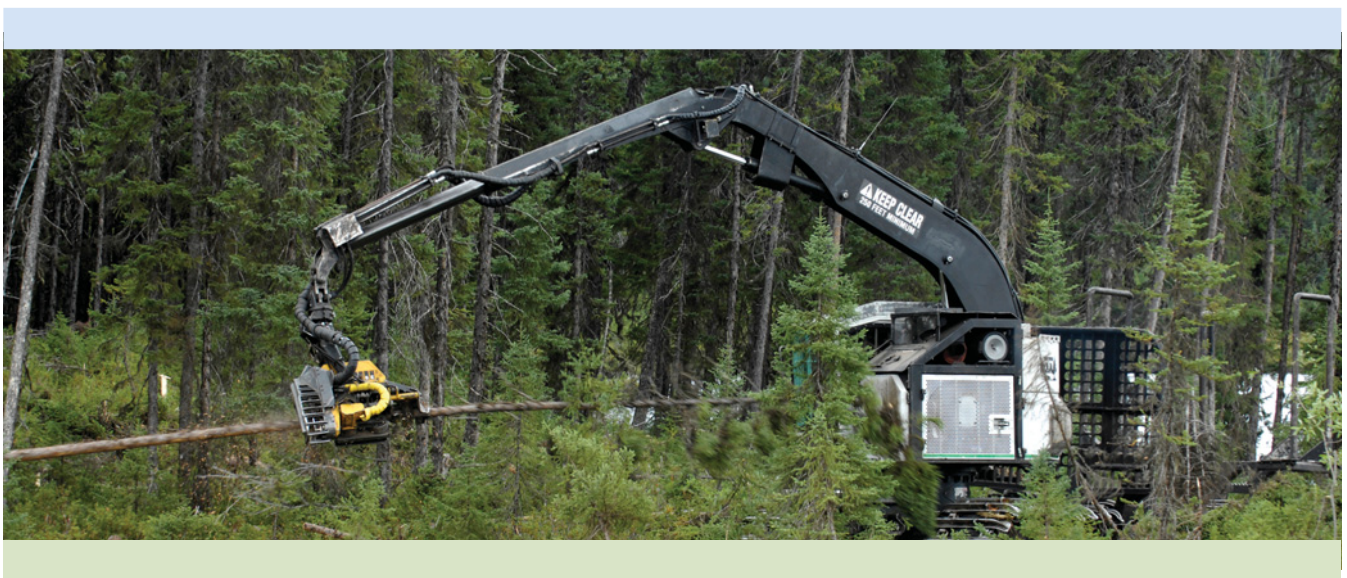
Since the current forest regime first came into force, most forestry companies have fulfilled their forest planning and management obligations by handing over these tasks to specialist organizations.

Forest management companies working in the public forests will be required to submit to a certification exercise. This will represent a step towards acknowledging and promoting the value of the silvicultural profession, and will also serve as an additional guarantee of forest management and environmental performance.

Under this orientation, the MRNF will recognize the contribution of organizations already working in the sector, whether they are forestry cooperatives, silvicultural firms, forestry contractors, Aboriginal organizations, forest management agreement or

contract holders, groups or new enterprises. The regional authorities will then give them the responsibility for operational planning and implementation of forest management work.

The aim of this orientation is therefore to ensure that management companies enter into direct agreements with the authorities to whom responsibility for managing the region's forests has been transferred (see Orientation 3). These companies would be commissioned to perform various planning, operational and monitoring tasks (e.g. harvesting of merchantable volumes and forest biomass, restoration of logged areas in ecosystemic management zones, application of treatments in intensive silvicultural zones, etc.) within operational units yet to be defined. In addition, they will be commissioned to implement forest management strategies aimed at salvaging as much wood as possible from stands damaged by natural disturbances. Ideally, the agreements would cover periods of several years, and a special effort will be required to involve Aboriginal companies in this process.



Agreements will be awarded on the basis of rules allowing for healthy competition between companies (e.g. public bids). To obtain an agreement, management companies will also be required, within a certain period, to submit to a certification exercise, the terms and conditions of which will be established in the future. Québec's forest management industry has already begun to take steps to obtain certification, and the MRNF supports its initiative. Certification will be another step towards acknowledging and promoting the value of the silvicultural profession, and will also serve as an additional guarantee of forest management and environmental performance, and of the quality of the work done in the forests.

The business relationship formed by the regional authorities responsible for managing the public forests and the certified forest management companies will help consolidate the position of existing companies and encourage those that perform the best. Other potential benefits include job stability in the forests and the development of dynamic expertise in Québec, especially in the intensive silvicultural zones. Ultimately, all these elements could help to attract and retain labour in the various forestry professions (engineers, technicians, silvicultural workers, machine operators, etc.), thereby ensuring renewal of the workforce.

Orientation 4 - A Summary

The MRNF will **recognize the forest industry as a key player in the operational planning and implementation of forestry operations**, in order to increase quality.

How this will be done

- By selecting forestry companies based on rules that promote competition and performance.
- By using agreements (ideally covering several years) signed directly by regional authorities and forestry companies.
- By establishing a certification process to certify the proficiency of forestry companies wishing to work in the public forests.

Advantages

- Establish a more stable environment for forestry companies to promote their development, improve their performance and help retain workers.
- Promote the value of the silvicultural profession and attract new, younger workers.
- Improve the quality of forestry work.
- Offer Aboriginal businesses more opportunities to work in the public forests and provide jobs for the members of their communities.
- Develop Québec's forest management expertise, especially in the area of intensive silviculture.

Orientation 5



Promote a management approach based on sustainable results and accountability of managers and foresters

If the development of Québec's forests is to generate results that meet the criteria of sustainable development, it is essential for the Government and the regional authorities to establish clear forestry and development objectives and clear rules for forest managers. The individuals and organizations concerned must also have enough leeway to solve the range of problems they face. These issues have become more complex in recent years, due among other things to the development of new knowledge, growing concern about the environment and its potential impacts on climate change, and evolving social expectations. Flexible rules are therefore needed to help achieve better forest management, environmental, social and economic performances by the actors concerned. This may mean that the Government must abandon or relax some of its legal and regulatory requirements. An innovative approach is also required to ensure that management practices are socially acceptable and respectful of local and Aboriginal values.

One way of making the forest management process more dynamic is to use management by objectives and results, an approach that has begun to be implemented but is not widely used. It offers a number of advantages:

- The evaluation process and target outcomes are defined, and stakeholders can discuss them and make suggestions to fine-tune the definitions as part of an open, transparent approach.
- Companies that take charge of work in the field can choose the specific methods used to achieve the target objectives.
- Professional workers acquire more autonomy, and their profession becomes more attractive.
- It is easier to assess achievement of the target outcomes, and the assessment process becomes more transparent.

Another possibility would be to link long-term access to wood from the public forests, or tax and other financial advantages offered by the Government, to the achievement of predetermined environmental or social results. These principles form the basis of ecoconditionality (see Appendix 3), which is one of the foundations of the Québec Government's 2008-2013 Sustainable Development Strategy.

As part of the review of the forest regime, the MRNF will therefore diversify the range of methods and tools that are available to managers and foresters, to improve their ability to define and achieve sustainability objectives. These new tools will also support the modernization of public forest governance, which many stakeholders believe must be improved. Any steps taken to review governance should:

- provide true autonomy for the organizations that the Government wishes to involve in the public forest management process;
- clearly assign management responsibility, thereby avoiding ambiguity and overlapping of the partners' missions and roles;
- develop high ethical standards that are applicable to all players;
- support innovation and training;
- allow for transparency, for example through credible, effective and useful consultation practices;
- reinforce the responsibility of the individuals and organizations responsible for protecting and developing the public forest heritage;
- include sustainable forest management certification by an independent third party as one of the accounting mechanisms.

Orientation 6

Promote a stable supply of timber by introducing a “right of first refusal”



The forest industry is concerned about the security of its fibre supplies, and with good reason. The ability to contain raw material costs is a major element in their profitability and competitive capacity, which are fundamental to their ability to maintain sustainable jobs.

Twenty years ago, the division of responsibility for public forest management was changed with the introduction of a new type of land tenure known as the timber supply and forest management agreement (TSFMA). The agreement holders were mill owners who were given the right to harvest a specific volume of timber within a given area. In return, they were required to manage the harvested areas in order to achieve set yields and improve the development of forests that had formerly suffered under the impact of fluctuating Government budgets. The present context is similar in some respects to that which prevailed pre-1986. For example, there is virtually no flexibility available to meet new needs, since most of the wood has already been allocated. A change is therefore needed.

Under this orientation, the current approach based on TSFMAs will be dropped, but current agreement holders will, in the next five years, be given a “right of first refusal” on volumes of timber from the public forests.

The right of first refusal will ensure a certain level of supply stability for current TSFMA holders, and will provide the flexibility required to meet new needs.

