

**HANSARD**

**NOVA SCOTIA HOUSE OF ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC ACCOUNTS**

**Wednesday, May 14, 2014**

**LEGISLATIVE CHAMBER**

**Department of Natural Resources**  
**Forest Product Innovations**

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## **Public Accounts Committee**

Mr. Allan MacMaster, Chairman

Mr. Iain Rankin, Vice-Chairman

Mr. Bill Horne

Ms. Suzanne Lohnes-Croft

Mr. Brendan Maguire

Mr. Joachim Stroink

Mr. Chuck Porter

Hon. Maureen MacDonald

Hon. David Wilson

[Ms. Suzanne Lohnes-Croft was replaced by Mr. Stephen Gough]

[Mr. Chuck Porter was replaced by Mr. Alfred MacLeod]

In Attendance:

Mrs. Darlene Henry  
Legislative Committee Clerk

Mr. Gordon Hebb  
Chief Legislative Counsel

Mr. Terry Spicer  
Assistant Auditor General

### **WITNESSES**

#### **Department of Natural Resources**

Mr. Frank Dunn, Deputy Minister

Mr. Allan Eddy, Associate Deputy Minister

Mr. Jonathan Kierstead, Director of Forestry



House of Assembly  
*Nova Scotia*

**HALIFAX, WEDNESDAY, MAY 14, 2014**

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**

9:00 A.M.

CHAIRMAN

Mr. Allan MacMaster

VICE-CHAIRMAN

Mr. Iain Rankin

MR. CHAIRMAN: Good morning everyone. I call this meeting to order. This morning we have the Department of Natural Resources with us to discuss forest product innovations.

Before we begin, I would remind everyone to put their phones on silent. We'll begin introductions with Mr. Gough.

[The committee members and witnesses introduced themselves.]

MR. CHAIRMAN: Mr. Dunn, I'll let you begin with an introduction, followed by questions by each of the caucuses.

MR. FRANK DUNN: Thank you, Mr. Chairman, and good morning, members of the Public Accounts Committee. I should begin by saying that it was a bit of a shock to be called to the Public Accounts Committee with a mere two weeks into my new job but thanks to the strong support that I have from staff in the department, particularly Mr. Eddy and Mr. Kierstead, we're happy to be here this morning.

Mr. Eddy is the Associate Deputy Minister of Natural Resources and Jonathan is the Director of the Forestry Division in Truro. Mr. Eddy's appointment as Associate Deputy Minister was effective April 28<sup>th</sup> and Allan will help DNR to maximize economic opportunities within the forestry sector. He joined the province in 2008 and co-led the response to the Bowater mill closure.

Both Allan and Jonathan are key people in our department, particularly around the forestry team, and given my short tenure at DNR, I will be deferring to these gentlemen today to respond to some of the committee's questions.

DNR's responsibilities cover a broad range, from protecting biodiversity in the province to operating a network of provincial parks and managing Nova Scotia's minerals and forestry resources. Among those forestry resources is fibre. Fibre is needed to make paper, to create energy and to make construction materials. Mills continually face challenges in accessing fibre because Nova Scotia has less Crown land than all other provinces except Prince Edward Island. Compared to mills in other parts of Canada, mills in Nova Scotia must get most of their fibre from approximately 30,000 private landowners.

The closure of Bowater mill and the associated Oakhill sawmill removed a significant supply of residuals to the Brooklyn energy plant, which in turn provided a significant market outlet for residuals from various sawmills. The ability to market these residuals, particularly in lean economic times, is a critical link in the economic viability of our sawmills. The sawmill sector made it clear that the continued operation of the Brooklyn energy plant was critical to them, which is why a fibre assurance agreement was included in the sale of the plant to Emera.

The Department of Natural Resources strongly believes in leading by example. That is why we practice sustainable harvest methods on Crown land. We do not whole-tree harvest; we follow good silviculture practices. For example, this year we will invest \$1.2 million for silviculture in the former Bowater lands.

Mr. Chairman, the forestry industry has been a staple of the Nova Scotia economy for close to a century, particularly in rural Nova Scotia. It provides jobs in rural areas, supports communities and acts as a source of exportable products and energy sources. In 2012 the forestry contributed about \$283 million to Nova Scotia's gross domestic product, employed 5,200 people directly and exported more than \$384 million worth of products internationally.

Since the economic downturn, we have seen major changes in our lumber and paper markets. Newspapers have struggled and that has led to smaller demand for newsprint. The downturn has slowed the construction industry, which has dampened the effect of lumber exports and, as a result, there is a compelling case for innovation in the forestry sector. As noted in the Ivany report, Nova Scotia has to evolve to prosper. We have to put aside old ideas and old ways of doing things, because the world around us has changed. The demand for traditional products such as newspaper is in decline; we have to look forward to the future.

The industry is working with us to develop new products, new markets, and new opportunities to revitalize the sector. Innovation is happening in the forestry sector in many forms. Last week, near Port Hawkesbury, we announced a new partnership with woodland

owners in that region. The Cape Breton Privateland Partnership is an example of looking for new ways to coordinate activities for landowners and making sure the services are provided efficiently. This pilot project will be evaluated and considered province-wide for implementation.

On January 31<sup>st</sup> we announced a \$1.1 million investment to support innovative pilot projects that are designed to help the sector become more cost-efficient and help it expand. We partnered with FPInnovations for these pilot projects, they are one of the world's largest private non-profit forest research centres. At the time of the announcement, Pierre Lapointe, CEO of FPInnovations, said the products would run a broad gamut - from investigating the impact of Nova Scotia's harvesting guidelines to improving yields at hardwood sawmills, to converting wood to biochemical.

For example, two new biochemical products that could be derived from wood are carbon black, which is used in the tire industry, and non-food sugars, which can be used in making plastics. Encouraging innovation in the forestry sector makes good business sense; innovation and revolution are necessary to keep the sector viable.

On that note, we are ready to respond to questions from the members.

MR. CHAIRMAN: Thank you very much Mr. Dunn.

We'll begin with the PC caucus, and Mr. MacLeod for 20 minutes.

MR. ALFIE MACLEOD: Thank you, Mr. Chairman, and gentlemen, and welcome. Don't be too shocked, we won't be too hard on you - maybe.

Just by way of beginning - the basis for Nova Scotia to have a successful value-added industry, to increase economic yield on harvesting forestry product, relies on access to timber, fair and open regulations that allow for a level playing field on which to compete, and strong economic conditions for business to invest in. Would you agree with that and would that be the philosophy of your department?

MR. FRANK DUNN: I would agree with that, keeping in mind that Natural Resources' philosophy around forestry is a balanced approach - so there's forestry as well as recreational activities and other protected areas, and that sort of thing, so it's really about a balance. But your comments are valid.

MR. MACLEOD: When we talk about the six-month leases, are the harvesters and woodlot owners happy with the six-month lease that was initiated earlier this year?

MR. FRANK DUNN: I'll have Mr. Eddy respond.

MR. ALLAN EDDY: I would say they're glad that they're in place. They would like to have a longer-term vision in place as soon as possible. We've been working with that sector ever since the Bowater closure and the subsequent purchase of those assets - first to work with the public in general to understand what Nova Scotians want from those particular lands, and now to work with the sector to understand how best to have longer-term allocations that represent the kind of balanced playing field that you speak to.

MR. MACLEOD: Could you tell us how many companies applied for the six-month lease opportunity?

MR. EDDY: "Applied", I guess, is a relative term. Probably of the 15 allocations that were made, three or four actually would have made a formal application. The remainder really were a result of those that the department has worked with and was aware of through their traditional supply or some form of supply from the western end.

MR. MACLEOD: So three or four made official applications and the rest were just people who you knew. So if I was a producer and you selected all these people - how would I get in there if I didn't know there was an opportunity?

MR. EDDY: I wouldn't say so much that it's just people we knew. There were some of the companies, as I said three or four, who would have been on record with a formal letter requesting a supply. There were others who, through their interactions with department officials, had indicated they were interested in supply.

Again, it's important to note that the supplies that were in the interim that were made available were to maintain those mills that had traditionally used that as their wood basket, who, for some significant period of time as a result of the purchase, had not been able to access those lands.

