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Date December 20, 1995
ABSTRACT

One of the critical problems facing British Columbia’s forest industry today is the limited access to a sufficient and continuous timber supply. The Small Business Program is a government program established and administered by the Ministry of Forests. The Program is an example of one way to deal with this supply problem. There are many factors that led to and affected the development of the Program. John Kingdon’s theory of agenda setting and alternative specification processes provides a framework for examining the creation of government programs.

The issue of a lack of adequate timber supply for small forestry operators emerged onto the provincial government’s agenda during the 1970s, under the NDP government. In 1975, the NDP government established the Pearse Royal Commission on Forest Resources to undertake a comprehensive study of government forest policies. The hearings and the Report of the Pearse Commission elevated public and political awareness about the plight of small operators, thus keeping the issue on the government’s agenda. The Pearse Commission Report made recommendations on how to resolve the timber supply problem faced by small operators. The recommendations provided the conceptual framework for government to establish a Small Business program.

The establishment of the Program was a result of the need by the Social Credit government to respond to the Pearse Royal Commission Report, and to demonstrate to its supporters, small operators, that it could be more helpful to small operators than the previous NDP government.

The key participants in establishing the Small Business Program were the Forest Policy Advisory Committee of B.C., small operators and their associations, the Ministry of Forests and
Tom Waterland, Minister of Forests. Each had different roles at different stages of the establishment of the Program.
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ACKNOWLEDGEMENT

This thesis is dedicated to the memory of Dick Shee Jung.

This thesis relied on information found in government files. I am indebted to staff in the Ministry of Forests for their assistance in providing me access to Ministry files. I would like to thank Roxanne Smith, Barry Goodwin and Len Woodbury for their help in locating critical information for the thesis.

This thesis would not have been completed without the generous support and assistance of my family and friends who kept this project alive. In particular, many thanks go to Raymond Hong for his support and his encouragement.

A special thank you goes to Paul Tennant for his invaluable advice and assistance throughout this project. I am indebted to him for all the time he committed to providing input on various drafts and even more, to the support he has lent to me over the years and to this project.

Finally, many thanks to Lynn Bailey, David Johns and my colleagues in the Land Use Branch for their encouragement and support in completing this thesis.
CHRONOLOGY OF SIGNIFICANT EVENTS

1960's  Boom times for forest industry. Large corporations already prevail on the Coast. Now Japanese and American multi-nationals buy out small operators in the Interior, causing great reduction in their numbers.

1972  Decline in pulp demand causes financial problems.

1972 Aug  New Democratic Party defeats Social Credit.


1974 Apr  Lumber and plywood prices and demand start major decline.

1974 Jun  Wildcat strikes by unionized forest workers against proposed wage settlement.

1974 Aug  8,000 forest workers have now been laid off.

1974 Oct  12,000 workers now laid off.

1974 Nov  More than 15,000 workers now laid off.

1975 Mar  Pearse Task Force recommends that a Royal Commission be created to inquire into levels of ownership concentration in the forest industry.

1975 Jun  NDP Government creates Royal Commission on Forest Resources, with Pearse the sole commissioner.

1975 Aug  To promote public discussion and awareness, Pearse releases background paper "Regulation of the Rate of Timber Harvesting in British Columbia."

1975 Aug  Over the next six months, Pearse holds public hearings throughout the province.

1976 Jan  Social Credit defeats NDP in December election; new government takes office in January, with Tom Waterland as Forests Minister.

1976 Apr  Waterland confirms continuation of Pearse Commission and indicates that the new Government is sympathetic to small companies.


