

Atlantic Affairs: A solution for forestry

By [Brian Lee Crowley](#)

New Brunswick's forests have been a huge generator of wealth and employment, but the old ways of doing things cannot continue. Unless ways are found to increase the productivity of the province's forest lands, the industry will be starved of wood, with a resulting decline in investment and jobs.

A couple of years ago the industry, together with the provincial government, commissioned a large Finnish forestry consultancy, Jaakko Pöyry, to do a major study of how the province could do better in forest management. The Jaakko Pöyry report caused a flurry of activity. Numerous further studies were commissioned and a select committee of the legislature held hearings on the future wood supply.

Despite all this effort and fact-finding, the government is still indecisive. In response to the legislative committee the government will establish yet another committee to make further recommendations on wood supply, maybe by the end of 2007 — but then again maybe not.

But the New Brunswick forestry industry can't wait indefinitely. New Brunswick has lower timber yields than its international competitors, particularly on Crown land, and there is a worsening shortage of timber to keep the province's mills working. That uncertainty of supply makes it difficult for forestry companies to invest in new plants and equipment, and yet that new investment is absolutely crucial if New Brunswick is not to be shouldered out of the forestry business altogether by aggressive competition from the American south, Asia and South America.

We know, however, that New Brunswick's Crown forest lands can be made far more productive than they are today. It just requires long term intensive management of the forest. We know this can be done and done successfully because these techniques are applied on privately-owned forest land in New Brunswick with great success.

For example, J.D. Irving's St. Leonard land is twice as productive as Crown Land in the province today. And in 25 years the Irvings project that they will improve that productivity level by half again. Nor is this some low-grade monoculture. They plant many species together, such as black, white, red and Norway spruce, white, red and jack pine and eastern cedar. Privately-owned forestry land is about half the total in New Brunswick, split between large freehold such as Irvings', and private woodlots.

Unsurprisingly, the productivity of private lands is much higher than Crown lands. Private operators have a big incentive to manage their forests so as to maximize their commercial value, and since they own those lands, they know that they will reap the benefits of sound management 25 or 50 years down the road.

But forestry companies get about 40 percent of their wood from Crown lands. The cash-strapped province doesn't invest in forest productivity on its lands like a private operator would. Private operators will only make limited investment in Crown land because of the uncertainty of their investment. Remember that it may take 50 years for investment in proper forest management techniques to pay off. Governments are notoriously fickle. Twenty five years ago, for example, the province set out to double wood supply by 2020. It set aside 7 percent of its forests as Special Management Areas where harvesting is limited. This year, the province has reduced the amount it allows to be cut by 25 percent, and Special Management Areas now cover a third of the forest, with the province eyeing further increases.

Companies have been burned too many times by investing in Crown lands' productivity only to see their investment either confiscated through cutting restrictions or even transferred to other companies that did not invest, but who were politically favoured. They need certainty about what will happen to their investment, and Crown land is simply very risky.

Fortunately, there is a solution that would allow New Brunswickers to benefit from better management of their forestry resources while improving the state of their public finances. The province owns roughly 7.5 million acres (a little over 3 million hectares) of forest. It also has \$6.7-billion in debt; interest costs \$600-million every year. Any organization with huge but low-productivity assets, and heavy debt, should sell some of those assets to lighten its debt burden. In the case of New Brunswick, that would free up significant revenues for public spending or tax relief.

Assuming a value of, say, \$300 per acre, the province could sell 2 million acres of forest land, retire \$600-million in debt, and create the conditions in which companies would invest far more in that forest than Crown land could ever hope to attract. Higher productivity on such land would reduce the pressure to cut on other Crown lands, helping to preserve them for important competing uses such as recreation, wildlife and conservation.

More trees, more rural jobs, more investment in a more competitive industry generating more tax revenue, lower public debt, public money freed up for more important uses and less pressure on other public lands. That would be planting the seeds of New Brunswick's future prosperity.

Brian Lee Crowley is president of the Atlantic Institute for Market Studies (www.aims.ca), a public policy think tank in Halifax. E-mail: BrianLeeCrowley@AIMS.ca .