MR. MACLEOD: As I recall when the allocations were made, the roads were actually closed at that time, which would impair some of the ability for transportation of the material. Was there any consideration given to that, considering that it's the time of the year when you have the shortest supplies, it's the time of the year when it's hard to transport the fibre to the mill? Was there any consideration given to the fact that the roads were closed? It's one thing to say you can have the wood, but if you can't get it to the mill, it's not much good to you. Was there any thought given to that?

MR. EDDY: Actually, that was a key consideration at the time. Road closure is a relative thing, as you probably are aware. The 100-Series Highways remain open and there is always some opportunity to haul wood. So in making those allocations, one of the things that we looked at, in consultation with the mills that were indicating they had tight supply, was to try and allocate blocks that had some opportunity and access to the open roads. That wasn't obviously possible in all cases, but in several cases, wherever possible, we tried to

make harvest blocks available to them that they could utilize during road closures if that was their need.

MR. MACLEOD: So if the mill couldn't get access to the wood because of the road closures and no fault of their own, will there be an extension to that six-month lease for them? Because they still need the fibre.

MR. EDDY: I think it's important at this point in time to recognize that the fibre supply in Nova Scotia is largely from private land, about 70 per cent; 65 per cent of the lands in Nova Scotia are privately owned; about 30 to 35 per cent, depending on how you quantify it, are provincial lands owned by various entities of the Crown. Under the Forests Act, the minister has a responsibility to ensure that private land is the primary supply.

In these times, because we talk about the Crown land, we get a lot of focus. The expectation is that the Crown land is going to solve everybody's problems. Being the minority supplier, it's just not possible for that to happen. Most of these mills, while they would use things like road closures as a bit of a lever to try and pry some wood loose - and reasonably so - year after year they've had wood to those mills, and traditionally the majority of that is coming from private land. Most of them would have built that into their delivery schedules, being well aware and within the six-month period, remembering that it was six months from April 1<sup>st</sup> forward. They'll have ample time to access those allocations.

MR. MACLEOD: As I recall, when the announcement was made that there would be 15 leases put out, it was made because it was noted that there was a shortage of fibre for mills and that they needed an opportunity to get more materials so they could keep their mills open and keep working. So what is it - was that the reason? Yes, I understand that most of our lands are private, but at the same token, the government saw fit to open up these 15 leases because there was a need, not because they were being generous.

Again, if you open them up because there's a need and you can't access it because roads are closed, what is there for that mill operator down the road? When the six months are up and he has only been able to access the wood for three months, how is that going to affect his supply and his ability to continue milling wood?

MR. EDDY: I guess, again, on the road closures - as we know, the roads opened this past Monday in large measure and the mills are now able to move that wood. It's not to suggest that Crown wood is not important. It is, as the mills point out, vital. If we were to assume that the supply splits as does the tenure division - 65/35, it's hard for anybody to run the mill on 65 per cent of their supply.

In fact, that's not really the way it breaks down. Generally, the traditional supply from Crown land has been somewhere between 12 and 17 per cent depending on years. Nonetheless, that marginal supply is very important to make sure that the mills are able to operate, and it also helps them balance their various delivery schedules. Again, I would

suggest that the mills will have no problems accessing the allocations that they have before those things are - but in the event that they were unable to do that, the department certainly would work with them to provide access to the amount that we've already promised.

MR. MACLEOD: The Bowater lands we're talking about were actually not Crown lands prior to this year, prior to the closure of Bowater. Prior to that, these mills were looking at that as a source of lumber from private lands, for lack of a better term. Again, I'm a little confused - that's not unusual - because in making up their plans and with the sudden closure of Bowater, mills would be looking at the Bowater lands as an integral part of the supply for their mills to do what they have to do. That would lead us to believe that the reason that they led to the 15 six-month leases was because they were part of a plan for the mills to keep their doors open and keep people working.

In that area, we had enough downturn with people losing their jobs in the mill. So I'm a little confused as to the time it took to come up with the plan, then the roads being closed and now you're saying, well they don't really need that wood - they're going to get it from private land. Maybe you could just make it a little clearer for me. I'm just a boy from the country.

MR. EDDY: I guess part of the challenge is that the whole supply chain for our mills and our forest industry in general is tremendously integrated and that one piece feeds into another. I think your point that any piece of that is important is absolutely valid. I think the challenge is just around the temporal aspect, as to whether or not they need it all at one particular point in time.

Working with the government, they were aware that we were going to be making allocations. They would have factored that in, and so in large measure most of the mills - because again that's not an unusual circumstance for them. They face road closure every year.

Of course, one of the factors is they are tremendously innovative and they've found ways to maintain their supply. As you point out, it was 16 months during which that wood was unavailable. During that period of time, most of them were able to draw more heavily from the small private lands than they had in the past. This just allows them to balance that off and get a more even flow into the mill as they move forward.

MR. MACLEOD: When the six-month leases were announced, it said a long-range plan would be coming forward within a fairly quick period of time. The six months are winding away. When will there be a full comprehensive plan for the Bowater lands, for the use of and the access to, for the people of the Province of Nova Scotia?

MR. EDDY: I guess I could say that the department is in the final stages of creating that particular plan. There are a few more pieces that we need to fine-tune. Then there will



be some level of interaction with the sector, and then I would suspect the department would be bringing recommendations forward to the government as to the longer-term allocations.

MR. MACLEOD: Are we talking three months, six months, nine months? Again, the people who need the supply wood are I'm sure making the plans for the upcoming year and they would like to know just where things are in order that they can keep their mills going and keep viable. Is there any type of a timeline, exactly?

MR. EDDY: It certainly wouldn't be nine months.

MR. MACLEOD: It wouldn't be nine months?

MR. EDDY: Again, the department is incredibly cognizant of the need to get this out there and help the industry stabilize itself in terms of its longer term plans and we're working on it, if not a daily, certainly a weekly basis, with many of the folks getting it back and forth and so we're aware that there is an imperative to get this finalized and we're working as quickly as we can to bring that forward and one would expect in the not-too-distant future, we'll be in a position to make recommendations.

MR. MACLEOD: Are you aware of how many companies there are involved in the timber industry in Nova Scotia today?

MR. EDDY: I guess it would depend on how you want quantify that. I believe the APEC report indicates somewhere in the order of 420 different entities.

MR. MACLEOD: And can you tell us how that would compare to before Bowater and Stora Enso went down? Can you tell us how many industries were involved at that time, roughly?

MR. EDDY: That's not a figure that I'm aware of. What I can say is that we've worked very closely with the sector since the Bowater closure and we are aware that there have been some closures of smaller organizations, mostly the two-, three-person operations. Of course any business that is lost is a challenge to the province and it's not something that we like to see happen. In general we are not aware of - I think we're only aware of one major sawmill closure since the Bowater announcements.

MR. MACLEOD: Can you give us a rough estimate of how many of those small industries and how many people would be involved with those closures? As we all know, in rural Nova Scotia one job is worth its weight in gold. Do you have an estimate of how many jobs have been lost in the last two years as a result of what took place in Bowater?

MR. EDDY: I do not.

MR. MACLEOD: Okay, well thank you for that. I think we all know that over the course of the last little while, the small operations have been struggling very hard. We've lost a number of those because of what took place with Bowater and certainly with Stora. In rural Nova Scotia, and part of the area I represent is very rural, any job loss is significant and to be able to find a replacement for that job is very hard. That is not just in my area, generally speaking that is anywhere in rural Nova Scotia.

Anything that can be done to help them maintain jobs is very important and that is why I think it's so important that the plan from Natural Resources come forward as quickly as possible because again we see out-migration in our rural Nova Scotia. It has become a major factor so any job that we can maintain by being fast and doing the right thing with our resources that belong to the province would be helpful.

Nova Scotia Power has been granted access to Crown land for their Brooklyn biomass site and I guess I am curious as to why they are given access to Crown lands when in the past they had to make reasonable commercial efforts to buy biomass source from private woodlot owners, sawmills, and manufacturers in the form of roundwood, residue, or waste wood, so I'm curious as to why indeed they would need access to Crown land.

MR. EDDY: The deputy in his opening remarks referenced the fibre assurance agreement that was part of the sale of the Brooklyn Power plant to Emera. One of the reasons for that, of course, was that, as we said, as soon as the Bowater closure was public we immediately had meetings with the sawmill sector. They were held in Bridgewater within weeks of the closure and one of the very clear messages that the sawmillers gave to the province at that point in time was that Brooklyn Energy was a key link in the economic viability of the sector - it allowed for them an outlet for their sawmill residuals, generally speaking we call it "the bark".

