Budget Submission

WRC Timber Inc
White River Forest Products Limited Partnership
Hornepayne Lumber Limited Partnership
Hornepayne Power Inc.
Pre-Budget Submission
January 24, 2020

This paper is being send on behalf of a group of companies in North Central Ontario. WRC Timber Inc (WRC) is the primary operating group for the three operating facilities, White River Forest Products Limited Partnership (WRFP), Hornepayne Limited Partnership (HLP) and Hornepayne Power Inc (HPI). The first two are SPF sawmills and the third is a Cogeneration Plant. These facilities are the largest employers in these town. The other key employers are CN and CP rail.

We appreciate the opportunity to submit a proposal to the Committee.

We share government's stated goal that, "Together, the Ontario government and the forest industry, along with partners in the research and education sector, Indigenous communities and other levels of government, will create a business climate that fosters growth, promotes innovation and helps the industry adapt to an every-changes business climate" (pg. 6, FSS).

Guided by the context of the strategy's "Four Pillars of Action" (pg. 7, FSS) and to ensure successful execution of the strategy, WRC has identified the following recommendations for Ontario's 2020 budget:

Pillar #1: **Putting more wood to work**

We are encouraged by recent policy proposals, that seek to reduce red tape and administrative burden, improve access to fibre supply, and ensure a more sustainable forest sector. However, the success of this strategy is contingent on satisfying two critical, prerequisite items that will initiate effective implementation:

1. Find a permanent solution to the duplication between the Crown Forest Sustainability Act (CFSA) and the Endangered Species Act (ESA). We were very pleased to see that MNRF has actively addressed this item, in form of ERO# 019-1020, *Proposed Changes to the Crown Forest Sustainability Act. WRC*will be providing a comprehensive response to this proposal, which will include the following asks of government:
    a. Approve and finalize a permanent, legislative change to the CFSA that contains no additional conditions, restrictions, or requirements, beyond what is already included within the CFSA or O. Reg. 242/08 under the Endangered Species Act (ESA)
    b. Continue to utilize science-based, landscape-level and ecosystem-based approaches for managing species at risk delivered through the CFSA, and under the authority of the MNRF
    c. Create workable species at risk policy that contributes to working landscapes and functioning ecosystems while incorporating socio-economic impact analysis, jointly, with practitioners, affected stakeholders and Indigenous communities
    d. Defend Ontario's constitutional authority over the conservation and management of forestry resources on issues related to protection orders and conservation agreements under the federal Species at Risk Act (SARA), and firmly reject politically motivated protected area targets.

2. Establish the current Forest Sector Strategy industry working group as the advisory committee that will support the development of an implementation plan for the various actions contained within the proposed strategy.

Additionally, the completed Forest Sector Strategy should ensure the following:

a. Make certain that socio-economic impact analyses are used to develop responsible, evidence-based policy that is shared with affected stakeholders
b. Continue to support Ontario's world-class forest management practices to global customers through active public engagement and workable policy
c. Recognize and remove policy barriers, unnecessary administrative burden and red tape that is preventing the sector from realizing its full potential
d. Ensure consistent implementation of existing government policy between all levels within the MNRF; Policy Division, Forest Industry Division and Regional Operations Division

Pillar #2: **Improving Our Cost Competitiveness**

With a stated vision that Ontario is a preferred location for investing in wood-based, innovative forest products and advanced manufacturing, we offer the following recommendations to strengthen the forest sector:

1. Strategic Investments in Forest Access Roads: restore the Forest Road Funding Program to $75 million in the Ministry of Natural Resources and Forestry (MNRF)'s 2020 budget
2. To avoid a prolonged and costly Federal fuel charge and Output-Based Pricing System (OBPS) in Ontario, MECP should continue working with federal colleagues to ensure that Ontario's Emission Performance Standard (EPS) program is approved as quickly as possible. Ontario Emission Performance Standards must:
   a. Include a 5% biomass factor for the pulp and paper sector.
   b. Acknowledge the integration of Ontario's forest sector, from forest management operations to manufacturing solid wood products, pulp and paper, biofuels, biomaterials and bioenergy
   c. Consider early actions made by the forest products sector
   d. Recognize the value of using wood-based biomass and biofuels to displace fossil fuels
   e. Provide flexibility for Ontario mills to meet emissions targets
   f. Incentivize investment in infrastructure and innovation that supports environmental goals, while maintaining and creating jobs in Ontario
3. Increase processing facility competitiveness by reducing current electricity costs by reducing the Global Adjustment and recognizing the importance of energy programs (e.g. NIER, ICI)
4. Poplar and White Birch Crown Stumpage: adjust and make permanent the 'fixed' portion of Crown dues to ensure that the rate is at least average when compared to other Canadian jurisdictions
5. Reduce the base stumpage for Biomass to encourage its use to produce heat and electricity.

