



**FOREST POLICIES: PUBLIC DUTY AND
PRIVATE ACTION**

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FOREST INDUSTRY LECTURE NO. 21

THE FOREST INDUSTRY LECTURES

The forest industry in western Canada is cooperating with Alberta Forestry, Lands and Wildlife to provide funds to enrich the Forestry Program of the Faculty of Agriculture and Forestry at the University of Alberta through sponsorship of noteworthy speakers.

The Forest Industry Lecture Series was started during the 1976-77 term as a seminar course. The late Desmond I. Crossley and Maxwell T. MacLaggan presented the first series of lectures. The contribution of these two Canadian foresters is greatly appreciated.

Subsequent speakers in the series have visited for periods of up to a week, with all visits highlighted by a major public address. It has indeed been a pleasure to host such individuals as C. Ross Silversides, W. Gerald Burch, Gustaf Siren, Kenneth F. S. King, F. L. C. Reed, Gene Namkoong, Kenneth A. Armson, John J. Munro, Peder Braathe, Vidar J. Nordin, Juhani Paivanen, Conor Boyd, John A. Marlow, Gordon Gullion, Hugo Von Sydow, Mary Jo Lavin, and Harold R. Walt. The subjects of their talks are listed at the end of this paper.

This paper contains Adam Zimmerman's major public address given on 1 November 1988.

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ADAM H. ZIMMERMAN



A native of Toronto, Mr. Zimmerman attended Ridley College and the Royal Canadian Naval College, joining the Royal Canadian Navy Reserve immediately afterwards. Upon receiving a BA from the University of Toronto, he began his involvement with the business community first with Procter and Gamble Ltd., then, Clarkson, Gordon & Co. where he qualified as a C.A. In 1958, he began a 30-year career with Noranda Inc. beginning as Assistant Comptroller, and culminating at present as Vice-Chairman. He is also Chairman of MacMillan Bloedel Ltd. and Chairman and C.E.O. of Noranda Forest Inc. He is a Director of eight other companies and has volunteered public service assistance to such groups as the Canadian-American Committee, Hospital for Sick Children, University of Toronto (Faculty of Forestry), Ridley College and Branksome Hall School.

He has played an active and influential role in the Forestry sector. He was Chairman of the first Canadian Forestry Advisory Council which was very effective in bringing together representatives of forest industry, federal and provincial governments, labor, universities and others to address forestry views on a national level. This led to the present Forest Sector Advisory Council of which he is a member. Past Chairman of the Canadian Pulp and Paper Association, he was also the first Chairman of the Canadian Forest Industries Council which brought together the entire industrial forestry sector, again to address national concerns — a responsibility which he still holds.

INTRODUCTION¹

Dean Murphy, ladies and gentlemen, thank you so much for such a generous introduction. I am sure that all of you know more about me than you care to know, and I hope that your expectations are not higher than they should be. I am grateful for this opportunity because I think that when you are called upon to address a group like this, you really do have to clarify your thoughts and then ideally let the audience test you with questions, which I intend to do.

Professor Murphy, for whom I may say it is a great pleasure to do this kind of thing, is always willing and always energetic in doing what he can do for the industry from his perch. He has been a most constructive member of the community.

I have entitled this lecture as Public Duty and Private Action -- the notion being that the public imposes a duty on all of us, which we may respect and must not rail against. We must however, privately exercise the options that best suit our purposes.

Now, as an example of that, I am going to refer a little bit to what I learned from the softwood lumber case. I am not going to recount that dreary episode. I hope that some of you know something about it. But in addition to that, I want to take you through two other notable experiences, the first of which was the Canadian Forest Congress held in 1980. I picked that one because it was the first significant one since Sir Wilfred Laurier. It was a very broadly based and landmark watershed experience where all of the elements of the industry got together, reached a consensus, and caused events in the last few years. The other thing that I want to talk to you about is something that I am presently involved in, which may have a little bit of a different twist, and that is to build a major pulp mill in Tasmania. Now, you may wonder what Tasmania has to do with the University of Alberta. It maybe does not have anything much to do with that, but it does have to do with public duty and private action.

In each of these cases, there have been very considerable elements of public duty, and in that case, you have to obviously look at the larger interest rather than your own corporate interest, or whatever. And in each case, the private sector has had optional response, and I hope I can explain in some small way why that has happened.

My thesis is that with the private option one must fully respect the public duty, and in so doing the private sector has a right to demand fair and straightforward behavior or response from the public sector. The public sector in my mind not only includes government, it includes non-government organizations and the media. Now my view may be naive or idealized, so it may just amuse you. I am not going to take a very long time at this because I would like to have the opportunity to discuss some of these things with you.