While that only represents maybe 3 per cent of the volume or 3 per cent of their revenues, it tends to be 100 per cent profit because the costs are borne by all the other products they're selling. Again, a very important piece of the pie for them and particularly, as indicated, when times are lean.

Their message in that first meeting was that Brooklyn was incredibly important to them and in subsequent meetings that they had with department officials and the minister of the day, they continued to bring that message to the province. When it came time and the province had finally acquired the assets of Resolute Forest Products here in the province, what came with that was the Brooklyn power plant. Obviously the province really wasn't in a position to be the ongoing operator of that so we saw it as a commercial sale and we had negotiations both with Nova Scotia Power and Emera Energy, and in the end it was Emera Energy where the deal was done.

Part of the challenge then was to ensure that there would be an adequate supply. Again, while this is a little bit like the conversation that we had earlier around the fact that

private land is the majority supplier, but that supply from Crown is still critical. We had the reverse here - the majority of supply would have been coming from Oakhill and Bowater, with the rest coming from the sawmills, but that small supply was important. Now we had to find a way to make sure that this additional material could be sourced and if it wasn't that there was a fuel supply. That's why the fibre assurance agreement was there.

Also, one of the characteristics of that plant was that it has a power purchase agreement in place.

MR. CHAIRMAN: Order. I'm sorry, but we must move to the NDP caucus for the next round of questioning. Ms. MacDonald.

HON. MAUREEN MACDONALD: Thank you very much, Mr. Chairman. Good morning everyone. First of all, congratulations to all of you who are in new roles. I know that you will do your utmost in these really important areas.

I look at the opening statement you gave and I really think everything that we need to know about the importance of this sector, in a way, is summed up in the statistics around the number of people who are employed in this sector, the contribution this sector makes to the GDP of the province, and the trade - the amount of revenue that is generated from trade. We all know one of the things that the Ivany report has focused on - and prior to that, Donald Savoie in his report - is that this province really has to be competitive and we have to look at what assets we have that will help us be players in the global economy so that we can enjoy the prosperity that a strong economy will give the people of our province.

I'm really pleased that you included those stats in your opening comments because we all know that the forestry sector has been through a crisis, I would say, in the last two years or so in our province - the paper mills in particular, but not just the paper mills because as you said, Mr. Eddy, it's such an integrated system. The paper mills and the sawmills have been very much impacted and that also means that all of those small contractors supplying the lumber have been impacted too. So the ripple effect throughout our rural communities has been dramatic and tremendous.

I know how hard people in the department have worked around that particular crisis, and I want to acknowledge that and thank you for your work, first of all. I think the challenge now is to find that new path, and that path that will help us take a resource that we have and continue to reap economic benefits out of it.

One of the things I want to ask - it's a high level look at this issue, is this whole question, and, you know, one of the things that kind of drives me crazy is when people talk about the forestry as a sunset industry, and perhaps they're speaking only to pulp and paper, but it's often done in a much broader way, that this is an industry, this is a resource that has served its time - and I think the point of the department's focus now on more innovation is really pretty critical - so in a general way can you speak to that, and can you

help us understand more about how do we educate the public, I guess, in the province about the value of this resource, the importance of this resource, and the fact that the forestry itself is not a sunset enterprise, that there is a future, this is a resource that we need to continually nurture for the economic benefit of the province?

I'm not sure who wants to take that.

MR. FRANK DUNN: I can start, Mr. Chairman. I'm glad the honourable member talked about the belief by some that the forestry industry is a sunset industry, and for those us who have read the Ivany report - and I think everyone in this room has - he talked about that. It is critical for us to look beyond those comments.

I had mentioned that the forestry industry employs about 5,200, and those are direct jobs; the indirect jobs are almost double that. When we talk about GDP and revenue to the system, it's critical that we look at - the forestry industry can't go away.

The comments by the member that we need to look at the forestry industry in a different way and transform it away from what has been normal practice in the forestry in the past is critical. I think that's one of the reasons why the members today wanted us to come here and talk about the change in the sector, or the transformation of the forestry industry in general.

We have done a lot in the department to start that process; we have more to do. I can comment on a couple of the things we're doing and maybe go from there.

From the private woodlot owners' perspective, and Mr. Eddy has mentioned the importance of private woodlot owners in the system, if you want to call it - and if I've not learned anything in the last two weeks, that the forestry industry is so integrated that all the pieces need to work - private woodlot owners are key. We made an announcement in Cape Breton a few weeks ago about the Cape Breton Privateland Partnership, which will help coordinate private landowners in Cape Breton, allow them access to expertise, and contact with contractors. The real goal here is to have more private woodlot owners involved in the system.

Mr. Eddy has talked about the fibre shortage and the need for private woodlot owners to be involved. I mentioned in my opening comments FPInnovations, which are some really interesting things going on. We can get into them later if you so choose, but they range from looking at how we could possibly extract sugars to be involved in the cosmetic plastics industry to looking at hardwood yields.

There is a whole host of things we're doing, but our key from a departmental perspective is to say the forest industry is not a sunset industry as far as we're concerned. It's key to rural Nova Scotia; in fact, 62 per cent of the employment is in rural areas. But

what we need to do is look at different ways that the forestry sector can operate to ensure that it's sustainable in the long term.

MS. MACDONALD: I look at this with my head and with my heart, I guess, in some ways. My head looks at those numbers and I know how important this sector is to the province and to being able to offer public services because of the economic activity and the spinoffs that benefit us as a people in all kinds of ways. But also I grew up - I'm the country cousin of my colleague here to my left. I grew up in rural Nova Scotia. My dad was a small woodlot owner and I worked with my father in the woods. Hard work, I totally loved it, but I think probably it was during those periods of time when I was working with him that he stressed how important it was that I do something else with my life.

You know, I think about those small woodlot owners all over the province. The challenge you have now - and I'd like to know a bit more - how are you going to approach getting small woodlot owners more actively involved in the management of their lots and into that bigger system that needs to happen? I mean, rural Nova Scotia faces the challenges of out-migration, an aging population, a declining population and that kind of thing. I would think that the current demographics and circumstances must present some challenges that are significantly different from a time when my father would be a younger man with a woodlot, and they're then able to participate in this process.

How do you go about, in these challenging circumstances, mobilizing or getting small woodlot owners? Has there been a lot of land kind of abandoned throughout the province as well that's no longer - not abandoned but that isn't actively in play, I guess, as forest land that would be available for harvesting and management?

MR. EDDY: It is a huge challenge, as you point out. Whenever you identify a large constituency like 30,000 woodlot owners, obviously there isn't one or even probably two or three main drivers. There is a whole series of things which bring people together.

I think your point on demographics is incredibly important. I've been, throughout my career, one way or another, working around private land owners for over 30-some years. When I would have been a field forester out there, quite often we were dealing with people like your father who grew up on the land with their parents, or in some cases people who were one generation separated from the land. It was their father's and perhaps they were now living in New Glasgow, but still fairly attached to the land base.

As we know, the economists predict one of the largest transfers of wealth the world has ever seen as this next generation moves on. So it is with the land, and we're seeing more and more of that. There was a time when many of those woodlot owners depended on their woodlot for at least a portion of their income. The \$5,000 or \$10,000 or \$15,000 or whatever that they would make producing a few loads of logs or pulp through the winter, was incredibly important to the household income. Not to say that that doesn't exist today but it is far less a factor. More and more we find people who now own that land, or at least

are managing it on behalf of people who no longer actively manage it, who really don't need it. They are not going to turn down revenue but, at the same time, it's not a driver in their day-to-day life, so they are far more cautious. They want to ensure that the right things are being done.

I think that was a big piece behind the Natural Resources Strategy that came out and the central piece of that, which is a shared stewardship of all resources. It is really important as we move forward that although the forest economy is dependent on fiber, that is not what managing private woodlots is all about. It is one of the very important outcomes in managing it but we need to be looking at all those resources and ensuring that people feel comfortable and that they have access to professional advice, if you will, someone who doesn't have a dog in the fight. One of the biggest concerns of woodlot owners is that the person they're dealing with - you know everybody has that story, you can go to any Tim Hortons and hear the story about the contractor, and whether they're true or not really doesn't matter. Perception is reality.