Under their right of first refusal, holders will have priority to purchase specific volumes of wood from the public forests, at market prices (see Orientation 7). The purpose of this is to offer a stable supply of timber. The right of first refusal, which could apply to the equivalent of 75% of all timber allocations throughout Québec, will be established on the basis that basic supplies will come from the private forests and the remainder from the public forests (the principle of “residuality”). In addition, for sawmills and peeling mills that use hardwood species, tree quality will also be considered when establishing the volume to which the right of first refusal will apply. Generally speaking, this new approach will provide basic supplies for the companies currently holding TSFMAs, and will also help to create a competitive timber market for some of the wood cut in the public forests; the MRNF estimates that at least 25% of the volumes available in the public forests should be sold on the open market.

Special mechanisms will be introduced to ensure the survival of small and medium-sized companies. Various criteria could be applied in this respect, including level of allocation. For example, the right of first refusal could be extended to 100% of the first 100,000 m³ of fir, spruce, pine and larch (FSPL) or the first 25,000 m³ of hardwoods and other softwoods.

Given the importance of this orientation, it should be noted that the total volumes of public forest wood to which the right of first refusal will apply, or that will be sold on the open market, will be calculated only after determining:

- the quantities of wood of different species and different quality levels that are required to ensure that the market is able to function properly and establish a true market value for the wood (by means of auctions or a public bidding process);
- the quantity of wood required by the Minister in the short term to meet other needs.

In the short and medium terms, the right of first refusal will provide more leeway to give the best-performing companies access to additional volumes, supply wood to new companies and allow the Government to honour its commitments to Aboriginal communities.

A further advantage of the right of first refusal is that it will eliminate the notions of backlog,¹ one-time harvesting of available volumes in a given year and transfers of volumes between mills, because what will in fact be granted is a right of purchase, and not a specific volume. This new approach will not only simplify the forest management process, but will also provide more leeway to firms, which will be able to exercise their right of first refusal based on their situation at the time. Any wood not purchased may then be sold to other companies on the open market (see Orientation 7).

The proposed formula will also involve payment to the Government of an annual fee for every cubic metre covered by a right of first refusal. This will provide the Treasury with more stable revenues over time, and will also provide an incentive for timber transactions to take place. A right of first refusal given up by a company could also be sold on the open market, and this would eventually establish its real market value.

1. Under this principle, introduced by section 92.0.1 of the Forest Act, timber allocated but not harvested in a given year may be harvested in a subsequent year, provided that all of the allocation for the current year has been harvested, up to a maximum of 15% over the volume allocated.

Orientation 7

Establish a competitive market for timber from the public forests

If timber harvesting activities in public forests are no longer carried out by mills, new mechanisms will have to be introduced to regulate timber transactions. It will also be important to ensure that the sale price reflects the actual market value of the timber at the time of the transaction.

Orientation 7 depends on the establishment of a right of first refusal (see Orientation 6). As part of the new approach, it proposes that some of the timber harvested in public forests be sold on an open market, no later than 2013. Responsibility for selling the timber will be entrusted to a public forest timber marketing board (Bureau de mise en marché des bois des forêts publiques) based, for example, on the model of a stock exchange.

Some of the timber harvested in public forests will be sold on an open market overseen by a public forest timber marketing board. A market that can establish timber values will help ensure that firms are able to face up to the unknown factors generated by competition.

The Board, to remain flexible and streamlined, will use a computerized transaction system, such as those that exist in other sectors and other timber-producing countries. Close collaboration between the Board, the regional authorities that have responsibility for forest management, unions, wood producers' boards, regional agencies for private forest development, forestry companies and mills will be a fundamental condition for the periodic adjustment of harvesting levels to match estimated needs and ensure a dynamic market.

The market for timber from the public forests will be created in an orderly fashion to ensure that all companies, whether small, medium-sized or large, have an equal opportunity to obtain some of the available timber volumes. Mechanisms will be introduced to ensure a balance between fairness and innovation, promoting the creation or development of processing companies that

achieve better performance in terms of their products, processes and marketing and contribute more to the creation of collective wealth. In addition, the fact that prices will be set on a competitive market, open to all mills in operation in Québec, will place Québec's industry in a stronger position in light of the constraints imposed on wood product exports.

The sale price of timber from the public forests, whether harvested in ecosystemic management or intensive silviculture zones, will obviously constitute a central element in the orientation and the proposed financial model. Sales will be made by public calls for bids or auctions of lots of harvested wood, sorted by species or species group and quality. The sale price will have to be equal to at least:

- the cost of forestry operations (including operational planning, the purchase of seedlings for reforestation, harmonization measures and road construction);
- the forest protection costs not paid for by the Government;
- the operating costs of the public forest timber marketing board;
- a profit margin to allow forestry companies to invest in workforce training, more efficient equipment, etc.

One of the major challenges of the approach will be to ensure that it generates competitive prices for the timber harvested and marketed. For example, the sale price resulting from the proposed formula may be below the current supply cost because it will be based on the market price. However, the assignment of responsibility for the integrated planning of all operations in the public forest to a single organization in each region should simplify implementation and lead to economies of scale. The current MRNF planning requirements are considered by the industry to be a major cost factor, and so the new approach should have a positive effect on overall fibre costs.

It is important to note that the price of timber harvested in the public forest would no longer be based on the price of timber from private forests. The MRNF believes the new approach will have a positive impact for determining the true value of timber harvested in private forests.

The creation of a market introduces a competitive element that could have a direct impact on fibre prices, especially based on the quality of the timber and the added value that may be achieved. In a context in which more than 50% of Québec

processing plants do not currently have access to timber from the public forests, the laws of supply and demand should come into play through an increase in the number of purchasers. The new approach is expected to lead to raw material prices that are directly influenced by the value of the finished product, the management and processing performance, the dynamics of the market for a particular product, and the overall competitiveness of the companies concerned. The new context will help maintain long-term jobs for Québec workers.

Orientations 6 and 7 - A Summary

The MRNF proposes to move forward from the current situation, where almost all the timber from the public forest is allocated to a limited number of mills, to a **competitive timber market which nevertheless guarantees secure supplies for current TSFMA holders**.

How this will be done

- By replacing the TSFMA by a right of first refusal for current TSFMA holders, who will have priority access to a volume of timber corresponding to 75% of their current allocation, or more in the case of small and medium-sized companies.
- By offering newly available volumes of timber to all companies, either through auctions or through public calls for bids.

Advantages

- Ensure a level of supply stability for current TSFMA holders, with the possibility of obtaining further volumes on the market.
- Give new players access to wood harvested in the public forests.
- Ensure that the sale price of timber, whether from the public or the private forests, reflects its actual market value at the time of the transaction.
- Support innovation and creativity by making room for new players and introducing new structural projects for communities.

Orientation 8

Create a silvicultural investment fund for intensive silviculture

Currently, the Government bears almost the entire cost of public forest management, either through its various programs – the Forest Resource Development Program, the Forest Job Creation Program, the silvicultural investment program, and seedling production – or, more importantly, through credits on the dues otherwise payable by agreement and contract holders in return for silvicultural work. In the private forests, the costs of management work are shared between landowners, the forest industry and the Government.

Under this orientation, work to return harvested areas to production in zones under ecosystemic management in the public forests is expected to be funded directly by the sale of timber. This approach will ensure better integration of harvesting and restorative work, with the goal of reducing fibre costs. Over the long term, the aim will be to increase the volume of timber available for processing.

Under the orientation, a silvicultural investment fund will be created within the next five years, mainly to finance intensive silviculture in zones with high production potential, in both the public and private forests. The fund will be managed by the MRNF, which will be responsible for allocating the amounts available to the regional authorities on the basis of yield objectives and the silvicultural work needed in intensive silviculture zones in the public forests, and in the private forests. Part of the fund may also be allocated to reward excellence and improve the performance of the regional authorities.

A silvicultural investment fund will be created mainly to finance intensive silviculture in zones with high production potential in both the public and private forests.

The silvicultural investment fund will receive money from various sources, including the sale of timber by the marketing board (see Orientation 7), the leasing of areas for the creation of carbon sinks (see Orientation 1) and, possibly, from private sources that are not currently utilized. The amount of money paid into the fund from the sale of timber harvested in the public forests could, for example, be roughly equivalent to the amount currently invested by the Government in silviculture via credits on dues and government programs. However, it will be essential for the revenue of the fund to increase and become more diversified in order to achieve the objectives of the intensive silviculture program. On a strong market, the surplus generated by timber sales will be paid into the fund as a priority, and where applicable will contribute to Government revenues.



Orientation 9

Establish an industrial development strategy based on high value-added products

The new forest regime must make a powerful contribution to the development of a healthy, profitable, dynamic and innovative forest industry able to offer stimulating, rewarding and long-term jobs.

The industrial development strategy will target an increase in the use of wood as a construction material in the non-residential construction sector. For example, Québec will require at least one wood-based structural solution for projects to construct public buildings. This will help showcase Québec's wood sector expertise and products.

