

Helping to Achieve & Maintain a Competitive Forest Industry

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- [1] Good morning. Thank you for inviting me to speak to this special session of your forum this year.
- My assignment from Guy was to bring you an industry perspective on how the Pest Management S & T community can help achieve and maintain a competitive forest sector.



- ❑ What is competitiveness?
- ❑ How can the forest health community help?
 - The necessary ingredients for success
 - Relevant
 - Integration along the “value chain”
 - Bridging the “turf gap”

- I will [2] begin by briefly discussing what I view as the elements of competitiveness and then move on to the ways I think the forest health's science and technology community might help in achieving it.
- I won't touch on all the strengths and weaknesses in delivery of S & T. I'm going to focus in on the aspects of improving the relevance and timeliness of S & T products and tools to the operational resource professional.
- You may be aware that a relatively new industry/government organization has been formed at the national level with this question as part of their mandate, the Canadian Forest Innovation Council (CFIC). In one of their early discussion papers they explore a full suite of issues that influenced this question and I recommend their material to you for a much more comprehensive look at this question.
- For my part this morning, I am going to focus in on:
 - What makes the science or the tool relevant;
 - Integrating S & T along what CFIC has called the “value chain”; and,
 - Bridging what I call the “turf gap” or responsibility gaps between different partners and different funding sources.

What is Competitiveness?



- Price/unit cost
 - Raw material ... manufacturing ... labour ... taxes
- Product
 - Quality ... appearance ... durability ... service guarantee
- Product support
 - Supply reliability trade barriers
- Ethics
 - Materials ... processes .. company... service providers (sustainability)
- Adaptability,
 - Timely ... planned and periodic .. or ... continuous improvement
- Commodity business
 - Price takers Supply & demand
 - Who/what is your competition? (Same products ... substitution products)

- To set the stage for understanding what is relevant I am first going to talk about [3] what competitiveness means to me. For those at last night's "Science a la carte" I challenged you to think like a consumer in considering how your work, your product, might fit into helping achieve forest sector competitiveness.
- I suggested you ask yourself what it is YOU look for when you go to buy a product? For me it means four things: .. Price....Quality...A reliable support system including a supply of more of the same if I want it ... and...Ethicsethics of both the product materials or manufacturing process and the company and its chain of service providers.
- Add to this list two business factors:
 - Adaptability – or how your work or product fits in with timely and relevant planned and periodic change or with a continuous improvement process; and,
 - The reality that in the forest sector we are in a commodity business, supply and demand drive our markets and we are price takers not price setters ... and so... we need to understand our competitors, both those who produce the same products as well as those who produce substitution products.

How can the forest health community help?



- Relevant:
 - To operational resource professionals, not a new “test”
 - Use the competitive lens, new test to most

- Integration along the “value chain”:
 - Up-stream & down-stream activities and processes
 - Added value

- Bridging the “turf gap”:

- Not [4] to undermine the value of long term pure research, it has its own important role, but I am suggesting that you will improve your success in delivering relevant and timely science and technology to operational resource professionals if each of you put your particular project or product under this competitiveness lens.
- Closely linked to examining how your S & T project helps forest products be more competitive in the market place is also examining how it will complement or integrate into the activities and processes upstream, downstream or adjacent to it in the stream of activities carried out in producing a consumable product.
- A simple example of this might be that for someone who is designing an improved log inventory management system to track timber volumes from the map planning stage through field layout and harvesting to the log yard should also be examining how the tool could also produce the documentation necessary to meet chain of custody requirements for sustainability certification.
- In other words, look beyond the specific need that generated your initial project to see where else in the product manufacturing chain your work might add value. It may be nothing more than helping others understand how the existing project or product complements or adds value to activities further up-stream and down-stream ... or it may reveal ways to improve your particular project or product in the conception and design stage to achieve greater value.
- Moving on now to bridging the “turf gap” as I call it, I’ll first mention that I think it ironic and perhaps significant that in the S & T context we are not talking about the normal turf wars but rather “turf gaps”.
- This in my mind is because without clearly understanding the benefits of S & T, and to whom those benefits accrue, S & T is often seen as a cost not revenue center, dollars out rather than costs down or revenue in. Consequently we adopt a “not my responsibility” approach and this creates turf gaps.
- To set the stage for this part I want to digress briefly to talk about responsibility and accountability as an underlying causal agent to turf gaps.



□ Accountability

- The Landlord(s)
 - Federal
 - Provincial
- The Tennant
 - Long term tenure holders
 - Short term tenure holders
- The Service Providers
 - Science & Technology
 - Consultants
 - Contractors

- With [5] some notable exceptions the vast majority of Canada's forest sector does business on public lands. The Crown in its various forms is the landlord and industry and other resource sector participants are essentially tenants.
- Traditionally each party had various rights and responsibilities laid out through vehicles like the Canadian Charter, Legislation, Regulation and various tenure agreements.
- In my view, up until recently and in an overall sense, this system worked reasonably well as the various parties established traditional landlord-tenant relationships.
- Over the last decade or so for various reasons this has changed. Reasons such as:
 - Public demands on the forest land base became more varied and strident;
 - The allocation of timber resources to industry approached the biological carrying capacity of the land base;
 - In order to make the returns necessary to compete for investment capital businesses increasingly adopted a "core business" approach and a focus on the bottom line; and
 - Both private sector and public sector funds became more scarce,
- Landlords were unable to respond quickly enough to the increase in demand for things like inventory information or good scientific answers to the whole host of new land management questions that were emerging and began to change the traditional landlord-tenant relationship.
- The relationship was in my view thrown into upheaval by adopting a policy of offloading increased responsibilities onto the tenants ... an almost universal "user pay" mentality emerged.
- On the surface, and at the time to some, it seemed like a reasonable thing to do, and quite frankly for some activities it is quite reasonable to apply a user pay approach ... however, I suggest based on today's evidence that we went overboard in applying the user pay concept as a panacea solution ... in its current form it is not working, particularly in the resource information and S & T arena.
- Why? Many reasons, but if I was asked to boil it down to one principal reason I would say it is because when government offloaded responsibilities they failed to also transfer the potential benefits that might flow from those responsibilities. They failed to provide the "business case basis" necessary for the concept to work cohesively.