This model that has been developed and is being piloted in Cape Breton is incredibly important because that's exactly what it's about. It is about the opportunity for people to have professional advice, technical advice, folks who aren't necessarily attached who can have a greater comfort and particularly for those who want to look at values beyond just harvesting. That's not to say that there might not be harvesting as part of it but they are interested in other values and this provides an opportunity to do that. We think that platform is very important.

I think the other important piece of that model is that it was built first on a series of background research, a jurisdictional review across Canada, 16 jurisdictions in the United States, four in Europe, 20-some universities, to look at what was happening in private land. We put together a framework. Then we took it out to the landowners themselves, their organizations, and we said look, we think this has some merit. What do you think? If you are interested, we'll help you develop it.

In fact the partnership came about as a result of groups going out and having four different public meetings, talking to the various businesses because, of course, the other challenge - and this province has considerable experience in managing private woodlots. We've been through various programs in the past. One of the concerns is the government doesn't want to be in there competing with private industry and those smaller businesses, so we wanted to make sure that this wouldn't be viewed in that context. The partnership is really an alliance of existing woodlot owner groups, many of the larger harvesting contractors and the silviculture contractors in that area, all of whom said we believe this is an important way to move forward.

One of the biggest challenges we have in Nova Scotia is, in fact, at the end of the day, our fibre is very high cost. One of the reasons for that is that you have so many different - you have a one-to-many relationship. The reference you hear of us having one of

the lowest levels of Crown land is important because in other jurisdictions the company deals with the Crown, it's a one-to-one relationship. In some cases they have operating areas that are as big as Nova Scotia.

Now we have organizations, whether it's a landowner organization or a company that is trying to harvest the land, you're dealing with hundreds if not thousands of individuals, so part of the partnership framework is an attempt to reverse that and try and change that one-to-many, so that those small businesses can focus on what they do best, which is the work, and that relationship, which is the fundamental piece of private-land management.

It doesn't matter whether you go down to the United States, go to Europe or you are here in Nova Scotia, people will tell you it's about relationship and trust. If you don't have that, you're not going anywhere with private woodlot owners.

Again, the approach here is to try and get economies of scale; so we have one organization that is third party, that has credibility, that has both professional and technical expertise, which can develop that relationship with the landowners, and then all of those service providers can operate inside that envelope and so hopefully not have to reproduce the same degree in developing that relationship and establishing the trust because they come as a representative of this other organization that has done it.

Of course there's a guarantee of standards and those kinds of things. So it is a challenge, but I think it's one that we're beginning to see some significant progress on and certainly one that we're getting a lot of support from the landowner organizations in Nova Scotia. They're very much lining up behind the framework. Obviously it would be different if it rolls out in different parts of the province, because it's not a cookbook. We sort of identify the broad principles and then it's up to the organizations, first of all, to develop that grassroots demand for it, and so we'll see how it rolls from here.

MS. MACDONALD: That sounds very interesting. I'm sure we'll all watch and want to know more about how it's working.

The other thing, obviously, is the public concern over the years around the forestry practices. I know that a lot of work has been done to improve forestry practices - better regulation and better monitoring around clear-cuts, around whole-tree harvesting and that kind of thing. However, not so long ago there was a report around the biomass - I think it was in *The Chronicle Herald* - around the biomass in the Point Tupper area and that the sorting of logs was not getting the results that had been hoped.

Can you help us understand whether or not there is any validity to that concern? What has the department done to ensure that the kind of wood that was intended for the biomass is getting to the biofuel plant and not trees that could be used for flooring and these other products, these other high value-added products?

MR. CHAIRMAN: I apologize, Ms. MacDonald. We've actually run out of time there. It's an excellent question, one that I'm interested to hear the answer on as well. Perhaps you can continue that in your next section.

We'll now move to the Liberal caucus with Mr. Rankin.

MR. IAIN RANKIN: I think when we're talking about this industry, what we're really talking about, similarly to other industries in the rural communities, is exports. My question revolves around how the department is looking at diversifying our markets. I don't know the percentage, but I know fisheries, for example, is about 85 per cent going to the United States. I would think it's probably similar in the forestry industry.

So when we're talking about the new European trade agreement, looking at emerging markets like India and China - I know some of that might not be realistic based on some of the other things you said about the high cost of fibre here - but what specifically is the department doing? I appreciate that you're new as a deputy minister, but maybe talk about going forward. What is the vision to improve exports in the forestry industry? That would be my specific question.

MR. FRANK DUNN: I think I'll start and then I'll look to my colleagues. As the member may be aware, most of our exports - the majority of our exports - are into the U.S. simply because of their proximity to us. You mentioned Europe as being, I believe, our second-largest destination of exports. A lot of trade development and looking at exports is done by the Department of Economic and Rural Development and Tourism, and they have trade officers there. We work closely with them. That's the high-level; I don't know if one of my colleagues may want to add to what I had just said.

MR. EDDY: I guess I would just amplify the deputy's point around the trade. Fundamentally, the Department of Natural Resources is responsible for the natural resource side of it. Obviously the economics are very important and we work very closely with our colleagues in other departments around that, but it's obviously not our major focus. It is interesting to note that there are obviously shifting trends. And just to show you how volatile that can be, the Bowater closure, as you recall, the province had initially created an agreement which was thought was going to provide at least five years of opportunity for that mill to continue to operate, which would allow some time for some of these innovation agendas to be pursued and see if there weren't other products that they could go to because, in fact, that mill was sending a lot of their supply to India.

At the time what happened was the euro was devalued and, in one quarter, the supply into India went from 45 per cent from North America to 45 per cent from Europe, and with that one event of the devaluating of the euro, the intricacies of international change, the Bowater plant was doomed and eventually we had to move on.



I think the real issue there is what we're here today to speak to and it's important that we work with the industry to look at that fundamental resource that has been identified. It is there, and it will be there and it has many, many different opportunities in the way we process it and market it, and it's through these innovation initiatives that will allow the companies who really are ultimately - it's the enterprises that develop and pursue the markets with some support from our other colleagues in government, but it's the more opportunities that they have, the more diverse products they have to offer, the better chance we'll have to build a stronger industry going forward.

MR. RANKIN: That's all I have today, thank you very much for that.

MR. CHAIRMAN: Mr. Stroink.

MR. JOACHIM STROINK: My question is about the pine beetle epidemic. As you know, it hit B.C. pretty hard and it moving East. What are we doing to protect our industry, as it is so volatile as it sits right now, and what are we doing to protect our forests?

MR. CHAIRMAN: Mr. Kierstead.

MR. JONATHAN KIERSTEAD: The western pine beetle actually preys on a species of tree, lodgepole pine and Douglas fir, that we don't have a lot of that here in our Acadian forests in the Maritime region. What we need to be more prepared for, and we do have department staff and a division working on it strongly, is the impending spruce budworm epidemic, and we are working with our colleagues in the forest sector currently to identify our vulnerability to another spruce budworm attack.

Members may have seen pictures already of how this insect is moving across Quebec and already into northern New Brunswick, and we believe in three years we will have some sort of infestation here in Nova Scotia. We're working very hard right now to create vulnerability maps in the province. We believe there are a few tools in our toolbox that we can use to stem the tide of the spruce budworm this time around so it won't have as great an impact as it had in the 1980s. So there's a lot of work currently being done on that.

MR. CHAIRMAN: Mr. Horne.

MR. BILL HORNE: I guess I'd like to change a bit and get some idea of how your innovations are going to be working, how many staff you would have, and scientists or professionals working on innovations for research and development projects?

MR. FRANK DUNN: Mr. Chairman, I can talk a bit about the innovation initiatives that are ongoing. I won't get into the detail unless the member would like to hear them, and I have the experts here on the science side.

We really have several innovations that are ongoing. We issued a contract to FPInnovations, which is one of the largest forestry research non-profit groups in the world. They have the expertise to be able to do this; in fact, they're working for a number of provinces to look at innovative ways in the forestry sector. I can run quickly through them and I can give you a bit of a dollar impact that we're looking at.

I had mentioned earlier \$1.1 million has been assigned to these projects. So we have a thermomechanical pulp biorefinery initiative - we have \$600,000 tied to that contract and that is really to look at ways to be able to convert wood to biochemicals, primarily down at the Port Hawkesbury paper plant, non-sugars per se - they are non-food sugars, sorry, so they would be sugars that would be used in cosmetics, the plastics industry.