¹ The text represents a very highly edited transcript of the original verbal presentation by Mr. Zimmerman

THE CANADIAN FOREST CONGRESS

The first thing I will start with is the Canadian Forest Congress, why it happened and what it meant. Leading up to that time there had been some very active developments in the forest industry, particularly in British Columbia, Quebec and Ontario, where I think the public view was that the politicians in their desire to encourage economic activity had given away vast tracts of forest and allowed the industrial rapists to come in and do their thing. I think that, in a rough way, was the general view. There was also the view at the time that it was economically unattractive, to get wrapped into these great big forest enterprises because not all of them had done well or met the dreams of their promoters. So, it did seem that there were a lot of people going off in all directions making all sorts of statements about "the land was going to be a desert". "the businesses were going to be bankrupt". "the workers were going to be without work", and "the sky was falling". I suppose that, to a degree, because that was a popular view -- maybe a bit of that was happening. However, we put together this Forest Congress -- which I may say that every one of you students should read because you will learn more about Canadian forestry in that one book than any thing else that I know of. There was basically a professionally recognized need for some coming together of opinion: There was a need to develop shared beliefs amongst the whole forest industry -- the whole forest community: business, labour, government and non-government organizations. Perhaps almost more than anything was the need to have media understanding of what we do in business. Some of the comments made at the Congress by people from all over the world were illuminating.

Mr. Lesley of the Forestry Section of the FAO said the demand for industrial wood and fibre is at last starting to overstrain the traditional types and, sources of supply: that was his point of view. Professor Zoble, who some of you may have known at the University of North Carolina, stated that more research and development must be done by Canada's forestry organizations if Canada is to maintain itself as a major producer of forest products. It is already past time for greatly enhanced action to be taken. Stig Hagner from Sweden stated that even in the outside world the echo can be heard from a growing number of places urging more active utilization, in the biological sense, of Canada's forest resources. The editor-in-chief of the Toronto Star: "your spokesman talked insistently about the government getting millions of dollars in taxes from the forest industry but putting back only 5\$ in reforestation". In his study for this he could not find any reference as to what industry was doing about reforestation so he said he was left with a suspicion. I guess I could go on, but I think that it is enough to say that there were these voices coming from all over with different points of view. The end of it was that we came out of it with a common voice.

What was not so satisfactory was the failure of the Congress to get the kind of media attention and understanding that Canada's greatest industry deserves. It leaves you with this perennial question of how do you dramatize the need and excitement of watching cement set or the grass grow. And that is really true. Even a wheat crop is started and up and over in six months. A forest crop is 60 or 70 years. However, as a result of all this ... since that conference in 1980 where all these disparate groups came together, stated their views, and came to some common understanding ... there has been the Forest Sector Advisory Committee which is the successor to all of these previous federal government ones that Dean Murphy mentioned. There is the Canadian Forest Industry Council, which is the first time that forest industry has ever had one single association. There is now a federal Department and Minister of Forestry which there has not been in a lot of years. There are the forestry agreements for reforestation, in the aggregate amount of \$600 million dollars, where the federal government is enhancing the provincial work and is answering the last quote that I gave you, and there is generally speaking a

much enlarged silvicultural capacity.

I can say that in my own group of companies, the silvicultural capacity has quadrupled, and I think that is probably repeated in a lot of other companies. Those are all the pluses. There are some negatives that have happened in the industry, and maybe as a result of seeing it unified, there has been a lot of tinkering with tenure. and tinkering with tenure is not a good thing. Security of tenure is almost a sine qua non of a successful forestry and forest operation. There have been huge stumpage increases which may prove to be beyond the industry's ability to swallow once we go through a complete business cycle. They have been involved at the top of the cycle: it won't be possible to pay at that level in certain areas if the wheels come off. as they will. And then I would also say that there is still a lack of provincial harmonization. Those last three things are negatives that still exist. But what I hope I have explained to you by this is an example where people (us), some people in this room, can get together. they can answer the public duty. and the private option is responding constructively. and it works. And you do not have to be an apparent mogul or whatever to do any of this. you just have to be a person with the idea and the force of conviction.

SOFTWOOD LUMBER CASE

Now, I would like to turn a little bit to this softwood lumber case which, briefly put. was where the Canadian softwood lumber industry was put upon by protectionist elements in the United States whose actions eventually frightened our government into agreeing to the imposition of a 15% export tax replaceable by increased stumpage. In the first place. that should not and need not have happened. The two greatest enemies of businessmen are non-market interventions or sudden changes. Now if you assume that one is organized and accustomed to dealing with business in such a way that your success or failure attracts or repels capital, then to have some sudden thing like this happen is ruinous. It is like having a competitor get some huge grant to build a plant to compete with you. These are things that, as kids would say, it just isn't fair — and it isn't right.