- Similarly the tenants, the licensees, feeling wrongly done by, promptly passed off onto the service providers at least some of the perceived offloading injustices.
- A decade or more after being introduced does the term “stewardship contract” bring stars or tears to most contractors’ and consultants’ eyes?
- For most contractors and consultants I talk to its tears. All stewardship represents to most of them now is increased risks of the downside of things going wrong and little likelihood of any benefit when things go right.
- What, you ask is the relevance of this to S & T?
- In my view tenants see S & T activities not directly related to manufacturing or marketing, and particularly forest health issues, as falling into this “all cost no benefit” category.
- Forest health S & T is seen as a cost centre with the benefits accruing to another party. Even different government departments look at it this way in the context that they see benefits of their work accruing to the industry or other government departments or agencies.
- In addition, from an industry perspective, these offloaded responsibilities and costs are often not ones that are worn by competitors in other jurisdictions or by the industries producing substitution products. In other words it is also a relative competitive issue.
- Hence, turf gaps..... Agencies and organizations that avoid taking on integrated S & T projects ... preferentially selecting discreet projects or discreet product development to minimize the potential they will wear the cost and someone else will reap the benefit.
- Agencies and organizations that carry out “silos” of R & D or S & T with little communication or integration amongst them.
- This problem also acts as a disincentive in the context of the last issue I spoke about, looking for ways to shape your project or product in a way that adds value to upstream or downstream parts of the process.
- The answer?
- As with any complex problem I don’t have a single answer. But I do have two suggestions:
 - First, encouraging a re-examination at a high policy level of the various roles and responsibilities that the landlord, the tenants and the service providers, including the S & T community, play in the system asking the question ... “have we gone too far in applying a user pay philosophy in the resource information and S & T arena?...Would it be collectively beneficial to return to a more traditional landlord – tenant relationship without losing the benefits of a long term tenure arrangement?” This is a role we may see CFIC play.
 - And second, in light of the responsibility/accountability answer to the first question, what role should each of the players have in seamlessly delivering information and S & T products to the forest sector to improve and maintain competitiveness?
 - And while I see CFIC also playing a role here I believe each of us can also play a role if we look at our work in a seamless fashion.
- To illustrate what I am talking about I’ll return to territory familiar to me, BC’s mountain pine beetle epidemic.



❑ An illustration; Applying a “Shelf Life” Tool to BC’s MPB Epidemic

- The need
- The process and respective roles
 - Interim tool - CFS
 - The inventory update - MSRM
 - Operational implementation – Industry
 - Scientific underpinnings – CFS
 - Timber supply mitigation analysis – MoF
 - Wood quality – Forintek/Paprican
 - Implementation - Industry
- The lessons

- A [7] still in progress and only partially successful but till relevant example is the shelf life study Dr. Bill Wilson and I spoke about during our presentation on day one of this forum.
- The end question that needed answering was what site factors and what stand factors were important in understanding how quickly beetle attacked trees and stands deteriorated and lost their commercial value?
- Seems like a simple question. But let’s add in some of the up-stream and down-stream:
 1. Harvest Scheduling:
 - a) Planning to harvest first those stands that lose value soonest and harvest last those that lose value slowest ...
 - b) Capture the greatest value for both the landlord and the tenant before it is lost and so be able to afford the costs of basic reforestation ...
 - c) Meter out the volume over a longer period of time and buffer the depth and duration of the expected timber supply decline thus improving community stability and provincial and federal revenues.
 2. Regeneration:
 - a) Planning to reforest the richest sites first and so also help buffer the depth and duration of the expected timber supply decline thus further improve community stability and provincial and federal revenues.
 3. Sawmill/pulpmill recovery:
 - a) Processing the damaged timber before it develops characteristics that precluded manufacturing, and
 - b) That reduced chip yields below economic barriers.

- Now let's add in the various steps and players that might be involved in answering the full suite of questions:
 1. An interim "anecdotal/professional opinion" product until the scientific underpinning results could be completed – CFS.
 2. Then, updated inventories to know where on the deterioration time line various stands are currently – MSRM.
 3. Implementation – Industry.
 4. The additional, field study based scientific work necessary to underpin and improve the interim shelf life tool – CFS.
 5. Use of the improved timeline and inventory info to carry out better, community specific, timber supply sensitivity analysis for mitigation planning – MOF.
 6. Wood quality and environmental information for use in reducing market place concerns – Forintek/Paprican.
 7. Implement – Industry.
- As you can see the octopus grew and the number of players magnified.
- And I know you can see where the "turf gaps" are occurring.
- To the credit of the players in this case we are bridging these gaps, slowly, too slowly given we needed the tool in 2003 and it will not be available until 2005.
- The lessons learned:
 1. Get the bigger picture early, the value chain, the up/down stream.
 2. Find a champion or champions at the senior policy level to help bridge the turf gaps.
 3. Persist.
- As I said, a success in progress Lots of gaps to bridge yet, but an example you might draw from to achieve better results in a shorter time for your needs.

Summary



- Relevant, Understand the competitiveness tests
- Integrated, Up-stream & down-stream
- Bridges the “turf gaps”

➤ In summary [9] Speak to the slide.