Under this orientation, an industrial development strategy will be established for the forest sector, drawing on existing expertise and targeting high value-added products. The strategy will be based on the major policy and economic statements made in recent years (including the Québec government's economic development strategy *The Québec Advantage*, the Strategy for the Development of Every Region, the ACCORD project, the Québec Research and Innovation Strategy, the Québec Energy Strategy, the Québec Climate Change Strategy and the Action plan to support the Québec manufacturing sector – *Invest in a Winning Manufacturing Sector*). It will help ensure that the forest sector plays a key role in Québec's economic success and once again becomes a motor for growth and wealth creation.

Wood as a material: green construction

It is time to establish incentives to increase the use of wood as a construction material in Québec, replacing other more energy-consuming, non-renewable, non-recyclable, non-reusable and more polluting materials. Construction is certainly one of the areas in which consumer and environmental concerns are most evident today. Buildings must be energy-efficient, offer comfortable and healthy living conditions, and help achieve the objectives of sustainable development. These new requirements are reflected in an increased demand for products with recognized "green" credentials, including wood. A comparison of the life cycles of various products used in the construction sector reveals that wood products rank as one of the most ecological choices, especially in terms of emissions of carbon dioxide, the main greenhouse gas, and energy and water consumption.

The strategy will target an increase in the use of wood as a construction material, not only in the residential sector but also in the non-residential sector, beginning in Québec. The objective will have four components: the development of tools, the creation of business opportunities, promotion, and innovation.

The Government has already helped develop tools to eliminate barriers to the use of wood in non-residential construction by providing financial support for an action plan developed by the Bureau québécois de promotion des produits du bois (Q-WEB) in collaboration with the industry. In addition, the Québec government will create business opportunities by requiring wood-based structural and architectural solutions for projects to construct public buildings. At the same time, it will also require greater use of wood as a decorative material in construction and renovation projects and will also encourage the promotion of wood as an ideal ecological material, in partnership with as many decision-makers and promoters as possible. Lastly, it will provide financial support for innovation through the development of products and technologies, and the accreditation of engineered wood products to meet new needs.

All the signs point to the fact that a labour shortage will lead to greater industrialization in the construction sector. The Québec wood products industry will gradually have to review its role, switching from the supply of basic construction materials to the design and production of complete, integrated systems developed for factory production and sold fully assembled. The manufacturers of wood products will have to become the producers of “wood solutions”. The Government will use its programs to target support for the innovations required to meet these emerging challenges. This shift will also require labour training initiatives.

Québec’s manufacturers of wood products will have to become the producers of “wood solutions”.

A Québec timber alliance will bring together organizations, institutions and businesses from different horizons in joint initiatives for the promotion and use of wood products.

Although the challenges remain enormous, the new emphasis on products with high ecological and economic value and on complete, integrated building systems will create direct opportunities for Québec firms wishing to reduce their dependency on traditional lumber markets in the United States, increase their profitability and gain recognition for their contribution to sustainable development. In addition to helping meet Québec’s objectives in the area of energy efficiency and climate change, this orientation will create wealth and jobs, especially if intensive cultivation increases the availability of high-quality timber.

In both residential and non-residential construction, wood is increasingly used for its appearance, in particular because wood products meet consumer expectations from an environmental and aesthetic point of view. Québec possesses not only industrial know-how, but also great potential in both hardwoods and softwoods. The MRNF is currently helping to develop an innovation program for all points in the value chain, from the forest to the market, in collaboration with FPIInnovations, the industry and the federal government.

To ensure the success of this strategic project, a **Québec timber alliance** will be created. The idea has already been raised by industry representatives, and the Government confirms that it will participate. The alliance will bring together organizations, institutions and businesses from the forest sector and also unions, financial institutions and municipalities in joint initiatives for the promotion and use of wood. It will seek, in particular, to encourage various economic sectors and the general population to consider the use of wood as a modern choice in a context of sustainable development. Regional conferences of elected officials and municipalities will be responsible for promotion in outlying regions, in keeping with the resolution adopted by the Fédération québécoise des municipalités (FQM) in June 2007.

Wood as energy: green power

The industrial development strategy will also include an energy component. Current oil prices have highlighted the volatility of prices in the energy sector, and increased demand from emerging countries, especially in Asia, is expected to increase the degree of fluctuation. As a result, and not just for environmental reasons, it is important to help reduce the economy's dependency on fossil fuels.

A new program to replace heavy fuel oil offers potential for the production of energy from forest biomass. This initiative will also help reduce greenhouse gas emissions to a significant degree.

In the *Energy Strategy*, which promotes renewable energy sources, the Québec Government has already given priority to setting more ambitious energy savings targets, especially for petroleum products, and the promotion of a more efficient use of electricity. A program to replace heavy fuel oil with other energy sources, including forest biomass, was launched in the fall of 2007. The program is mainly aimed at the forest industry, which has already taken the lead in using waste products from its production process to generate steam.

There is still potential for a more extensive use of biomass from Québec's forests to generate power. The use of biomass could help to further the development of a cogeneration industry to meet the energy needs of various users. Other avenues will be explored to develop the use of biomass in sites close to the source of the raw material, for example to provide heating for urban housing complexes or institutions. The main challenge in the use of forest biomass will be to define reliable substitute solutions to other forms of energy, in particular regarding cost and cost-effectiveness over the long term.

The orientation will be backed up by a Government program to allocate the forest biomass available in Québec, by means of a competitive tendering process. All bidders will have an opportunity to explain the benefits and spin-offs of their respective projects

within Québec. The program will take advantage of the fact that new forestry practices, in areas under ecosystemic management or intensive silviculture, will generate large quantities of currently unutilized forest biomass that can be used for energy production or other purposes.

A Government program will enable the available forest biomass in Québec to be allocated by means of a competitive tendering process. Bidders will have an opportunity to explain the benefits and spin-offs of their projects within Québec.

Bio-refining: green oil

Bio-refining will be the third major component in the industrial development strategy. Increases in the price of oil necessarily lead to increases in the price of secondary refined products. At the same time, the trend-based decline in the demand for some paper products has led to renewed interest in a re-centring of Québec's pulp and paper industry on the production of cellulose and other derivatives.

New technologies to refine forest mass have shown great potential in several areas, for example to manufacture value-added products such as pyrolytic oils, bio-diesel, ethanol and methanol. Several R&D projects are already under way to use gasification and pyrolysis as a means of increasing energy yields and environmental benefits. Other projects could focus on the development of processes to produce alcohol as fuel. The new emphasis on secondary, low-volume products, which are not necessarily commodities, could guide the industry towards new products in the pharmaceutical sector, for example. Once again,

the availability of large volumes of low-quality timber as a by-product of intensive silviculture could help a new processing sector to create wealth and long-term jobs in outlying regions.

To develop this sector, the Government will introduce measures to support innovation and develop products and technologies, along with specific technology transfer measures to promote the industrial application of new processes. Its actions will be supported by investment assistance programs.

In Québec, new technologies to refine forest biomass have shown great potential in several areas, for example to manufacture value-added products such as pyrolytic oils, bio-diesel, ethanol and methanol.

Modernization of the primary processing industry

The strategy will also cover the modernization of the primary processing industry. After the current restructuring, the number of primary processing mills will have decreased. To return to profitability, the remaining mills will have to use efficient, modern technologies, and the strategy will support innovations in this area.

The softwood lumber industry is facing a difficult economic period that has led to declining prices on the North American market. In Québec, in addition, sawmills have seen a major drop in their timber supplies. The restructuring of the sector will require mill consolidations, a process that has already begun. In addition, a switch to more intensive silviculture (Orientation 1) will lead, eventually, to an increase in the use of production capacity, a key element in profitability. The industrial development strategy will support innovation by targeting more flexible production methods to help meet emerging needs in the wood products sector for elements such as hi-tech engineered products.



The hardwood lumber industry, in turn, has seen an increase in its costs and a drop in the quality of its supplies. The development strategy for hardwood sawmills will therefore target the optimization and automation of production facilities and the production of higher-value products.

The particle board sector has suffered as a result of the difficult situation in the North American construction sector. In addition, the industry is facing an increase in production capacity outside Québec, which has eroded its profits. The future of some Québec mills has been affected by the closure of several furniture factories, mostly caused by the flow of imports from Asia. The industrial development strategy will encourage a reduction in production costs, and the development of niches to serve specific market needs.

The pulp and paper industry has suffered the effects of the widespread deployment of information technologies, which has led to a continual decrease in the demand for newsprint and commercial printing paper. In Québec, as in the rest of eastern North America, some mills have unproductive equipment that has pushed their profits into marginal and even negative territory. The industrial development strategy will, as a result, support innovation in order to reduce production costs and, more importantly, refine new products such as intelligent or bioactive paper, and products based on nanotechnologies.

Development of industrial alliances

The future of Québec's forest industry depends on its ability to develop new products quickly to meet new needs. To achieve this, the product development cycle must be shortened by involving designers, certification agencies, funding agencies and marketing specialists from the outset.