6. Maintain Ontario's current timber pricing system.

Pillar #3: **Fostering Innovation, Markets and Talent**

Ontario increasingly recognizes the importance of reaching new markets and addressing barriers to trade, to protect local economies. In this section, WRC provides two critical asks that are imperative to a successful forest sector.

1. **Softwood Lumber Trade Dispute with the United States**: We are asking government to establish an Ontario Commercial Loan Guarantee Program (OCLGP) that supports Ontario producers with working capital and prevents the illegally collected duties from interfering with the normal course of business. This is our fifth lumber trade dispute with the United States. Their tactic of prolonged litigation and the collection of unjust illegal tariffs starves Ontario lumber producers of their cash. Today, Ontario lumber producers have approximately $245 million in duties collected. This is money that could have been used to keep mills open and people working. We request the following:
    a) OCLGP be available to any Ontario producer that has paid AD and CVD tariffs
    b) Allow Ontario companies to access up to 75% of the paid AD and CVD through loans at a commercial rate comparable to current bank rates
    c) Be integrated immediately. Time is of the essence if we want to protect Ontario's lumber producers and the entire forest sector.

The draft strategy identifies several goals for Fostering Innovation, Markets and Talent, including "Encourage and support mass timber and bridge projects in Ontario" (pg. 24, FSS) and "Increase the use of Ontario wood in construction" (pg. 24, FSS). The Ontario Woodworks Program has been instrumental in satisfying both goals since 2000 and kickstarting the Mass Timber campaign. "Element5 would not be investing in a new Mass Timber plant in Ontario if it had not been for the work Ontario Wood Works has done creating market demand for Mass Timber in Ontario" – *Patrick Chouinard, Element5*. Thus, we encourage the Ontario Government to consider the following:

2. **Ontario Woodworks Program**: Smart consumers want wood. The Forest Products Association of Canada (FPAC) has stated "using wood in building construction to replace more carbon-intensive and environmentally harmful product like cement can help green our cities and towns." We were encouraged that the draft FSS acknowledged that "by working with our partners, including the Canadian Wood council, to align codes and standards, to develop tools, research and education resources, we will enable a shift toward the increased use of wood in our infrastructure" (pg. 25, FSS).

We recommend:

   a. Ontario Government to reinstate the $300,000 for funding, so Wood Works can leverage an additional $650,000 from the Federal Government (NRCan & Fed Nor), with remaining funding to come from the forest industry.

We are hopeful that the Ontario government will restore funding to the Ontario Woodworks program in the 2020 budget. In 2019, the efforts of the Ontario Woodworks team resulted in 82 new projects, which generated $44 million in wood sales and created 220 new jobs in the wood sector. They have emerged as provincial leaders in mass timber projects and should be awarded for the work they have done.

3. **Trucking:** The greatest operational issue in front of the industry today is transportation of goods. It is the same for inbound logs and chips and outbound product. This is primarily driven by the lack of trained truck drivers and shrinking number of trucking contractors.

   It is nearly impossible for a young person to get into the profession. Insurance companies do not want to ensure young drivers. This is has created a shortage of qualified drivers.

   Trucking contractors, in addition to finding qualified insurable drivers have a difficult time securing capital dollars to maintain or expand their fleet.

   We recommend:

   a. The government review the policies of insurance companies to find a way to ensure young people who want to get into the profession of driving.
   b. The government explore ways to ensure that trucking contractors can secure capital at reasonable rates of interest.

It is critical that collectively we find a solution to this issue otherwise the existing industries will be constrained and almost eliminate any future expansion of the sector in the short term.

Pillar #4: **Promoting Stewardship and Sustainability**

As Minister Yakabuski stated in the draft FSS, “Our wood and wood products are globally recognized as coming from forests that are responsibly and sustainably managed” (pg. 5, FSS). In Ontario we harvest so little annually, yet the benefits are so great. Harvesting 0.05% of Ontario’s workable forests allows our sector to generate good paying jobs in every corner of this province. We need to work together to ensure the renewable forest sector reaches its full potential.

1. We support the future action item identified in Ontario’s draft Forest Sector Strategy, “responding to a changing climate”. We ask MNRF to work with industry and forest managers to further increase carbon storage in forests and

harvested wood products to enable productive and resilient forests into the future.
2. Promote the use of renewable forest biomass for energy and heating of northern, rural, and indigenous communities.
3. Reduce carbon emissions from unmanaged forests by undertaking small interventions that would reduce wildlife risk, maintain ecological integrity, and store carbon in solid wood products.
4. Cultivate a higher public value of working forests and fostering a unique Ontario forestry culture.

The forest sector is an integral component of Ontario's history and critical to its economic prosperity. WRC is appreciative and encouraged by the Ontario Government and MNRF's leadership on the Draft Forest Sector Strategy, *Proposed Changes to the Crown Forest Sustainability Act, 1994* and other, recent submissions that will significantly impact the forest industry. We look forward to continuing productive dialogue and growing a strong relationship together, with the Ontario Government.