We have one with regard to improving the productivity of the trucking industry that has a \$150,000 contract attached to that. It's really about improving the productivity of the transportation and the trucking industry and reducing infrastructure damage. Looking at the opportunities for sawmills, we have to be able to develop engineered wood products - you know, those products other than your typical planks and the like that come out of a sawmill. There's \$40,000 attached to that contract and a contract to look at reduced wood chip volumes at source, that's \$155,000, and it's really about being able to recover lumber in the sawmill process. We have a contract for improving yield at hardwood sawmills worth \$60,000; an impact on productivity with regard to Nova Scotia non-clear-cut guidelines, \$75,000; and finally, roundwood biomass drying trials, we have a \$25,000 contract there.

We can talk about the expertise that's within the department and we have a lot of that. In this particular case, with FPInnovations, it's a contact to this firm to look at these specific areas and then our staff would take the results to look at how we could transform the industry.

MR. CHAIRMAN: Mr. Gough.

MR. STEPHEN GOUGH: Thank you. I'm just wondering if you could provide an update to the community forest initiative.

MR. KIERSTEAD: Thank you for the question, member. Let me bring you up to speed on where we are currently. As many of the members are probably aware, the department issued an RFP about a year and a half ago for the opportunity to establish a community or community forests in western Nova Scotia. This opportunity was presented to us largely as a result of the acquisition of the Bowater Mersey lands.

The idea behind a community forest, just to remind all of us in the room, is to create an entity where all of the benefits can flow back to the community and not to a larger corporate entity. It can be many forms; it can be non-profit, it can be charitable, but that's

the overall thrust of a community forest, it's for the community itself to identify what's important to it and have the benefits from the land area identified. All those benefits flow back to the local folks in that specific region.

After the RFP, two submissions were received in August 2013; one met the benchmark and one did not. We proceeded with the awarding of a community forest to the Medway Community Forest Co-operative, based in Kempt, just north of the Caledonia-Liverpool area. This pilot will be a three-year pilot; it will approximate 15,000 hectares in southern Annapolis County. We're currently proceeding with members of that organization to determine a contractual agreement about how that land will be managed.

As you can imagine, from the type of benefits that I've described, the legal contract is a bit different than our customary Crown lease agreement, so we're working to transition that to encompass the larger benefits that can be garnered by folks who are interested in having this community forest succeed with us. We're currently negotiating, working through that agreement.

We have just completed a two-day workshop addressing the needs of the community through the community representatives with Department of Natural Resources staff and we're very close to being able to sign off on a lease agreement that will establish not only the exact perimeter and geographic area of that community forest, but also help them to begin to engage in whatever type of operations or activities they wish to on that area.

MR. CHAIRMAN: Are there any further questions? Mr. Maguire.

MR. BRENDAN MAGUIRE: First of all, Deputy Dunn, welcome aboard, and great to see all of you here this morning. I just wanted to say, from a personal standpoint, my dealings with your department in particular - Harold Carroll and Clinton Pinks - has been top-notch. We appreciate that. I'm just wondering if we could get an update on the implementation of the western Crown land plan.

MR. KIERSTEAD: Many of the members are probably aware of a significant consultation process that was undertaken in the western end of the province. A professional firm was hired to guide the department on how best to consult. With the significant acquisition of lands in the west, there was a brand-new, fresh opportunity and we wanted to hear from folks who lived in the western end of the province on how best they or what they saw and what values they wanted to see succeed in the western end of the province.

I believe we had nine consultations, concluded last Fall in communities and local communities right from Black Point all the way around the Tri-County area - in French and English - up to the Windsor area. Currently, a conceptual plan has been released that is available on the department website. We've received a lot of feedback. There were over

2,000 submissions - formal and informal - through our consultation processes on the values that residents in western Nova Scotia held dear to their hearts.

We've released a conceptual plan that outlines certain areas that are most appropriate for certain activities. These areas' delineations have been derived from the consultations that we've received and also from the expertise from within the department.

So the conceptual plan is out there. Anyone is still continuing to be able to comment on it, and we - the department - continue to be guided by the types of activities that we've identified in each of these areas in the western end of the province. It's a concept plan that we're using to guide us further as we proceed, as Mr. Eddy already discussed, with a possible permanent allocation of timber, other recreational, other protected area opportunities and those types of things.

MR. CHAIRMAN: Are there any further questions from the Liberal caucus? Okay. We'll move to Mr. MacLeod and the PC caucus for 14 minutes.

MR. MACLEOD: I just want to go back to where we were. They were talking about Nova Scotia being granted the access to Crown land for their biomass site. It is my understanding that Emera can also buy biomass outside the province when an alternative supply can't be found within the province. Part one of my question is, is that correct? If Nova Scotia Power can't find biomass product here at a reasonable price, can they go outside the province? And what is the reasonable price?

MR. EDDY: Just a point of clarification - when we left off we were talking about Brooklyn, and of course Brooklyn is owned by Emera Energy. I know that's confusing for a lot of folks because everybody thinks Nova Scotia and Emera are all the same thing, but because of the regulatory framework there are very strict branches. So are we referring to the Brooklyn plant or the Point Tupper plant? Because Point Tupper is, in fact, Nova Scotia Power.

MR. MACLEOD: I guess the question really is, if Emera and/or Nova Scotia Power cannot get biomass in the local area at a reasonable price, can they go outside the province to obtain it, and what is a reasonable price?

MR. EDDY: I guess like all industries in Nova Scotia - whether it's the pulp mills or sawmills or your local hardware store - they're independent businesses that are free to source their supply as they see fit. Generally speaking, it's driven by economics. The government is not involved to the extent that we're telling them, this is the price that you must pay to a certain supplier and you must buy it here or such things. Relative to their interactions with Crown land - obviously there are some markers set in place there - but relative to their overall supply and the operation of their business, they're free to do as they see fit.

MR. MACLEOD: Crown lands, what's a reasonable price? You're saying you have some effect over Crown lands. What is a reasonable price to be expected to be paying for biomass?

MR. EDDY: On Crown lands it is about the stumpage that they pay so the value of the resource, obviously that's set annually by the minister, and so that is their cost for the raw material. What it then costs to have it harvested and transported is a result of a series of different commercial transactions and really that is amongst the various commercial entities that are involved in that.

MR. MACLEOD: Okay, then let's change this a little bit. Why is it so expensive to produce biomass in Nova Scotia where companies like Emera and Nova Scotia Power can go outside the province and get it cheaper? What is the reason for high production costs in Nova Scotia?

MR. EDDY: Well I guess high is a relative term. Perhaps if I turn that around, why is it that perhaps you can buy biomass cheaper outside the province? That falls to the larger story of the decline of the pulp and paper sector and the integration of the supply chain. Like Nova Scotia, other jurisdictions in proximity to ourselves like New Brunswick, Quebec, Maine, all of their forest sector would have been set up where the sawmills were set to produce a certain amount of material that was flowing to the pulp mills and then the pulp mills started to close down and the sawmills didn't have an alternative market for it. Some of that then began to build up and so there were backlogs of that material available and so in the short term there are cheaper supplies available.

In some cases in Quebec it would be sawmill waste where perhaps they don't have an alternative like Brooklyn Energy. They in fact would have been selling that bark to the pulp mill who perhaps were using it for energy. As the pulp mill sector has shrunk in all the jurisdictions around us, so has the outlet for those residuals. Until that supply rebalances itself, just for physical reasons, we don't have any more room to store it. We have to move it. Sometimes for environmental reasons they face costs because they have to take certain actions to ensure that the supply that they are storing doesn't cause environmental issues. They are willing to sell that and move it at cost or below cost simply to get it off their property.

MR. MACLEOD: I would say to you that could be part of it, maybe the fact that we have some of the highest gas prices in the country, some of the highest power rates in the country, some of the highest taxes in the country make it very hard for a business to operate here and that would probably be adding to the reason why even biomass is a high-cost product.

The Ivany report said that we need to greatly improve performance in the areas of productivity, trade, innovation, and value-added production. These are essential drivers for renewal and expansion across all Nova Scotia sectors and business types whether small,

medium, or large. They are particularly important in the traditional rural industries, fisheries, agriculture, forestry, and tourism where too many enterprises have not kept pace with their competitive environments. So my question would be to you, what is your department doing to ensure that our enterprises don't continue to fall behind in these competitive improvements, keeping in mind the highest taxes, the highest gas prices, the highest energy costs?

MR. DUNN: Mr. Chairman, I think I'll turn that over to my colleagues. I did at a high level mention some of the things that we were looking at to improve innovation and productivity. We could provide some more information to the member now so I'll turn it over to Mr. Eddy.