1976 Oct  Industry responds over the next three months. Small operators are strongly in support of report; large companies, although not enthusiastic, accept the principle of supporting small operators.
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976 Dec</td>
<td>Socred Cabinet appoints the Forest Policy Advisory Committee of B.C. (FPAC) to review the report and to advise upon implementation. One of the members is Michael Apsey, former President of the Council of Forest Industries of BC, which represents large companies. FPAC invites comment from all who had made submissions to Pearse.</td>
</tr>
<tr>
<td>1977 May</td>
<td>The Ministry submits its review of the report, pointing to its need for more staff and resources if more and smaller companies are to be encouraged.</td>
</tr>
<tr>
<td>1978 Apr</td>
<td>Cabinet appoints Michael Apsey Deputy Minister of Forests effective June 1, 1978.</td>
</tr>
<tr>
<td>1978 May</td>
<td>Waterland introduces new Forest Act, stating that it includes provisions for restricting certain timber tenures and sales to two types of small forest businesses: those involved only in logging, and those involved in manufacturing. All parties support the provisions.</td>
</tr>
<tr>
<td>1979 Jan</td>
<td>Sections of Forest Act pertaining to small business are brought into force on January 1. Four days later the Ministry of the Attorney General advises that the legislation does not in fact authorize the intended discrimination between the two types of small business.</td>
</tr>
<tr>
<td>1979 Jan</td>
<td>Several weeks later, Ministry of Forests issues white paper on creating and implementing small business program and invites response to it. Industry and others respond over next three months.</td>
</tr>
<tr>
<td>1979 Jun</td>
<td>On June 1 the basic regulations pertaining to the Small Business Program are enacted; they include provision for discriminating between the two types of small business. Ministry publishes draft instructions and procedures to be applied at the regional level. Several weeks later Waterland officially announces the creation of the Program.</td>
</tr>
<tr>
<td>1979 Jul</td>
<td>The first sales are made under the new Program. The Program is thus in operation.</td>
</tr>
<tr>
<td>1979 Jul</td>
<td>Legislature amends Forest Act to conform to the regulations pertaining to the discrimination between the two types of small business.</td>
</tr>
<tr>
<td>1980 Apr</td>
<td>Small Business Program, currently taking up some 5 percent of the annual allowable cut outside Tree Farm Licences, is regarded as highly successful by the Government and by those benefiting from it. Waterland endorses Ministry policy paper proposing that the 5 percent be increased to 25 percent.</td>
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INTRODUCTION

One of the critical problems facing British Columbia's forest industry today is the limited access to a sufficient and continuous timber supply. The Ministry of Forests (also known as the Forest Service) recognizes this long-standing problem and is faced with the problem of finding increased access for both large and small operators. At the same time, the Ministry must try to balance this need with the demands by the public for the preservation of forests. The Small Business Program, now called the Small Business Forest Enterprise Program, is an example of one way to deal with this supply problem. This thesis examines the factors that led to and affected the development of the program. The small businesses that are the concern of this study are the independent loggers, forestry operators, mill owners and mill operators; collectively these are referred to as small operators or as small enterprises. This chapter first provides a broad overview of the program's evolution, and presents the principal question in its theoretical context.

CHAPTER ONE
Overview

The 1970s represented an important era of change. The year 1972 marked the ascendancy of the New Democratic Party (NDP) to the provincial Legislature. That year was also a time when lumber and pulp mills experienced serious financial difficulties; these continued over the next two years, interspersed with brief upswings. In 1974, when over 15,000 people were laid off in the forest industry, government responded by reducing stumpage charges. It was the NDP government that initiated many changes in natural resource management. In 1975, after much concern expressed by the public about forest management in British Columbia, the NDP
government established a one-person Royal Commission on Forest Resources under Peter Pearse, then an Economics professor at the University of British Columbia. The Pearse Commission, established by an Order-In-Council, was granted broad powers and discretion through the Public Inquiries Act. The specific mandate of the Pearse Commission, as it was commonly referred to, was to examine the forest tenure system. The Commission released its findings in 1976, under a newly elected Social Credit government. Thus it was left to the new regime to examine the Commission's recommendations and to implement any changes it deemed appropriate and necessary. The Pearse Commission expressed great concern about the make up of the forest industry in the province. As a result, the Commission advocated the government’s working towards a mix of firms of varying size and degrees of integration and also advocated creating greater opportunities for entry into what the Commission plainly regarded as a "tightly guarded" industry.