Participation by industrial partners in the development of regional niches of excellence as part of the ACCORD program (action concertée de coopération régionale de développement), in the basis wood products sector, is another way to structure and reinforce innovation and the marketing of high value-added products. This cluster-based approach has been successful in other parts of the world, but its implementation will depend on concerted actions and networking by industry, R&D, regional partners and the Government. Several regions have already defined niches of excellence in the forest sector: appearance wood, construction systems, engineered wood products, value-added paper, etc. These niches provide a perfect match for the orientations of the development strategy based on high value-added products.

Orientation 9 - A Summary

The MRNF will **adopt an industrial development strategy based on high value-added products** to help maintain an innovative industry able to create wealth and long-term jobs, **and to encourage the use of wood as a material by the population of Québec.**

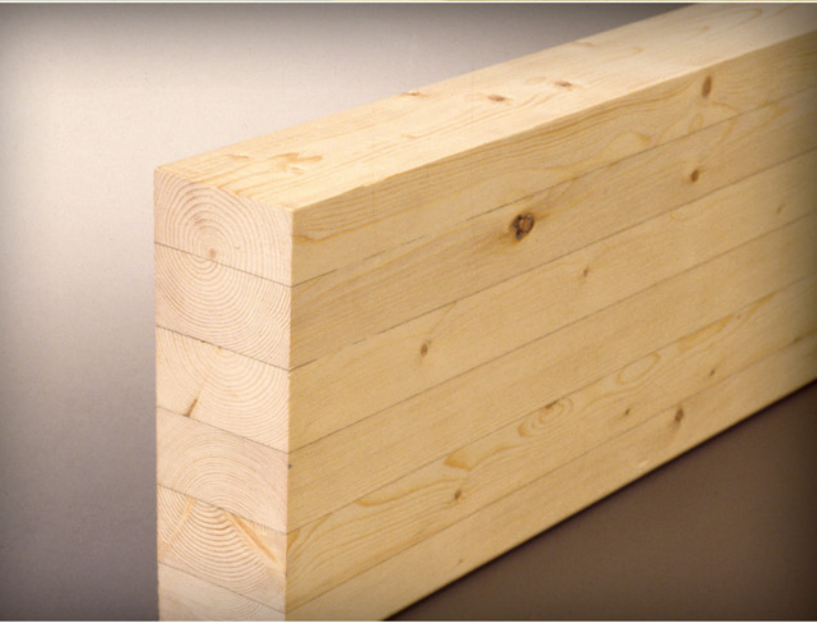
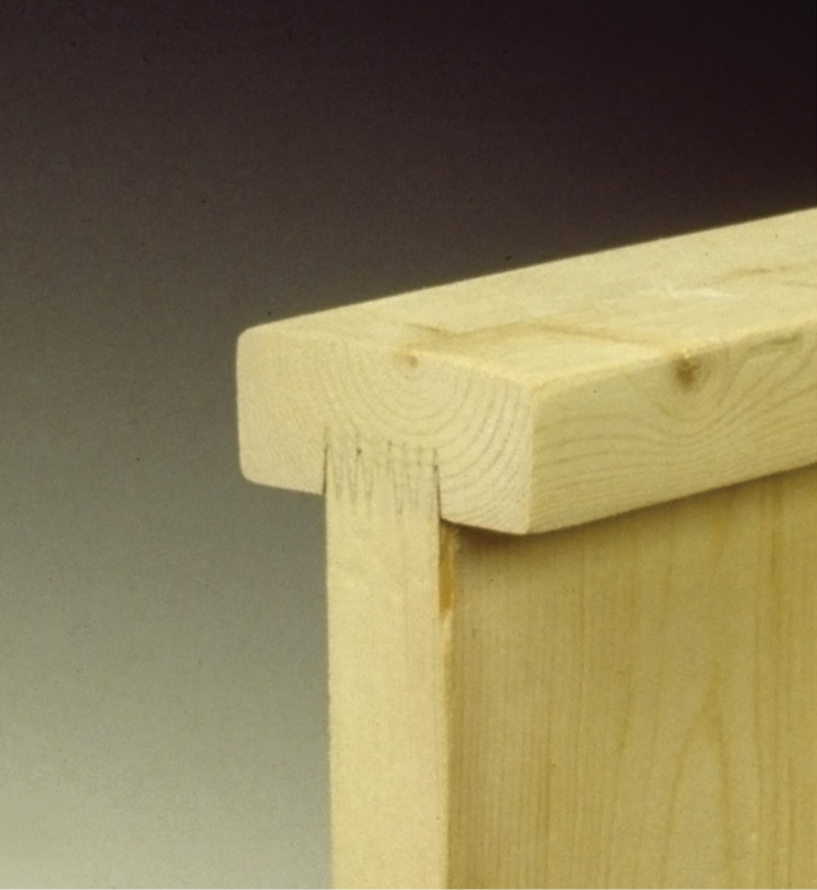
How this will be done

By developing the wood sector, the energy sector and the bio-refining sector, modernizing the primary processing sector, reducing the lead-time for the development of new wood-based products in Québec, and improving regional networks, through

- incentives to increase the use of wood for structural, engineering and decorative purposes, not only in the residential sector but also in non-residential construction, including public buildings;
- support for innovation in the field of high-tech wood products;
- the use of forest biomass to replace fossil fuels;
- stronger links between the designers of new products, certification agencies, funding providers and marketing specialists;
- support for diversification in the pulp and paper industry to include products for the future such as intelligent paper and bioactive paper;
- labour training measures;
- the creation of niches of regional excellence in the wood products sector.

Advantages

- Generate economic activity and create stimulating, sustainable jobs.
- Transform the forest sector into an innovative industry able to attract new players.
- Increase the use of wood as an ecological material.
- Mitigate greenhouse gas emissions.



PROMISING JOBS FOR THOUSANDS OF YOUNG PEOPLE

One of the most important effects of a new forest regime will be a renewed interest in jobs in the forest and in the wood processing sector. The project will affect not only the workforce of today, which will be trained or recycled, but also a whole new generation of workers.

The forest sector is often associated with traditional trades, in an industry focused largely on commodities with low added value. However, Québec is on the verge of widespread changes in its forests and factories, which will require a new, qualified, enterprising workforce inspired by the values of sustainable development.

In addition to the positions that will become vacant through the retirement of almost 15% of the workforce over the next five years, the new forest regime will create a need for new skills consistent with the knowledge-based economy.

How this will be done

A commitment by each component of Québec's forest sector to the principles of sustainable development will stimulate creativity, the ability to innovate and a spirit of enterprise that will make the sector more attractive for people looking for a challenge, and especially for young people.

- As the forest products industry goes green, new activities will emerge in the forest and in sectors connected with construction, such as engineering and architecture, as well as in biotechnology and equipment manufacturing. A wide range of jobs will open up, requiring a highly-trained workforce.
- A new approach to the management of timber supplies and the implementation of a strategy to promote the diversification of timber products will allow for the establishment of new, specialized firms working in high added-value niches. They will also seek qualified workers to occupy well-paid jobs.
- The introduction of silvicultural practices will increase forest yields and recognition for the forestry industry will help develop new career profiles in forest management.
- The integrated management of all forest resources, bringing together all users, will lead to new partnerships on the ground, especially between the industry, the recreation and tourism sector and the conservation sector, and new innovative companies will emerge to occupy previously unexplored sectors.
- More direct control by the regions over their own forest development will strengthen the emergence of new regional expertise in the various areas of forest management.

The new forest regime will make the forest sector a lever for wealth creation and regional development as it meets the challenges of a new era. It will open up new, exciting career prospects, especially for young people. Various government initiatives such as the *Youth Entrepreneurship Challenge* will help meet the need for workers in new and existing businesses.

A PROMISING VISION FOR THE PRIVATE FORESTS

It is important for the Québec Government to maintain the development of private forests in light of the benefits they generate for Québec society as a whole. The essential role played by the regional agencies for private forest development as a driving force must continue. The principle of residuality must be retained, giving priority to timber from the private forests before supplies from the public forests are used, but it must be supported by a strict yet flexible management process.

The aim of the review of the forest regime was, in particular, to examine the managerial and forestry practices applied in the public forest. However, a reform of this scope also provides an opportunity to encourage the owners and users of private forests to continue their forestry activities.

How this will be done

- By establishing a new dynamic within each region to encourage a sharing of knowledge and a new synergy between public and private forest operators.
- By introducing an industrial development strategy based on the production of high value-added products, opening up new outlets for timber from private forests.
- By offering woodlot owners ways of financing their work, including intensive silviculture.
- By ensuring that the price of timber from the private forests is influenced by transactions involving timber harvested in the public forests, to better reflect its true market value.
- By creating a climate conducive to innovation in the forest sector as a whole and promoting a spirit of enterprise in both the public and the private forests.



CONCLUSION



The reform of the forest regime is a major structural project with a society-wide impact, given the important relationship between the Québec population and the forest.