However, why did it happen? I think that it happened because in Canada there is still the absence of an acknowledged protocol between Canadian business and government. And that makes it more likely that we will get lots of surprises, and lots of mistakes will be made by those who may well have the very best intentions in the world. Softwood lumber was a very good case in point, for even though Canadian industry was nationally organized and unified and experienced, everything we had done and stood for was suddenly preempted by the incursion of a couple of rookie ministers. I am not arguing the case. but I would make the assertion that the worst of all possible results occurred. The jury is not yet in on the final consequences of what occurred. as I mentioned earlier. but I think we will hear a lot more about it.

On the other hand, if it had been the protocol and rule that no government would suddenly intervene on an industry problem without full consultation and agreement with the industry. then the lumber mess would have been avoided. So. if you reflect on it you will find that governments generally have no effective mechanism for regularly consulting with industry, and yet believe they are truly consulting with the industry the interests of the industry. In that case I believe industry had delivered fair

and square by having its own organization that it had paid for - almost \$10 million. It spoke as one voice that was united and some ministers chose in that case to blow us out of the water. And that is not a good thing. So if you will accept my thesis that there is a give and take between public duty and private response, this is an example of where private response was well organized and thoughtful and it was basically snubbed.

INVESTMENT IN TASMANIA

Finally, I wanted to mention to you a case history of the kind that you will meet as you get into your business or professional careers. And in this I am really addressing the students.

Tasmania is the home of major eucalyptus forests; it is a forest that has supported an integrated forest industry for 60 years and one which ships something over 2 million tons of eucalyptus chips annually to Japan. It is an area you could compare in some ways to Vancouver Island in Canadian terms if you wanted to think of it like that. It is really rather a divine place.

Here is a case where, it being so divine, there are a lot of alternate life-style people who have moved in. You can sleep out at night. In fact, many of them are so heavily accented, you wonder which part of the world they left before they decided to save Tasmania. But they are of course a relatively small group. There is a big area settled by multi-generation farmers. It is very good farmland which is very highly productive. And then there is the urban society, with all that goes with that. The population of the island is about 450 thousand people. But with all that, as you might expect, it has been government policy to try to urge the timber companies to develop further manufacture and added-value in Tasmania.

The company with which Noranda Forest intends to be a partner is called North Broken Hill. and like Noranda is involved in mining and forest products. These are people that we can certainly understand, and they are the people that ship all these chips. They have tried for a period of 17 years to develop a logical project. Finally. they came to believe they had one and we agreed with them - and we are partners.

Now. that raises a lot of questions to somebody like me. because whatever you might think. I and a lot of people like me really do wonder about what is the greater public good ... what do people do about the pulp mill next door to their grandfather's farm that they are living in -- you get three or four people that are hit like that. On the other hand. Australia's environmental requirements are less onerous than those in Canada. so do you buy that or do you go with the latest in modern technology. What do you think about replanting a monoculture -- what does that do? Does it screw things up or does it keep it right? Are the arguments of the greenies. as they are known, really valid -- will they hold water in the long run, are there chemicals that do any damage? These are quite profound questions so you do not just jump into one of these things because you

see a chance for a buck. A billion dollars is not just walking-around money and that is what it costs to build this thing. So those are real questions you have to answer, and the frustration is the difficulty in being sure that you are answering them right.

The nature of a business executive is somebody who is going to make up his mind at a point in time and act, so you do. But I want you to know that there are all of those questions and part of the response to the public duty in such a situation is often an anguished and difficult thing to do. But I want you to know that it happens and people like me have children like some of you -- my family runs from 25 to 32 years, and everyone of them is an environmentalist and I have a terrible home life. I certainly understand where they are coming from, and that is great, and these things have to be dealt with. So what I have tried to tell you is that there are very vexing public policy questions. and the private response to those is often an anguished and difficult process.

In some cases, you are going as far as almost betting the company — you never really do that if you are smart, but you do get your company and all that goes with that out on a limb. My perception is that increasingly this industry is well ordered and well organized to deal with this public duty matter, and we are well able to answer the fair questions that can be put to us. I do think that we do have difficulty, but I suppose everyone thinks they have difficulty, with the media. I am not sure if the media is the only answer. As I have said we would profit by a systematic and ruling protocol wherever public policy decisions can be achieved. And I have not gone into all these things that we are meeting locally that are very familiar here -- Indian land claims, heritage sites the biggest trees in the world. Vancouver Island marmot ... and there are always a lot of things that are always harassing us.

So what I have tried to do is make you think a little bit about the fact that there are public policies that exist for good or bad reasons. There are, in some cases, mechanisms for dealing with them or changing them -- I mean the obvious way of changing them is to go into politics. but who wants to do that. And there is an understanding and a will. I believe, in the private sector to deal intelligently with this kind of a situation and when we get into a new situation, some of which I mentioned, we do try to deal with it comprehensively.

Mr. Chairman I have nothing organized further to say on these subjects. I could talk for a very long time, but I don't think anybody ever learned much in listening to someone beyond 30 minutes. so I would like to see if I have stirred any questions and would be glad to answer them and try to discuss them. Thank you.

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