After the Pearse Commission Report was released publicly, the Forest Policy Advisory Committee of B.C. (FPAC) was established by Tom Waterland, Minister of Forests, to review the Commission's findings in detail. Major changes to the Forest Act resulted in 1978, including provision for the establishment of a small business program. Subsequently, the Ministry of Forests developed a discussion paper entitled The Small Business Program, January 1979, A White Paper for Discussion Purposes. The discussion paper sought public input on a proposed definition and structure of a small business program. After public input was considered, the Small Business Enterprise Regulation was enacted in June 1979 which gave structure to the Small Business Program. Implementation of the Program began gradually once the Ministry had arranged for the enactment of the Regulation. A draft policy for the Program was developed in mid-June 1979 to assist in further implementation of the Program in the forest regions.

The establishment of the Program involved enacting enabling legislation, drafting the necessary regulation, drafting a discussion paper to solicit public input, establishing policy to guide the implementation of the program, and the actual implementation of the program. In just over a year after the initial legislation which provided for the establishment of the program, sales issued under the program were underway. Government programs usually take much longer time
to be established, considering the time that it takes to enact legislation and to solicit public input on establishing a government program.

The original objectives of the Small Business Program were to provide opportunities for small enterprises to participate in the forest industry, and for the entry of new companies in the industry, in order to alleviate the many problems that small operators faced. Small operators could not compete against the size and clout that large companies held. Banks were another problem because some form of tenure was needed to borrow money. Often, banks had small operators sign demand notes and then demanded payment in an untimely manner, when borrowers did not have any money, and not when borrowers had money. As a result of financial difficulties, small operators were often forced to sell out to large companies who were the only potential buyers and could dictate the terms for acquisition. The large integrated forest companies could thus obtain businesses and quotas, both at artificially low prices. These problems were further complicated by the shortage of quality logs, forcing many small mill operators to import logs from the United States to continue their operations.

The Ministry and the Industry

The Ministry of Forests is headed by a Minister of the Crown who provides political direction for the ministry. Under the Minister is the Deputy Minister and a number of Assistant Deputy Ministers who report to him/her, including the Chief Forester who defines the harvesting rate, known as the allowable annual cut. Forest policies are developed by a number of headquarters branches, including the Timber Management Branch, which is charged with administering the Small Business Program from a policy perspective. The various forest licences, including timber sale licences, the vehicle for sales to small businesses, are administered within regions, each headed by a Regional Manager. The regions are divided into forest districts, each headed by a District Manager.

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1 "'Mouse' roars at forest probe," The Province. 17 September 1975, 20.

2 Ibid.

The forest industry is composed of operations from the very small to the very large. Large integrated corporations, located more on the Coast than in the Interior, dominate the industry and produce a full range of products. Small independent companies and individual operators, located more in the Interior, tend to specialize in a particular product (mostly lumber) or service (such as tree felling or log hauling).

The forest industry has many associations which lobby on behalf of its members’ interests. The lobby organizations can be divided into two groups: those that represent large companies and those that represent small ones. This division is not a strict line as most organizations will have members from both large and small companies. However, there are some tendencies that can be identified.

The Council of Forest Industries of BC (COFI) established in 1960, had more than 100 active members from large, medium and small forest companies in 1979. It also had affiliated members from two other forest industry associations: the Cariboo Lumber Manufacturers’ Association (CLMA) and the Interior Lumber Manufacturers’ Association (ILMA). COFI is perceived to be the primary lobby association for large companies. One of its functions is to lobby government on the industry’s behalf to get policies that are favourable to industry. Other functions include overseas marketing and promotion, research and development, statistics keeping, public relations, occupational health and safety, and other cooperative activities within the forest industry.4 A division of COFI, the Northern Interior Lumber Sector of the Council of Forest Industries (NILS) represented large operators in the Prince George area.