The reform is necessary. It is founded on the generally-accepted observation that the current approach to forest management does not provide a suitable response to the present economic, environmental and social challenges. We must prepare now for the forest of tomorrow, for the sake of future generations.

The orientations set out in this document are not inflexible. Instead, they are possible solutions presented as the basis for a broad discussion involving all the partners in the forest community. Nevertheless, because of the types of changes they propose, the orientations reflect the ambitious scope of the reform. The goal is not to apply temporary solutions, but to renew our relationship with the forest and maximize the benefits it generates.

The forest industry's ability to adapt to a shifting economic context must be restored. This is one of the keys to ongoing sustainable employment. It is essential to bring all users together around a shared vision of the forest, forest management and forestry practices. A compartmentalized approach, in which the various uses are placed in opposition to each other, must be replaced by an integrated approach that brings them together. The new values of sustainable development and ecoconditionality are not constraints, but rather opportunities to innovate, occupy new high value-added sectors, and increase the attractiveness of the forest for new workers and new businesses.

A modern appreciation of wood as a material, based on the know-how developed in the regions and on a new generation of promoters, must be developed to take the essential step from tradition to innovation. Pride in wood products and in the forest must be revived in the population, and the presence of the forest as a component in Québec's identity must be used as a lever for growth in a healthy wood products industry equipped to meet new challenges.

The reform is motivated by necessity, but carried forward by a belief that the forest sector has a bright future and that the workers, communities, regions and businesses that derive a living from the forest are an integral part of a more prosperous Québec.



QUESTIONS FOR DEBATE

The following questions are intended to provide input for discussion and debate about the modernization of Québec's forest regime. They are designed to focus discussions on the orientations set out in this document, but any opinions or comments about other ways of improving forest management in Québec will be welcomed.

1. In your opinion, which elements of the current regime should be preserved? Why?
2. Do you agree with the statements made concerning the main issues associated with forest management, the revival of the industry and the future of the forest sector? What other elements should be taken into consideration?
3. Do you share the proposed vision for a new approach to forest management in Québec, and the related objectives?
4. Do you believe that the orientations will ensure the ongoing survival of the forests, the future of the forest sector and the future of outlying regions?
5. Do you agree with the idea that some areas should be placed under ecosystemic management while others should be used for intensive silviculture? Which stakeholders are in the best position to select these areas?
6. Which stakeholders should pay for integrated resource management in the forest environment? How should the payments be collected?
7. The establishment of a *silvicultural investment fund* has been proposed to ensure stable funding for intensive silvicultural work. Do you agree with this proposal and, if so, where should the money come from? Should contributions be made by the private sector, and if so, how?
8. There is a possibility that responsibility for forestry work (planning, implementation and follow-up) will be transferred to *regional authorities*. Are you in favour of a new transfer of responsibilities (advantages and disadvantages) to the regions? If so, how should these regional authorities be governed, and who should be part of each authority?
9. In your opinion, what mechanisms should be implemented to promote excellence and improve the forest-related, economic and budgetary performance of the regional organizations responsible for forest development?
10. Do you have any suggestions to make concerning relations between the regional authorities given new responsibility for public forest development and the holders of existing rights over public land?
11. It has been suggested that accreditation should be mandatory for companies that carry out forestry work in the public forest. In your opinion, what type of accreditation process should be developed?
12. To secure the supply of wood to mills, there is a proposal to replace the existing "timber supply and forest management agreements" by a "right of first refusal" on a determined percentage of the volumes allocated. Do you support this proposal?
13. Do you support the establishment of a market system for wood harvested in the public forest, where wood would be sold at market prices while guaranteeing industry supplies (right of first refusal)? What would be the advantages and disadvantages of this approach?
14. In your opinion, would the proposed solutions allow the forest sector to restructure and diversify while continuing to function as one of the economic pillars of Québec's regions?
15. Do you have any ideas about ways of increasing the use of wood products, in particular in construction and renovation, based on their environmental attributes?
16. Do you believe that the changes proposed will help improve Québec's carbon footprint and its ability to adapt to climate change? Do you have any other suggestions to make concerning forest management or the use of wood-based materials?
17. Do you have any other ideas concerning the reform of the Québec forest regime?





APPENDICES

Appendix 1 - The History of Québec's Forest Regime

Appendix 2 - The Forest Sector in Québec's Economy

Appendix 3 - The forest regime continues to move towards ecoresponsibility and ecoconditionality

Appendix 4 - Glossary

Appendix 1

The History of Québec's Forest Regime

Background

In the late 19th century and early 20th century, the timber limit system gave the pulp and paper companies free reign over large areas of Québec's forests. The companies had control over access and basically used the timber as they wished. Moreover, there were no rules governing the prices they paid to the Government for the trees they cut; on the contrary, prices were deliberately kept low to encourage the companies to come to Québec. In addition, the Government was entirely responsible for the reforestation of logged sites, and its modest reforestation budget fluctuated from year to year.

Over the years, however, industrial development, the growing demand for wood, the mechanization of forest operations, the need for jobs and a growing enthusiasm among Quebecers for outdoor activities in the forest led to a number of changes in the way the forests were managed. Successive governments took steps to control the use of the forests, and to ensure that more of the wood cut in Québec was also processed within the province.

It gradually became clear that the paper companies were not using all the species in the areas under their control. A significant proportion of their needs (approximately 30%) were met by supplies from the private forests, and the size of the public tracts to which they were given access bore no apparent relation to the extent of their needs. Over time, wood chips came to play a more important role in the paper production process, with the result that the mills needed fewer logs. The outcome was a surplus of volumes in many timber limits. Because they had exclusive rights over the trees in their timber limits, the concession holders were able to enter into agreements with sawmills to sell off their surpluses. However, conflicts were common, especially with regard to price. In short, the timber limit system did not allow for full use of the production potential offered by Québec's forests, nor did it permit the resource to make a proper economic contribution.

In 1972, the Québec Government adopted its first forestry policy, and the relevant legislation (the Lands and Forests Act) was amended to allow for revocation of the timber limits and provide better guidance for the development of the forest industry, while ensuring proper use of the resource. Between 1972 and 1986,

the Government revoked 30% of the timber limits. The areas released as a result of this measure became State forests, in which timber was allocated by means of supply agreements valid for terms of five or ten years. Most agreement holders were sawmills.

In spite of these changes, there were still concerns about maintaining supplies to the mills, exacerbated by the fact that successive infestations of spruce budworm destroyed some 235 million cubic metres of wood in the 1970s and 1980s. At the same time, the sawmill sector was flourishing, placing more pressure on the public forests. Between 1976 and 1986, softwood harvests increased by 30% to supply the sawmills but demand still outstripped supply. The Government introduced some standards to protect forests, riverbanks and lakeshores, but they were not legally enforceable and had little impact.

In December 1986, the Lands and Forests Act was abolished and replaced by two pieces of legislation: the Forest Act, which substantially altered the forest regime, and the Act respecting lands in the public domain.

The 1986 Forest Act

Following the publication of a draft forest policy in 1985, the Forest Act was adopted in 1986, signalling the beginning of a period of change. Henceforth, several forest companies were required to share the same area of forest. The volume of wood allocated in the new timber supply and forest management agreements (TSFMAs) was calculated according to the allowable annual cut, and allocations also had to reflect the volumes of wood available from other sources (e.g. the private forests, imports, etc.). All logged sites had to be replanted immediately, and the price paid for the trees harvested had to reflect private forest stumpage rates.

The new Act also recognized the principle of multiple forest use. The forest companies had to take the needs of other forest users into account and protect the forests and their resources, including riverbanks and lakeshores, wildlife habitats and landscapes. TSFMA holders were entrusted with the task of forest management, but they were required to submit plans and reports showing that their activities were in compliance with the Act.

The price of wood rose to a level that reflected its market value. In 1887, cutting dues were \$0.25 per cord, or \$0.10 per cubic metre. By 1987, when the Forest Act came into force, the average price per cubic metre had risen to \$2.09. Between 1987 and 1997, however, the average market value of standing timber soared to \$12 per cubic metre (in current dollars). During the same period, total dues paid to the Government rose by 600%, from \$53 million to \$400 million.

The Government also helped fund forest management and forest protection by allowing the forest companies to use money spent on silvicultural treatments aimed at achieving timber production goals as payment of timber dues for harvested wood.

In 1991, the Bureau d'audiences publiques sur l'environnement (BAPE) launched extensive public consultations on a proposed Forest Protection Strategy prepared by the Ministère des Ressources naturelles et de la Faune in collaboration with the forest industry and the Ministère de l'Environnement du Québec (as it was known at the time). The Strategy, which proposed several new approaches to ensure that the forests were renewed and to maintain potential yields, came into force in 1994. One of its measures was to eliminate the use of chemical pesticides in the forests.

Between 1986 and 1996, the Forest Act was amended on several occasions and adjusted to changing social needs. Among other things, the amendments introduced the requirement for TSFMA holders to consult the general public on their general and five-year forest management plans. A new instrument known as the Forest Management Contract (FMC) was introduced as a means of allocating wood in forest reserves, and the six criteria for sustainable forest management were introduced as a preamble to the Act. Provisions were also added to create the Forest Resource Development Program and the new forest protection agencies.