MR. EDDY: As the deputy has mentioned previously, there is a list of I believe seven different projects that were announced back in January.

MR. MACLEOD: Mr. Chairman.

MR. CHAIRMAN: Yes, Mr. MacLeod.

MR. MACLEOD: I just want to make it clear that I am interested in what we're doing to maintain the industries that are already in place.

MR. EDDY: Absolutely, and I think that's a critical point and thank you for bringing focus to it because when we speak innovation there is a tendency for people to want to do the rocket science/nuclear physics side of things. While that's very important and there are lots of opportunities there that we're looking at, and in the longer term that probably is going to have some very significant impacts, in the short term, there are many things that we can do with our existing industry. Engineered wood products, for instance; it's a different way of using the products that you are currently producing, taking the same materials, just configuring them in a different format and accessing those markets. So we have a project around engineered wood products.

There was some reference earlier to our hardwood mills. We know that our hardwood sector is a relatively small sector, but important inside the province. Because of that, those mills are relatively unsophisticated on a national or global scale, so we have a project in here to look at those existing mills and see what potential there is to take advantage of technology to make them far more competitive.

We spoke to biomass. People tend to think biomass is the lowest form, but there are many pieces around there where innovation is required. Wood fundamentally is 50 per cent water. Water doesn't burn particularly well. So one of the things we need to learn about is, how can we produce biomass and bring the moisture content in it down so that we get far more effective use and better economics from that particular supply?

So we have a project around how we dry biomass. One would say well, that should be fairly obvious, shouldn't it? We've been using wood for hundreds of years. We know about drying lumber. We know about drying cut and split firewood. Most Nova Scotians who use it know full well that you cut it a year ahead of time and you leave it out, but of course that has a cost to it as well. So this project is looking at - what are some ways that we can, with very low cost, draw the moisture content down on those big piles of biomass before they are sent to the burner? That's going to be incredibly important. You referred earlier in your question to some of the higher costs. That's one of the things that will contribute significantly to reducing the cost of that supply because it will be higher-value when it hits the mill.

MR. MACLEOD: I just want to go back to something my country cousin touched on a little while ago. That's about in the biomass plant in Port Hawkesbury and the concern that has been raised by different individuals from different companies like David Fraser in Margaree Valley. He says that he has seen fewer quality sawlogs. He blames it on Nova Scotia Power's policy of getting the most amount of biomass fuel for the cheapest price.

There is a belief that there's all kinds of fibre available in Cape Breton, but when you take into consideration the cliffs and swamps and bogs and the ability to actually get that material from where it's in the forest to the land to the biomass mill and/or the pulp and paper mill itself, there's some struggling going on there.

I guess the question we have is, is Nova Scotia Power using high-quality timber products in the biomass facility and what can you enlighten us on in that way?

MR. EDDY: Again, like all fuel supplies, there are two components; there's the Crown and there's the private land supply. I think in large measure, this isn't an issue from the Crown land. I think that most of the contractors and folks out there would accept that we have that piece of the puzzle in good balance in terms of the biomass that's coming off of Crown. The challenge comes, to some extent, off of private, and again that's because you have a very disparate source. It's a lot of small supplies coming together.

I think it's important and probably - a little bit of technical background: hardwood sawlogs and softwood sawlogs are a horse of a completely different colour. A softwood sawlog is essentially based on dimension; it's a certain size and a certain length and it will go as a sawlog. In fact, they are so homogenous that they are bought and sold en masse. In other words, the truck goes across the scale, we get a certain weight and you get paid so much a ton.

Hardwood sawlogs are completely different. Hardwood sawlogs are actually bought individually. When a truckload comes in, they roll it out and every log is there and each log has to be scaled separately because it has a different value. A given piece with the same dimensions that I referred to in softwood, in the hardwood component could range anywhere - and I'm just going to use - from \$20 to \$300. That's because at one point it has

four clear sides, it has good form, and it's going to go for furniture kind of wood. The \$20 one might be something that it is going into the packaging industry for pallets, but a quick assessment of that is incredibly challenging.

The other thing is that the inventory information the province possesses would suggest the sawlog component of the hardwood portion of our forest runs somewhere between six and 10 per cent, so there aren't a lot of good hardwood sawlogs in the province today. Again, when you go to try to find those sawlogs it's challenging - unlike the softwood things, where you would have a standard where you'd say, well, that stand's going to produce 60 per cent sawlogs and 40 per cent pulpwood. In a hardwood stand, you'd look at it and say it's hard to tell what we're actually going to get when it's all said and done.

Sorting is always going to be a challenge when it comes to hardwood logs. But again, the fundamental principle is if you accept that it's a low percentage, the theory is the more activity there is in hardwood, the better off it has to be because that's going to start to surface, that six to 10 per cent against a larger number, so instead of there being five or six logs you'll start to get it. The challenge becomes in aggregate, first in identifying them and then in aggregating them. That's why one of the values of the platform that we have with the Cape Breton Privateland Partnership is because now there is a group who can work with landowners to aggregate those small bits and pieces. But at this point in time, there are whole series of commercial transactions that are taking place between a contractor and a private landowner to purchase the wood.

Nova Scotia Power has an obligation under the Renewable Electricity Regulations to ensure that their supply of fuel is sustainable. Part of the definition of "sustainable" is that there is appropriate utilization and they are working on it. This is to some extent a bit of a start-up issue as people are trying to sort out the best way to accomplish these things. Nova Scotia Power has indicated, and I believe the article that was quoted indicated that they had spoken to that newspaper and indicated, they were hiring additional staff to work with contractors and landowners to ensure that type of sustainable use was in fact happening on the ground.

MR. CHAIRMAN: Order. I do apologize. We will move to the NDP caucus with Mr. Wilson.

HON. DAVID WILSON: I know there is a lot of interest in forestry, even though - I think my colleague mentioned - the general public I don't think understands fully how complicated it is and how important it is to the economy of Nova Scotia, especially in rural communities. Myself living in Sackville, the forestry industry is quite important. We have two mills close to where I live and I know that they both been challenged over the last number of years with accessing fibre and timber and trying to maintain businesses that have been around for a long time in the community that I represent.



Most recently, we heard about additional investment in New Brunswick. The Premier has indicated that they are moving forward with securing the forestry industry in New Brunswick, huge investments, but also working with Irving for example. I know Irving has indicated to the Province of New Brunswick that if the province is willing to invest that they are willing to upgrade some of their mills. I believe - I don't know if they have, I think it was 70 or 40. I can't remember the number of mills, but there is quite a number of them.

I know there is an Irving mill in Truro, so I'm wondering if the department is worried about the future of that mill with such a large commitment being made in New Brunswick by the New Brunswick Government. I know we're talking about Nova Scotia but it does impact us, as we heard earlier with some of the fibre that crosses our border. So is the department looking at that, and are you worried about the mill in Truro?

MR. EDDY: I wouldn't use the word "worried". We are concerned, obviously, around any portion of the forest sector and its viability. The challenge of course is that Irving is in fact a multinational company because they operate not only in New Brunswick and Nova Scotia, but they operate in the United States; most recently, they've opened up a brand new sawmill in Maine. Again, they are a private company. They operate where the markets work well for them. Our understanding is that they are very much integrated into the supply chain; we deal with them on a regular basis. Obviously they have some concerns with some of the policies in Nova Scotia, but we have a very healthy and open conversation with them and a strong relationship with the Irving organization.

MR. DAVID WILSON: Has the minister met recently with Irving or reached out to make sure that there is an open dialogue there so that we're ahead of it? Listen, we all saw what happened over the last number of years with some of these mills. I would hope that the government is being proactive and not reactive when it comes to this. So knowing that there are concerns - maybe not worries but concerns - has the minister reached out to try to have that communication happen with the Irving Company?

MR. FRANK DUNN: My understanding is that Irving has been here and we have met with them.

MR. DAVID WILSON: Has there been any commitment on behalf of the government on additional support or investment? Has there been any commitment or what does the future look like?

MR. FRANK DUNN: There has been no commitment at this stage. I think it's important for the members to note that we are talking a bit about policy changes that have happened in New Brunswick in the last little while. Those changes have not been without their critics. For the department, it really is about balance. The forestry sector is very important, but as Mr. Kierstead mentioned earlier, and I had mentioned in my opening

remarks, there is a balance here. At this point in time we always look at policy changes but we are not, at this point, planning to make any changes per se that I'm aware of.