The CLMA and ILMA are two interior forestry associations, located in Williams Lake and Penticton respectively, whose goal is to promote the interests of their member mills. Their interests are focused on forestry issues, lumber product promotion, transportation, lumber grading and quality control, insurance and safety, and accident prevention. The CLMA, ILMA and their sister interior association, NILS, collectively form the sawmilling voice for the interior. Their

primary objective on forestry issues is to ensure that government policies that affect their members reflect their members’ situation and not simply the situation of the industry on the coast.

The two associations that represented the interests of small operators were the British Columbia Independent Logging Association (BCILA) and the Truck Loggers Association (TLA). The BCILA had a membership of approximately 1,000 independent logging and log hauling contractors in 1978. Its membership was made up primarily of owner/operators of trucks, skidders and feller-bunchers. In addition, there was a substantial number of full stump-to-dump contractors with annual productions as high as 300,000 cunits (1 cunit is equal to 100 cubic feet). Roughly 62 per cent of its membership was from the Central Interior area of British Columbia (i.e., Williams Lake, Quesnel, Smithers and Prince George); 33 per cent from the Southern Interior area (i.e., Princeton/Merritt, North Thompson, Kamloops and Kelowna); and 5 per cent from the South Coast area (i.e., Squamish Valley and Fraser Cheam). It represented virtually all areas of the province, except Vancouver Island. It had its head office in Prince George. However, it established a full-time office in Victoria in 1974 with the sole purpose of getting more input into political decisions affecting the logging industry. The BCILA’s mandate was to communicate independent logging concerns to industry and government through its offices in Prince George and Victoria.

After 1976, part of the BCILA’s membership was derived from its merger with several smaller associations. In May 1976, the Central Interior Loggers Association in Prince George merged with the BCILA. Previous to that, the BCILA had taken over the Interior Logging Association (Kelowna), The Fraser Cheam Forest Products Association (Chilliwack) and the Squamish Valley Truck Owners Association (Squamish). Prior to the merger, the four associations (two interior and two coastal) operated individually on a regional basis, but were

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housed provincially under the umbrella of the BCILA. The mergers were motivated by the desire to form a larger group with the hope that a larger group would have more clout when dealing with the provincial government. In addition, with a larger membership, the BCILA hoped to provide better and wider representation.8

The TLA, established on Vancouver Island in 1941, is an organization whose membership is 99% based in coastal British Columbia. In 1979, its membership was approximately 300.9 Its members are from various areas of the industry and include not only truck loggers but also contract and market loggers, management and harvesting consultants, log and lumber brokers, and logging and remanufacturing companies. Since 1979 the TLA has grown and come to include larger companies within its membership; during the 1970s, however, the TLA represented mainly the interests of smaller operators.

Theoretical Concerns of this Thesis

John Kingdon (in his book Agencies, Alternatives and Public Policies), outlines four major steps in policy formation: setting the agenda; identifying alternatives from which a decision can be made; making a decision based on the alternatives given; and implementing the decision.10 In the pursuit of understanding the creation of public policies and programs, one must examine how issues become part of the governmental agenda, how alternatives are specified, and who the key players are in setting the agenda and generating proposals.

The “governmental agenda” may be defined as “the list of subjects or problems to which governmental officials, and people outside of government, closely associated with those officials, are paying some serious attention at any given time.”11 Within the governmental agenda, there is a smaller set of items that is being decided upon, a “decision agenda”.12 The decision agenda may

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8 Martin, "Logging Association now B.C.'s largest," 37.
11 Ibid., 3.
12 Ibid., 174.
consist of proposals that are being moved into position for legislative enactment or of subjects under review which are awaiting an imminent government decision. Politicians, political appointees, senior civil servants and outside forces such as the media, academics, researchers, consultants, interest groups, political parties and the general public could all be sources of agenda items and alternatives. From among these groups come the key participants, the "key players in the game", in policy formation. Kingdon concludes that the role of various key participants in the four major steps of policy formation may differ from step to step.\textsuperscript{13} Elected officials and political appointees are critical to agenda setting but have less control over the alternatives that are considered or in the implementation of decisions. Civil servants tend to not be particularly important in agenda setting, in comparison with other participants. Instead, their impact lies in the presentation of alternatives and implementation of decisions. Interest groups are the most important participants outside of government. Their role lies in providing alternatives for consideration, once the agenda has been set.