The 2001 Amendments to the Forest Act

By 1996, the Forest Act had been in force for nearly ten years, and the MRNF felt it was time to review the impacts and ensure not only that the Act had produced the anticipated results, but also that its provisions were sufficient to face the challenges of the 21st century.

In 1998, the MRNF's review, along with its analysis of forest management issues and a number of proposed amendments to the forest regime, became the subject of extensive consultations involving the regions, certain provincial organizations and the Aboriginal communities. More than 500 briefs were tabled by individuals and organizations with an interest in forest management. In 2000, the Government tabled a Bill to amend the Forest Act and other legislative provisions in the National Assembly. The bill was examined by a general standing committee which received more than 130 additional briefs and heard presentations by 110 individuals and organizations. The bill, amended to reflect the standing committee's work, was adopted by the National Assembly in 2001.

Among other things, the revised forest regime that emerged as a result of the Bill provided for increased public involvement in the forest management process (e.g. adoption of a consultation policy on government forest management orientations, new requirements to ensure participation by the regional county municipalities, wildlife area managers, Aboriginal band councils and other holders of rights in the general forest management plan preparation process, delegation of management responsibilities in forest reserves to the regions, and so on). The new system also provided better protection for ecosystems by introducing an "exceptional forest ecosystem" classification. In addition, the Minister was given the power to establish forest resource protection and development objectives (PDOs) for each management unit, and also to introduce forest management standards that differ from those provided in the regulations, in order to protect certain fragile environments. Lastly, the renewal of the timber allocations of TSFMA holders became conditional on the attainment of specific forest management, environmental and industrial performance criteria.

The revised version of the Act also provided for additional mandatory controls and higher fines for offenders. In addition, it introduced an instrument known as a Forest Management Agreement (FMA), under which applicants who did not have wood processing plant operating permits could harvest and market wood from the public forest. Other provisions introduced the notion of joint responsibility for agreement holders within the same forest management unit, as well as the possibility of implementing management methods adjusted to the characteristics of the region in question.

As far as the planning process is concerned, the revised forest regime made the MRNF responsible for calculating the allowable annual cuts. It also required the five-year forest management plan to be incorporated into the general forest management plan. In addition, agreement holders had to produce a review of their forest management activities every year, and draw up a list of actions for the following year to support their choice of silvicultural treatments in their annual forest management plans.

In 2002, the Québec Government and the Crees of Québec entered into the *Agreement Concerning a New Relationship between le Gouvernement du Québec and the Crees of Québec*, commonly known as the *Peace of Braves*. Among other things, the agreement provided for adjustments to the forest regime, bringing it more into line with the traditional lifestyle of the Cree people, as well as participation by the Cree in the forest management planning and management processes. At the same time, it established mechanisms to implement its provisions, in the shape of the Cree-Québec Forestry Council and joint working groups in each community.

The Coulombe Commission

In October 2003, the Québec Government set up an independent public scientific and technical commission to study various ways of improving the forest regime. The Commission, chaired by Guy Coulombe, examined the economic, environmental, wildlife-related, social and regional factors affecting forest and resource protection and development.

As part of its work, the Commission held public consultations in approximately fifteen towns and certain Aboriginal communities. In the process, it met with roughly 250 organizations, companies and citizens throughout Québec. A dozen regional forums were held, and more than 300 briefs were submitted. In all, the Commission received more than 3,000 recommendations.

The Commission published its final report on December 8, 2004. The report contained 81 recommendations for the Government on various aspects of forest management in Québec and addressed topics including:

- Research, knowledge transfers and education in the forest sector;
- Protection, conservation and multiple resource management;
- The condition of the forest and timber volume predictions;
- Silviculture and timber management;
- Integrated, structured, decentralized, transparent management;
- The Aboriginal people and forest management.

The Ministère des Ressources naturelles et de la Faune (MRNF) has followed up on many of the Commission's recommendations, in particular those concerning a reduction in allowable annual cuts, the appointment of a Chief Forester, improvements to the allowable annual cut calculations, the gradual introduction of ecosystem-based management practices, the preparation of a Regulation respecting sustainable forest management and the creation of regional boards. This Green Paper is part of the process of implementing the Commission's recommendations.

Legislative Amendments since 2005

Bill 71, adopted in 2005, reduced the allowable annual cut for softwood species by 20% and that for all other species by 5%. In the following months, the Ministers concerned toured the regions, and the Regional Conferences of Elected Officers tabled plans of action aimed at mitigating the impacts of the reductions. These measures were completed by the Forestry Sector Support Plan, announced in October 2006, which provides for investments of \$1.4 billion over five years.

Bill 94 was also adopted in 2005. It created the position of Chief Forester, whose principal task is to supervise the operations required to calculate the allowable annual cut. The bill also stipulates that the Minister is required to encourage integrated, regionalized, ecosystem-based management of all activities taking place in the public forests.

Bill 49, adopted in 2006, introduced a certain amount of flexibility into the timber supply management process by allowing companies to direct a certain volume of their allocations to mills other than those mentioned in their agreements. They may also, during any given five-year period, harvest up to 10% of their annual authorized volume in advance. The bill also granted the Minister the power to close forest roads, and contained provisions to ensure compliance with the governmental obligations stipulated in the Peace of Braves agreement.

Lastly, Bill 39, adopted in December 2007 by the National Assembly, simplified certain administrative processes and standards. Among other things, it laid down the foundations for a review of the forestry planning process, the granting of management permits in the public forests, and the occasional allocation of volumes of timber to processing mills in specific circumstances. Some of the amendments introduced by the bill were intended to consolidate the progress made towards the creation of biological refuges, which are small areas within forest management units in which forestry activities are prohibited in order to maintain ancient forests that the Minister intends to protect with new legislative provisions. Lastly, the bill granted the Minister the power to require that agreement holders obtain forest certification from an independent agency with sustainable forest management standards applicable to Québec's forests.



Some Dates in the History of Forestry in Québec

- 1894** Creation of the first forest protection agencies
- 1905** Creation of the Crown Lands Department
- 1910** Foundation of Laval University's Forestry School
- 1921** Foundation of the Professional Association of Forestry Engineers (by an Act)
- 1939** Adoption of a Ministerial Order obliging the holders of timber limits to prepare management plans for their forests, based on the Ministry's technical requirements
- 1945** The Forestry School, since renamed the School of Surveying and Forest Engineering, is given faculty status at Laval University
- 1963** Creation of an Economic Study and Forest Planning Committee, which went on to become the *Direction générale de la planification* (General Planning Directorate) in 1965
- 1965** First public hearings on the administration of Québec's public land and forests
- 1972** Adoption of Québec's first forestry policy and beginning of the process of revoking the timber limits
- 1974** Introduction of Québec's first standards for the protection of lakes and watercourses
- 1986** Adoption of the Forest Act
- 1988** Adoption of the Regulation respecting standards of forest management for forests in the domain of the State
- 1990** Creation of the Société de protection des forêts contre les feux (SOPFEU) and the Société de protection des forêts contre les insectes et maladies (SOPFIM)
- 1994** Adoption of the Forest Protection Strategy following a series of BAPE hearings
- 1995** Summit on Private Forests (followed by the creation of the regional agencies for private forest development)
- 1995** Introduction of the Forest Resource Development program
- 1996** Addition of sustainable forest management criteria to the Forest Act
- 1997** Creation of the Forestry Fund
- 1998** Review of the forest regime
- 2000** Legislative amendments to allow for special measures as a result of delays in delivering the general forest management plans (Bill 105)
- 2001** Legislative amendments, aimed mostly at allowing the Minister to identify protection and development objectives for the common areas, and to involve stakeholders in the general forest management plan preparation process (Bill 136)
- 2002** Signature of the Agreement Concerning a New Relationship Between le Gouvernement du Québec and the Crees of Québec, and adoption of the Act to implement the agreement (2002, c. 25 or Bill 93)
- 2004** Tabling of the report of the Commission set up to study public forest management in Québec (the Coulombe Commission)
- 2005** Legislative amendments to introduce the notions of integrated resource management and ecosystem-based management, and to create the position of Chief Forester (Bills 71 and 94)
- 2006** Creation of the Regional Land and Natural Resource Boards (RLNRBs)
- 2006** Legislative amendments to give companies more flexibility in managing their timber supplies (Bill 49)
- 2007** Legislative amendments to simplify certain administrative processes, especially those related to forest planning (Bill 39)
- 2007** Summit on the Future of the Forest Sector
- 2008** Tabling of the Green Paper – *Forests: Building a Future for Québec* – and public consultations