MR. DAVID WILSON: I know reading through some of the correspondence and some of the media coverage of the New Brunswick announcement is that it really comes down to access and more access to fibre. So what you're telling me is there hasn't been any commitment on behalf of the government with Irving to provide more access to Crown lands for product?

MR. EDDY: Obviously Irving was one of the companies that received one of the interim allocations. I think they were allocated 7,300 GMTs at that point in time. They are part of the ongoing conversation about the longer term allocations in the western Crown lands, which include the former Bowater lands, so they are part of those conversations. Part of that whole piece is that we're working with the entire sawmill sector around those allocations and one of the things that we've committed to, going forward, is to look at a productivity analysis to understand whether or not there is a competitiveness gap between ourselves and other jurisdictions and to understand what might be driving that gap, but at this point in time it's simply a commitment to look at the issue and to understand it.

MR. DAVID WILSON: That leads into where I wanted to go - talking around the western Crown lands. Of course it's very much in discussion. I know the government is in discussion with a number of mills and individuals who want more access to that. I want to congratulate you on the ability to have these open discussions with the public because it's important for people right across the province, especially in Queens and Liverpool and that area where the Crown land is, that people want more access to it. It's from ATV users to people who want to use the product.

In a recent - I believe it was the Crown land management comprehensive plan - it indicated that there will be opportunities for public and stakeholder engagement on ongoing intervals. I know you had the open house, so I'm just wondering if the next phase of looking at possibly opening up that land, will there be more opportunity for the public to engage with the government before - I think it's the Forest Utilization License Agreement - any more of those are signed, is there going to be any more opportunity for public engagement?

MR. KIERSTEAD: Yes, in short answer, there will be. As my colleague has already indicated, we have certainly been engaged with the sector that would like to procure fibre from the western Crown lands but as I indicated earlier, in the plan, when we visited a whole host of communities, there were certainly a variety of values identified. We have offered the interim allocations to help us get to a point where we can come up with a formula in dealing with the sector about how to allocate long term.

I believe we certainly would engage the public and the stakeholders and we're certainly not preventing anyone, at this present time, from coming in and speaking with the

department representatives. In fact we have been speaking with a variety of stakeholders about what the fibre access might look like, what activities could transpire on the western Crown lands so yes, there will certainly be further opportunity for that consultation in the future.

MR. DAVID WILSON: That's good to hear because it is an important part of this process and for myself, spending some time down there, even as the former Minister of Health and Wellness, talking about health issues, they always managed to work in forestry concerns, which opened my eyes to how important that sector is down in that part of the province.

I know we don't have a lot of time so I would like to go back to something that was briefly talked about and that is the community forest initiative. A lot of work has been done on that over the last number of years. I was so glad to see just after the election, I think it was the 18<sup>th</sup> of October, the province actually released news that they were moving forward with the community forest plan. I was very glad to see that happen.

You had mentioned that you're at the point now where there may be boundaries drawn up so a quick question is, will there be a buffer zone around that? The reason I ask is that if this is successful, I would hope the government would look at potentially expanding that. Will there be a buffer zone around the defined boundaries of the community forest initiative, as we move forward?

MR. EDDY: When you refer to a buffer zone - because it has some technical connotations as well - is the essence of your question really, will there be room to expand?

MR. DAVID WILSON: Exactly.

MR. EDDY: That's an interesting question. As you can appreciate, in the deputy's opening comments he referred to the fact that the Province of Nova Scotia has the second lowest amount of Crown land in Canada. Expanding on Crown land may be a challenge.

Interesting to note, at a recent workshop just a couple of days ago, the people who are driving the community force in the Medway district - one of the things that they are talking about is the ability to have a private-Crown kind of partnership there where they potentially could expand it by drawing in additional private lands. If you look at the fundamentals of a community forest, which is to put the decision making as close to the people who have to live with the outcomes, does a community have to be a physical community or can it be a community of interest?

If you can go to that community of interest, then really, that speaks to the potential to expand that community forest initiative and the importance of it, but perhaps focusing it more on the largest land base in the province, which is of course the private landowners, and creating frameworks like we have in Cape Breton, through the pilot project, where

landowners can come together and find a way to have a more common management of their lands to their mutual benefit.

The most likely opportunities for expansion of the community forest - not to say not now, not ever - but you can appreciate there are tremendous challenges in trying to expand it on Crown land. The principle is so strong and so valid that we believe that, and are particularly heartened at this early stage, that the proponents already starting to look at ways to incorporate private land, that there's a great future.

MR. DAVID WILSON: I'm glad to hear that because I think it's important. I think if private lot owners see that the government is supportive of this type of project, I believe you'll see more private owners come out and say, I want to be a part of that.

I think somebody said in one of the comments, it's a little different now if you are a woodlot owner - 30 or 40 years ago you depended on that extra \$5,000, now it's an investment for some, so they're okay to hold off on moving, on utilizing the land. I'm glad to hear that.

I know I have about a minute, so I'll ask a quick question on whole tree harvesting and the whole tree harvesting ban. I know the commitment was there to move that forward in the previous mandate so I'm just wondering, when could we expect regulations on the whole tree harvesting ban?

MR. CHAIRMAN: Mr. Kierstead, for about one minute.

MR. KIERSTEAD: Senior staff have developed guidelines and we're just in the process of putting those forward to the minister, so it will be a matter of weeks to a few months before you see anything further. We're not sure whether the form will be regulation, policy, or legislation. There will be something come forward in the short term, I would like to suggest.

MR. CHAIRMAN: Mr. Wilson, do you have any other questions?

MR. DAVID WILSON: No, that's good. I'll have to ask the minister in - well you said weeks, but then you also said months, so I think you might learn to be careful on dates. I'm glad to hear that that initiative is going forward and we'll be waiting to see what the results are.

MR. CHAIRMAN: We'll now move to the Liberal caucus for 14 minutes, beginning with Mr. Stroink.

MR. STROINK: I guess one of the big successes of our forestry is going to be the future of our forests. I guess my question to you is, what is the reforestation plan on

replanting once areas have been cut on Crown land and on private lands, and what kind of programs do we have in place now for both Crown and private?

MR. KIERSTEAD: Let me just take a minute to talk about the Natural Resources Strategy and some of the initiatives that document has put forward. One of the visions in the strategy is that we more heavily rely on the natural seed source that exists out there to reforest. We're investing heavily in the sector to help those folks working on the ground understand certain silviculture techniques, ways to cut down trees, how many, and what types of trees in order to regenerate forest stands naturally.

There is a much stronger move towards that type of harvesting than there ever has been before in this province, hence in compliance with the clear-cut reduction numbers.

I would suggest that there is much heavier weight being placed on partial harvest initiatives that regenerate the forest naturally as opposed to a person planting a tree that is grown in a tree nursery. Nevertheless, we still continue to grow tree seedlings in this province; however, that number has been declining for quite a few years now.

The Crown operates on Crown land a silviculture program annually. The plans have been inherited from the Bowater Mersey facility and what they used to replant and, certainly, in concert with the Natural Resources Strategy and all our efforts and heavy focus on regenerating naturally - we believe we're marching forward in a new paradigm and a more ecologically sustainable paradigm as well.

MR. CHAIRMAN: Mr. Horne.

MR. HORNE: I'm interested in the Cape Breton Privateland Partnership program - how many years do you expect that to go before you have a conclusion on how successful it is or if it hasn't been successful? Are there opportunities to do the same on the mainland, can there be a similar set-up - do you see that as a possibility sometime in the future?

MR. FRANK DUNN: I'd say a three-year pilot. The possibility, I guess, of whether that initiative would be expanded across the province will depend very much upon the evaluation of the program as we move forward. If it's successful, then I would anticipate that we would look at expanding it across the province as well.

MR. HORNE: Are there as many woodlot owners on the mainland, or is it one large owner?

MR. EDDY: I think earlier today I referred to 30,000 woodlot owners and that's a number - who is a woodlot owner and who isn't depends on how big you define a woodlot. If somebody has two hectares, is that a woodlot? Traditionally, the province has looked at woodlot owners as people who own 20 hectares, or 50 acres, and larger. That number of 30,000 has been batted around I think since the early 1980s. We are in the process of doing

some more work on identifying just exactly how many landowners there actually are out there. It's a rather amorphous group, as you can appreciate.