In terms of forestry in British Columbia, for example, a number of "subjects or problems" could be considered as receiving "some serious attention" in the 1970s, including the limited access to timber supply, the effects of pulp mill pollution, and the impact of increased stumpage. The governmental agenda setting process narrows this list of subjects or problems to the set on which attention is focused. Kingdon explores the processes of agenda setting and alternative specification by examining three factors: problem recognition, generation of policy proposals and political events.

Problems may become evident through a crisis, a prominent event, or a change in an indicator. Indicators must be measurable, meaningful and capable of being projected into the future. Often, problems come to the attention of governmental decision-makers because an indicator shows that a problem exists. Indicators prevail because governmental and non-governmental agencies routinely monitor events and activities.\textsuperscript{14} Because indicators are used to

\textsuperscript{13} Ibid., 45 - 47.

\textsuperscript{14} Ibid., 95.
infer serious implications, they are subject to debate. As many people use indicators to justify their claims for policy change, their arguments may be attacked by others who do not share the same belief that the indicators are justifiable and relevant. In any case, crises, events, and indicators signal the emergence of problems. Furthermore, linking a proposal to a problem that is perceived as real and important enhances that proposal's prospects for moving up on the agenda.\textsuperscript{15}

The governmental agenda and alternative specification processes may also be affected by the usual generation of policy proposals by specialists who accumulate knowledge and insight about a particular policy area. Advocates develop their proposals and then wait either for problems to come along to which they can attach their solutions or for a development in the political stream, like a change of administration that makes their proposals more likely to be adopted.\textsuperscript{16} Aspects of the political process, such as public opinion polls, election results, changes of administration, and interest group pressure campaigns may also affect the governmental agenda and alternative specification processes. Some issues may not rise on the agenda because of financial constraints which rule out items that are perceived as too costly, because of lack of acceptance by the public and the opposition of powerful interests, or because other issues are more pressing and are also competing for attention.\textsuperscript{17}

Kingdon describes agenda setting and alternative generation as the convergence of three separate process streams: problem recognition, policy proposals and politics. In the problem stream, governmental officials focus their attention on a specific problem. The policy stream identifies and examines a short list of proposals and a viable alternative available for adoption. The political stream, composed of such things as public mood, interest group lobbying, election results and changes of administration, have a powerful effect on agendas and alternatives. As each stream is largely independent of the other, each develops its own dynamics and rules.

\textsuperscript{15} Ibid., 121.

\textsuperscript{16} Ibid., 93-94.

\textsuperscript{17} Ibid., 19.
However, at some critical point, the three streams join and the outputs may be great policy changes. Agendas are set by problems or politics while alternatives are generated in the policy stream. The union of the three separate streams means that the problem has been recognized, that a solution is available, that the political climate is right for change, and that the constraints do not prohibit action. Nevertheless, the convergence or coupling of the problems, policies and politics streams of the agenda setting process is most likely to happen when "a policy window is open."

A policy window is an opportunity for action on a given initiative. It provides an opportunity for advocates of proposals to push their pet solutions, or to focus attention on their preferred problems. Policy windows open as a result of changes in the political stream such as a change in administration or shift in public mood, or because a new problem captures the attention of governmental officials and those close to them. On a decision agenda, the opening of a window establishes the priority in the queue for the items that await decision. Policy windows tend to close quickly. Thus, if participants do not take advantage of an opportunity, they must wait for the next opportunity to arise.