Appendix 2

The Forest Sector in Québec's Economy

- In 2005, forest sector companies and primary and secondary processing companies provided nearly 83,500 direct jobs, 23% of which were in the forests and 77% in the mills. The sector's employees received salaries totalling in excess of \$3.5 billion. Shipments were valued at \$23.7 billion, and contributed \$8.4 billion dollars in added value to Québec's economy.
- The extended forest sector, including the wood furniture, printing and related industries, provided a total of 128,000 direct jobs, paid salaries in excess of \$5 billion, made shipments of nearly \$30 billion and contributed \$11.6 billion in added value.
- In 2005, the traditional forest sector directly contributed an estimated \$510 million to the Québec Government in the form of income tax and other taxes, and an additional \$550 million in various contributions and fringe payments (e.g. Régie des rentes du Québec, Commission de la santé et de la sécurité au travail, Fonds de services de santé). The direct contributions of the extended forest sector amounted to \$660 million in income tax and other taxes, and nearly \$760 million in fringe contributions.
- International exports by the traditional forest sector (excluding the furniture and printing industries) were valued at \$10.9 billion in 2006, accounting for 15% of Québec's total exports and making a major contribution to the province's balance of trade.
- The forest sector's fixed asset base in Québec is valued at between \$1 billion and \$1.5 billion per year, depending on the year, and accounts for approximately 25% of Québec's total manufacturing asset base.
- Forest sector activities accounted for 4% of Québec's gross domestic product (GDP) in 2005. In addition to its direct economic contribution, the sector's spill-over impact was valued at more than 50,000 indirect jobs in the Québec economy (nearly 60,000 indirect jobs for the extended forest sector)².
- The forest sector's direct and indirect impacts are spread throughout all the regions of Québec, but are concentrated in the resource regions. According to population census data, 209 municipalities in Québec are economically dependent on the forest products industry, and in 140 municipalities the level of dependency is significant³.

Québec's Balance of Trade in the Forest Products Sector and for All Products in 2006 (in millions of \$)

	Imports	Exports	Balance of Trade
Wood products	635,9	3 548,1	2 912,2
Pulp, paper, board and processed paper products	1 063,0	7 365,9	6 303,1
Total for forest products	1 698,9	10 914,0	9 215,3
Total for all products	80 743,0	73 330,0	-7 413,0

Source: Institut de la statistique du Québec

2. *Retombées économiques du secteur forestier au Québec en 2000*, Ministère des Ressources naturelles et de la Faune, Québec, 2006.

3. *L'industrie de la transformation des produits forestiers : une présence vitale dans plusieurs municipalités québécoises*, Ministère des Ressources naturelles et de la Faune, Québec, July 2006.

- Other commercial activities also take place in the forests at the same time as logging, and generate significant incomes for local communities. In 2005, the various non-timber sectors generated products valued as follows⁴:
 - Maple production: \$156.5 million
 - Blueberry production: \$38.1 million
 - Christmas trees: \$49.7 million
- Lastly, the forest is also a favourite host environment for many sports and recreational activities. Economic activity⁵ related to wildlife and nature was estimated as follows by the MRNF's Wildlife Sector:

Economic Spin-offs from Wildlife and Nature Activities, Québec

	Jobs (number)	Salaries (\$M)	Expenditures (\$M)	Added Value (\$M)
Fishing	9 754	246	1 000	458
Hunting	3 322	87	308	157
Wildlife observation trips ⁶	15 656	396	1 300	700
Outdoor activities ⁷	3 379	88	303	162
Total	32 000	817,8	2 900	1 500

Source: www.faunenatureenchiffres.gouv.qc.ca

4. *Forest Resources and Industries*, MRNF website, consulted on November 2, 2007.

5. The economic data presented here include direct, indirect and induced spin-offs from the activities concerned. They are therefore not calculated on the same basis as the forest industry data, which reflect the direct spin-offs only.

6. Trips and excursions the main aim of which is to observe, photograph, feed or study wildlife.

7. Outdoor activities such as hiking, camping, canoeing, kayaking, snowmobiling, etc.

The Forest Sector in Québec's Economy in 2005

	Jobs (number)	Salaries (\$M)	Shipments (\$M)	Added Value* (\$M)
Forestry, forest operations and support activities	19 134	535	2 964	1 165
- Forestry and forest operations	11 965	535	2 964	1 165
- Forestry support activities	7 169	-	-	-
Wood products	37 407	1 423	9 875	3 098
- Primary processing	20 127	844	6 317	1 690
- Secondary processing	17 280	579	3 557	1 407
Paper	26 927	1 555	10 881	4 123
- Primary processing	16 486	1 032	7 720	2 864
- Secondary processing	10 441	523	3 161	1 259
Total, traditional forest sector	83 468	3 513	23 720	8 386
Furniture industry	27 602	871	3 284	1 663
Printing and related activities	17 230	745	2 986	1 596
Total, extended forest sector	128 300	5 129	29 990	11 645

* MRNF estimates based on historical data from the Statistics Canada Annual Survey of Manufactures and Logging (ASML)

Sources: Statistics Canada, Annual Survey of Manufactures and Logging (ASML)
Statistics Canada, Survey of Employment, Payrolls and Hours (SEPH)

The above data are from 2005 or 2006, and therefore do not fully reflect the crisis currently faced by Québec's forest products sector. In 2004, the Canadian dollar was worth only \$0.77 US, whereas in October 2007 it had attained parity. This meteoric rise in the value of the Canadian dollar has had a detrimental impact on exports to the United States, where transactions take place in American dollars. According to the Québec Forest Industry Council (QFIC), every one-cent increase in the Canadian dollar shaves \$156 million dollars per year from the profits of Québec firms.

In addition to the decline in competitive capacity caused by the rise in the Canadian dollar and growing international competition in some niches, the pulp and paper sector is also facing a major structural problem, in that the North American demand for newsprint fell by 24% between 1999 and 2006, placing downward pressure on prices, reducing production capacity and causing several North American mills to close.

The softwood lumber and structural board sectors are both highly dependent on residential construction. The significant decline in housing starts in the United States – from more than two million units in 2005 to less than 1.4 million in 2007 – amplified the difficulties faced by Québec’s softwood lumber sector in the wake of the extended Canada-US softwood lumber dispute. The combined impacts of the downturn in construction and the property market crisis in the United States have reduced the demand and hence the price of lumber and structural boards. For example, the price of softwood lumber fell more than 35% from an average of \$526 (Canadian) per 1000 board feet in 2004 to just \$344 in the first nine months of 2007.

The difficult situation faced by Québec’s forest industry has had a major impact on regional jobs and economies. Since April 1, 2005, 51 forest product mills in Québec have closed definitively, affecting nearly 3,230 people, while 87 others have closed temporarily, affecting 5,650 people. In addition to these processing sector job losses, an estimated 2,400 jobs have also been lost in the forest management and logging sectors.

Appendix 3

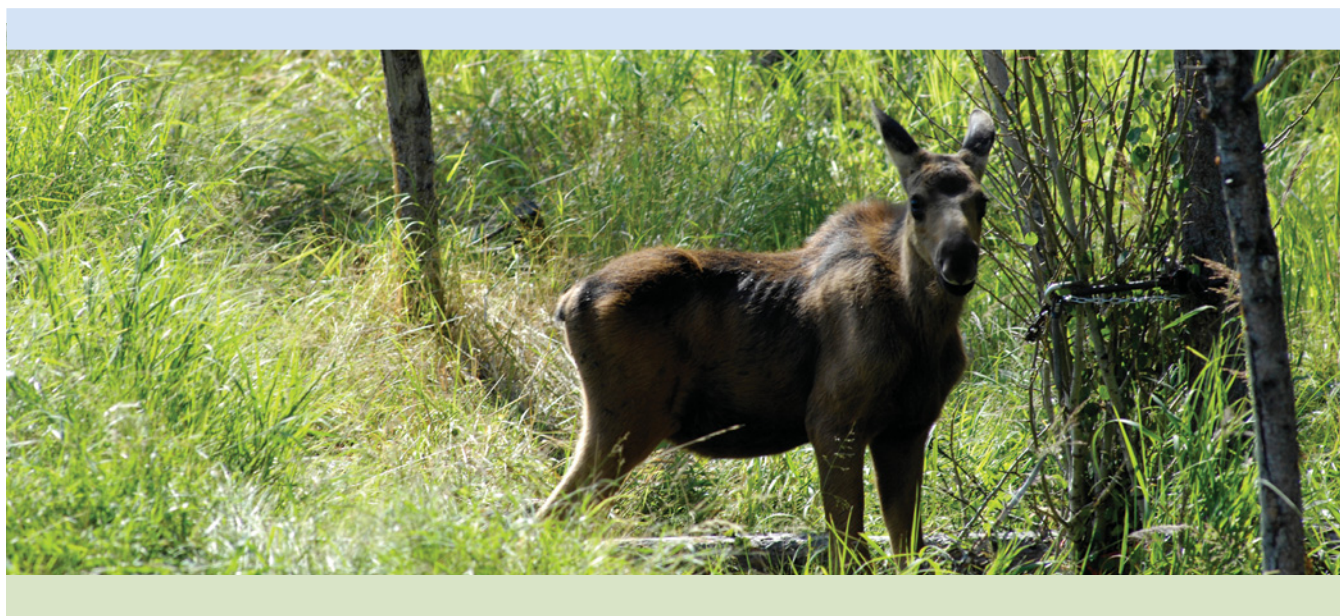
The forest regime continues to move towards ecoresponsibility and ecoconditionality

Since the Forest Regime first came into force in 1987, public forest management in Québec has continued to evolve in response to environmental concerns. A number of tools have been developed to structure forest management activities and provide better protection for the forest environment.