I believe that the recent press coverage around the Privateland Partnership referred to 7,000 woodlot owners on the Island. I can't really speak to the veracity of that particular number, but if we take it in context, that would suggest that there are 23,000 woodlot owners scattered across.

In general, woodlot owners - and again we counted sort of 20 to 2,000 hectares. There are about somewhere between 13 and 15, depending on how you look at it, that own in excess of that 2,000 hectares, so there is a relatively small number of really large land holders on the mainland. The two largest holdings, of course, are those that were originally associated with what would have been the Scott Paper mill. At first, they had a million acres. About four years ago, about half of that land base was sold - no, I guess it was more than that, 10 years ago - to Wagner, which is an investment trust from the United States. They own about a half million acres. The Northern Pulp mill continues to own a half million. Those are the two largest holdings. Then you have that other group of 13 to 15 that control anywhere from 5,000 to 100,000 hectares.

MR. CHAIRMAN: Thank you. If there are no further questions, we will allow Mr. Dunn a chance to provide some closing remarks.

MR. FRANK DUNN: My comments will be brief. First of all, I would like to thank the committee for their questions. We hope we answered them to the best of our ability and you're satisfied.

I guess I just want to conclude by saying the forestry sector is a critical part of the fabric of Nova Scotia. We've talked about the number of direct and indirect jobs that the forestry sector provides, particularly in rural Nova Scotia, which is critical. We've talked about the fact that the status quo is not an acceptable alternative and that the department is working hard to look at new products, new exports, new markets and to be able to transform the industry, keeping in mind, as Mr. Eddy mentioned earlier, that the foundation for the forestry though is still there and still will remain there. With those comments, thank you.

MR. CHAIRMAN: Thank you Mr. Dunn, and thank you as well to your colleagues for being with us this morning.

We do have some other committee business that we'll be moving on to now. Mr. Maguire came to me before the meeting and would like to put something on the agenda for our committee business today, so I would like to give him a chance to explain that. Our business today largely consists of scheduling meetings over the next remaining few weeks before we go into the summer break. Mr. Maguire, perhaps you could give us an explanation of what you would like to put before the committee.

MR. MAGUIRE: I would like to read the following letter on behalf of the MLA for Lunenburg in regard to the ongoing *Bluenose II* renovations. Before I read her letter, I would like to remind the committee this was a project that was inherited by this government. The minister should be commended for his work on this file and the proactive decision to ask the AG to review this project. I'd like to read the letter now.

Dear Mr. Chair,

I'm writing in regards to a matter of public interest on a subject that is of great importance to the constituents of Lunenburg. Of course, I am writing in regards to the *Bluenose II* Restoration Project.

The delays and cost overruns have been well documented by both the media and all caucuses. Because of these delays and cost overruns, the Auditor General was asked to review this project. We do know that at this time the Auditor General is reviewing this project and will eventually report to this committee.

However, out of public interest on this matter, I would like to ask this committee to consider bringing in the Deputy Minister for Communities, Culture and Heritage to present on this matter at the Committee's earliest possible convenience.

Sincerely,  
Suzanne Lohnes-Croft, MLA  
Lunenburg

Mr. Chairman, be it resolved that the Public Accounts Committee, at its earliest possible convenience, call a meeting and request the Deputy Minister of Communities, Culture and Heritage present on the topic of the *Bluenose II* Restoration Project.

MR. CHAIRMAN: Thank you Mr. Maguire. You have put forward a motion. I think we should have some discussion about what this would mean. Before members weigh in, as we stand now as a committee, what we do have scheduled is as follows: next week we have the May 2014 report of the Auditor General, which is the annual Spring report from the Auditor General, that is an in camera sitting, followed up by the following week on May 28<sup>th</sup> with a public round of questioning. I know those are typically very important meetings. The Auditor General's Office does a lot of significant work to benefit the committee and I know it is something that is closely followed by the media as well. That is what we have scheduled for May 21<sup>st</sup> and 28<sup>th</sup>.

On June 4<sup>th</sup> one of the caucuses is holding an out of town caucus so there will be no meeting that week. On June 11<sup>th</sup> we do have the Department of Transportation and Infrastructure Renewal scheduled to come in to talk about bridge infrastructure, and June

18<sup>th</sup> there has been nothing scheduled to date. As chairman, given that the Auditor General is scheduled to come in on the 21<sup>st</sup> and the 28<sup>th</sup> and there is no ability to have a meeting on the 4<sup>th</sup>, I would recommend that we would look at a date after that. I suppose that Transportation and Infrastructure Renewal could be moved out and we could hold something on the 11<sup>th</sup> if it was the desire of the committee. The 18<sup>th</sup>, I've been informed by our clerk, would be a better date in terms of staff being able to provide research on this topic of *Bluenose II*.

Maybe before we discuss it further, did you have any thoughts on timing? I know you've indicated that the sooner the better but what I would recommend is that we look at either the 11<sup>th</sup> of June or perhaps the 18<sup>th</sup> of June. I don't mind if you want to take a short recess. Mr. Maguire.

MR. MAGUIRE: The earliest convenience, so whatever the committee decides is the best possible date, we will take.

MR. CHAIRMAN: Would any of the other members of the committee like to weigh in on this? Ms. MacDonald.

MS. MACDONALD: I would first of all agree that we have this topic in front of us on the 18<sup>th</sup> of June, to give the staff an opportunity to prepare some background for us. I just want to register my concern that we have an agenda-setting process. My colleagues in the Official Opposition have twice brought forward this topic, and we supported this topic twice, and the Liberal caucus defeated bringing forward this topic. We did that through the normal routine of how agendas are set and my concern is that this not become a pattern. We have established a process for setting our agenda for very well-thought-through reasons and I just want to register my concern that this not become a pattern, thank you.

MR. CHAIRMAN: Thank you Ms. MacDonald. Mr. Maguire.

MR. MAGUIRE: I'd just like to repeat that June is looking good for us and we are hoping that the committee will like to have it here at the earliest convenience.

MR. CHAIRMAN: Are there any other comments on the matter. Mr. MacLeod.

MR. MACLEOD: I just want to add my support to the comments of the Leader of the Third Party. As she has quite properly pointed out, there is a process. The process has been followed by the two Opposition Parties. There is no question that this is a very important issue and that it should be brought forward. We're glad that the governing Party has finally seen the light. I would be glad to have a report on *Bluenose II* on the 18<sup>th</sup>.

MR. CHAIRMAN: Okay. Maybe we'll put it to a vote then, for June 18<sup>th</sup> to bring in staff from the Department of Communities, Culture and Heritage to discuss the *Bluenose II*. Would all those in favour of the motion please say Aye. Contrary minded, Nay.



The motion is carried.

So we will add a meeting for June 18<sup>th</sup>.

Mr. Maguire, I would ask that you table the letter you read earlier, for the benefit of the clerk.

With that, I think I should just recap our next few weeks: Next week we have an in camera with the Auditor General, and I should note that that is moved to the Johnston Building because there is an event here at Province House that has been organized through the Speaker's Office; on the 28<sup>th</sup> we will have the Auditor General come in for the public questioning, and that's open to the public; on the 4<sup>th</sup> of June we do not have a meeting; on the 11<sup>th</sup> of June we have the Department of Transportation and Infrastructure Renewal coming in to talk about bridge infrastructure; and on the 18<sup>th</sup> of June we now have *Bluenose II* on our agenda.

There are two other points I would like to quickly mention - the Department of Finance and Treasury Board is offering a training session to members of this committee, and we are aiming to book that for some time in September.

And, finally, the committee has received correspondence back from the CCAF - I always forget the name of this acronym and I'm not seeing it on their letterhead here - it's the Canadian Comprehensive Audit Foundation. We'll have to get them to put that on their letterhead because I always forget. They've sent us a letter, dated May 12<sup>th</sup>, of which I believe you all have a copy. The committee has received this correspondence with regard to specific requests that were made during the workshop we held last March. Details of those requests are outlined in the correspondence and the committee will receive the noted information towards the end of May.

I think for today I would like you just to have a copy of that to review it and perhaps we will wait until a future meeting for further discussion. I don't think there's anything that is very urgent here for us to be making decisions on; in fact, I'd like to have a closer look at it myself.

With that, unless there's anything further anybody would like to discuss - seeing none, this meeting is adjourned.

[The committee adjourned at 10:48 a.m.]