Policy entrepreneurs are those who are willing to invest their resources—time, energy, reputation and sometimes money, in the hope of a future return in the form of policies they approve or satisfaction from participation. These people can be inside or outside of government. In government, they may be elected or appointed officials. Outside of government, they are typically in interest groups or research organizations. Policy entrepreneurs who advocate specific

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18 Ibid., 93
19 Ibid., 93.
20 Ibid., 174.
21 Ibid., 173.
22 Ibid., 176.
23 Ibid., 175.
24 Ibid., 129.
proposals or promote a policy idea, are critical to the convergence of the three streams in the agenda setting and policy specification processes. Policy entrepreneurs join solutions to problems, proposals to political momentum, and political events to policy problems. For example, a solution may be attached to a problem; however nothing happens until the entrepreneur attempts to enlist political allies, thus seeking to join the three streams.

More often than not, budgetary considerations act as one of the constraints to policy-makers in contemplating certain alternatives, initiatives or proposals. In times of economic downturns, many policy initiatives are judged according to the costs involved in the implementation process. Initiatives that cost little are more likely to be undertaken, even if they do not necessarily contribute to actual cost savings.

**Statement of the Question**

Kingdon’s theory of the agenda setting and alternative specification processes provides a framework for examining the creation of government programs. Problems such as events, crises or changes to an indicator can be explored to see if there was a need for government to create a program to respond. The generation of proposals and selection of a viable alternative available for adoption will provide insight to program formulation. Political factors such as election results or interest group lobbying may affect the creation of government programs.

This thesis seeks to explain the factors that led up to the creation of the Small Business Program in 1979. In order to gain an understanding of the factors, the thesis will state the original objectives of key participants, and examine how the Program emerged from the policy agenda and developed in the policy processes of the Ministry of Forests in the 1970s. Key participants are individuals and groups who played critical roles in getting the Program established.

It should be noted that the thesis examines the Program only up to the point at which it could be regarded as an established program. Therefore the thesis does not examine the impact or effectiveness of the Program, nor does it compare the Program at its inception to the form that it

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25 Ibid., 191.
takes today. However, at the end of the thesis there will be some mention of developments since
the Program became established.

Chapter 2 will answer the question "What factors led to and affected the creation of the
Small Business Program?" The aim will be to determine how the proposal for the Small Business
Program got onto the government's policy agenda. Specifically, what problems, policies and
politics affected the establishment of the Program? Was there an event or crisis that led to the
initiation of the Program? What political events or crises affected the initiation of the program?

The question "Who were the key participants and what were their roles in the
establishment of the Small Business Program?" will be examined in chapter 3. A close
examination of the Ministry of Forests bureaucracy and its interaction with interest groups will be
undertaken. Key participants in the initiation of the program will be identified and their roles
examined. Specifically, key individuals and group(s) that applied pressure to government or
submitted a proposal as a solution to the problem will be identified.

Chapter 4 will present the findings of this thesis.

Sources

This thesis would not have been possible without the access to Ministry of Forests files
and documents that I was able to gain as a policy analyst employed with the ministry. Certainly
others could, with extraordinary time and effort, and perhaps also with the help of freedom of
information legislation, also have had access to the same material. However, it is my opinion,
many times reinforced during my own research, that few if any outsiders would have been able to
know which documents to pursue. The relevant internal documents do not, in and of themselves,
provide a sequential track that an outsider could pick up and follow from beginning to end. Since
government policymakers ("insiders") are in the unique situation of having all relevant information
related to a program, they can provide the most authoritative account. However, this account
may not be objective particularly if self-interest is the motivation, thus limiting criticism and
hindering accountability of government programs.

Initially, I had planned to rely more upon interviews. The interviews that I did conduct
were most helpful, especially in providing context and perspective; but it is naturally the case that
events and relationships that took place or evolved over twenty years ago are difficult, if not impossible, to describe accurately without relying upon the documents.

Documents themselves may suffer fallibilities, but in virtually every case those that I relied upon were read, soon after being written, by other officials—thus maximizing the possibility that errors or misleading content could be noticed and corrected by yet further documents. As many of the documents were unpublished and not readily available from another source, they were critical in providing as complete as possible a picture of the different stages of policy formulation.