The Regulation respecting standards of forest management for forests in the domain of the State (RSFM), adopted in 1988, contains a host of measures designed to protect aquatic environments, wildlife habitats, established regeneration and the visual quality of landscapes during logging. Many of these measures were tightened in 1996. In addition, in the wake of the Coulombe Commission report, the Ministère des Ressources naturelles et de la Faune (MRNF) has worked closely with the Ministère du Développement durable, de l'Environnement et des Parcs (MDDEP) in order to convert the RSFM into a regulation on sustainable forest management as part of a new objectives-oriented, results-based approach to forest management.

The Forest Protection Strategy adopted in 1994 proposed preventive silviculture to protect the forests from insects, diseases and competing vegetation. It generated a set of measures including the requirement to replace conventional clear-cutting by cutting with protection for regeneration and soils, smaller logging areas and elimination of chemical pesticides from the forests in 2001.

The Forest Act was amended in 1996 to stipulate, first, that the forests are a collective heritage, and second, that the Minister must foster sustainable forest development. Of the six criteria for sustainable forest development that now form the preamble to the Act, four are based on environmental considerations. They are: the preservation of biological diversity, the maintenance and improvement of the condition and productivity of forest ecosystems, the conservation of soil and water resources, and the maintenance of the function of forest ecosystems as a component of global ecological cycles.



At the same time, the MRNF produced a review of biodiversity in Québec's forests⁸ and subsequently refined its strategies to ensure that post-logging forest ecosystems were better able to meet the needs of wildlife and plant species. It also works on an ongoing basis with other government departments, including the MDDEP, to protect the habitats of threatened or vulnerable forest species. In the wake of its review, the MRNF undertook to identify and protect exceptional forest ecosystems, which received legal status in 2001. Since then, more than 120 exceptional forest ecosystems have been identified and protected in Québec's public forests.

In 2002, the Minister of Natural Resources and Wildlife set a northern limit on commercial timber allocations to protect fragile northern environments not suitable for commercial logging. A scientific committee composed of experts from various universities and the MRNF was set up in 2005 to examine the potential offered by forest ecosystems located north of the limit, based on extensive inventories, and to make recommendations on whether or not forest management activities should continue to be prohibited. The committee is expected to submit its conclusions in 2010.

Also in 2005, resource protection and development objectives (PDOs) were assigned to every forest management unit in Québec. As a result, specific actions will be included in the forest management plans due to come into force in 2008. The PDOs were designed to complement the provisions of the RSFM, and constitute a significant step towards ecosystem-based management, which is one of the five actions strongly recommended by the Coulombe Commission. Among other

things, the PDOs aim to reduce rutting, protect aquatic habitats by avoiding sediments, and protect mature and overmature forests. Indicators are currently being prepared to measure the extent to which the PDOs have been achieved, and will be used to help assess the joint forest management and environmental performance of agreement holders in each forest management unit in the period 2008-2013.

So far, Québec's approach to environmental protection in the forests has focused on **ecoresponsibility**. However, the measures introduced in the last 20 years have also been directed at **ecoconditionality**, a modern approach designed to encourage compliance with environmental standards. Ecoconditionality is defined as follows:

"Ecoconditionality consists in making compliance with environmental rules, standards and legislation a condition for assistance and allocations."

Widespread application of ecoconditionality and social responsibility in public assistance programs is a central objective of Québec's proposed Sustainable Development Strategy (2008-2013). It was also one of the underlying reasons for the legislative amendments adopted in the fall of 2007, by which the Minister of Natural Resources and Wildlife may require that organizations applying for timber allocations and forest management responsibilities must obtain forestry certification. Independent certification, based on sustainable forest management standards applicable in Québec, could also become a condition for access to government programs.

8. *Biodiversité du milieu forestier – Bilan et engagements du ministère des Ressources naturelles.* (MRN, 1996).

Appendix 4

Glossary

Allowable cut

The maximum volume of wood that can be cut each year in a given forest management unit without reducing its production capacity.

Synonym: Allowable annual cut

Audit

A systematic, documented verification of a specific activity, used to obtain and assess evidence in an objective way in order to establish whether or not the organization has met the requirements of sustainable forest development.

Biodiversity

The variety of living organisms of all kinds, including land-based, marine and other aquatic ecosystems and the ecological sets of which they form part; biodiversity also includes intra-species, inter-species and ecosystem diversity.

Preserving biodiversity during forest operations involves ensuring the survival of species and the continuity of natural processes in order to maintain functional ecosystems that will continue to provide a range of goods and services for the benefit of present and future generations.

Synonym: Biological diversity

Ecoconditionality

An approach that consists in making assistance and allocations conditional upon compliance with the environmental regulations, standards and legislation in force in a given area.

Ecosystem

An ecological unit composed of a sufficiently regular, defined environment and the organisms that live there.

Ecosystem-based management

An ecological approach to forest management designed to maintain the biodiversity and viability of all forest ecosystems while meeting socio-economic needs and protecting the values ascribed to the forest by society.

Forest biomass

Forest biomass is composed mainly of tree parts (trunks, branches), other types of woody vegetation, moss, lichens and grass. It is used as fuel to meet various energy needs, including the production of heat and electricity.

Forest certification

A recognized process by which an independent, accredited registry organization certifies that an applicant manages and uses the forest resources in a given area in a way that is respectful of predefined sustainable forest management standards.

Forest management agreement (FMA)

A method of allocating timber to people who do not have processing mills, under which they are allowed to harvest volumes of wood not already allocated by means of a TSFMA in one or more forest management units. FMA holders are permitted to sell their wood to the processing mills. They have the same obligations as TSFMA holders.

Forest management contract (FMC)

A method of allocating timber, under which a specific volume of wood can be harvested in a forest reserve in order to foster regional economic development. FMC holders have the same obligations as TSFMA and FMA holders, and are normally regional county municipalities, Aboriginal communities or regional development organizations.

Forest management unit

The basic territorial unit for forest management activities carried out to supply a wood processing mill, and more specifically for the determination of the allowable annual cut, forest protection and development objective, and the means to be implemented to meet those objectives (see section 35.1 of the Forest Act).

Full afforestation

Proper post-logging regeneration of desired species in productive areas. Desired regeneration rates vary according to species and station quality.

Integrated resource management (IRM)

A management method that allows as many needs and values as possible to be considered when making decisions, so that resource management activities can be planned and carried out in a cohesive way.

Intensive silviculture

Intensive silviculture is the intensive cultivation of trees in short-rotation plantations in order to obtain maximum timber yields. The practice is currently used mainly for species such as hybrid poplar and indigenous or hybrid larch.

Intramunicipal lots

Areas of public land located within municipal territories for which no timber supply and forest management agreement has been issued.

Protected area

A geographically defined area of land or water that is legally and administratively structured so as to protect and maintain biological diversity and the associated natural and cultural resources.

Public land use plan

A government plan that assigns a specific use to publicly owned land in order to preserve and develop its resources and harmonize the land management and development activities of other government departments and agencies.

Silvicultural credit

The value of silvicultural treatments and other forest protection or development activities that are accepted as payment of dues.

Silvicultural treatment

Work designed to improve a forest stand or promote regeneration for future logging (e.g. reforestation, thinning, selection cutting, etc.).

Station

An area of land that is sufficiently regular in terms of its physical and biological features, on which a specific type of silviculture can be applied to a given species in order to obtain a predetermined level of productivity (Delpech *et al.*, 1985). For practical purposes, a “given species” means a species that makes up a forest type.

Sustainable forest development

An approach designed to ensure that present generations are able to benefit fully from the use of forest resources while ensuring that those resources are sustained with a view to meeting the needs and aspirations of future generations.

The six criteria of sustainable forest development are the preservation of biological diversity, the maintenance and improvement of the condition and productivity of forest ecosystems, the conservation of soil and water resources, the maintenance of the function of forest ecosystems as a component of global ecological cycles, the maintenance of the multiple socioeconomic benefits society derives from forests, and the giving of consideration, in selecting forms of development, to the values and needs expressed by the populations concerned.

Timber supply and forest management agreement (TSFMA)

A method of allocating timber to processing mill operators, under which the operators are allowed to harvest a specific volume of wood from certain given species each year, in exchange for which they must carry out the management work required to achieve the annual yields and objectives established in the agreement. A TSFMA covers a period of 25 years, but is revised every five years and extended for a further five-year period if the holder has met its obligations.



Forests: Building a Future for Québec

Ressources naturelles
et Faune

Québec 