In addition to the internal documents, I made use of various public documents (notably the Pearse Commission Report) and of newspaper reports. The latter proved essential in providing information about events, developments, reactions, and so on, taking place outside of government, especially in the realm of interest groups. The media reports were crucial in capturing the level of public interest and concern about forestry issues.

Hansard, the public record of debates in the Legislature, is the most readily available source of information for outsiders. It was searched for relevant information. However, Hansard did not prove to be particularly useful in this thesis. This was largely because debates in the Legislature tended to focus on political rhetoric rather than on precise, substantive policy issues. Debates focused on broad forest management issues rather than on specific solutions. As a result, this conclusion confirms the accepted wisdom that “lawmakers” make neither law nor policy.
CHAPTER 2
THE SMALL BUSINESS PROGRAM AND THE GOVERNMENTAL AGENDA

Using Kingdon’s theory of the agenda setting process, this chapter will examine the factors that led to and affected the creation of the Small Business Program. It will describe how the creation of the Program got onto the government’s policy agenda in the 1970s. Specifically, what problems, policies generated, and political events led to the Small Business Program being on the governmental agenda?

The first part of this chapter will explore the problem stream. It will explain how a problem got recognized by government, pointing out events and crises that influenced and affected the creation of the Small Business Program. The state of the forest industry will be discussed. NDP policy initiatives will also be examined and analyzed for linkages to the creation of the Small Business Program.

The second part of this chapter will focus on the Pearse Commission and its findings with respect to a Small Business Program. It will also discuss the impact of the change in government that occurred in 1975, from an NDP government to a Social Credit government.

Changes in the Forest Industry, 1960 - 1974

The 1960s represented boom times and dramatic changes for the forest industry in the north, central and southern interior of the province. This time of “revolution” was marked by forest practice changes, foreign and Canadian investment of about $1 billion in the province, by the construction of 10 new pulp mills, by great increases in employment and government revenues, and generally by a more sophisticated and efficient sawmilling industry in the province. Among other developments was the creation of a new forestry town, Mackenzie, and large population increases and stability for other interior forestry towns.
The rise of the multi-million dollar, multi-national firms in the interior during the 1960s epitomized only one half of the changing structure of the forest industry in the province. The 1960s also brought reductions in the numbers of small operators. In 1970, according to the B. C. Forest Service statistics, there were 236 sawmills in the Prince George District, down from the more than 600 operating in the area 10 years earlier.\(^1\) When the interior was being "opened up", many small operators with bush mills simply closed down. Those who stayed were those with mid-level investments and they waited to see how the future would unfold. In light of increasing competition from the much larger operators, some of these mid-level operators, who were still considered small operators, felt that there was no chance for more timber or a better return and so sold out to their new competitors who then closed the mills. The decline of small operators was associated with the fact that they had unit costs similar to those of multi-national firms, in spite of their smaller size. Small operators faced the same labour costs in their plants, the same stumpage rates demanded by government, and usually higher interest rates on their bank loans. However, unlike the large companies, small operators did not have the financial backing to ride out rough periods.

The early 1970s were marked by economic misfortunes for the forest industry, particularly in the interior of British Columbia. By 1972, when the NDP defeated the Social Credit government, many of the new or revamped large mills were experiencing serious financial problems; altogether they had experienced an operating loss of approximately $150 million since the first new mill started in 1966. There were many reasons for this downturn. Demand for pulp had plateaued. Big-scale forest industry operations in the interior faced problems such as tree sizes and species which were incompatible with the harvesting equipment and techniques used; they also faced deficiencies in road and rail transportation; and they faced higher operating costs. Big and small operators claimed that government was taking too much in stumpage and royalty fees. Then, to add to their woes, the Forest Service changed its standard for close utilization to include all trees down to four-inch tops instead of the previous six inches, thus requiring the

\(^1\) "Small operators can't ride out the storms," The Province, 15 March 1972, 15.
companies to cut and bring in for use a greater volume of uneconomic wood. This meant the use of waste and residuals in pulp mills after the most valuable part had been removed from the timber for lumber. The problem that this policy created was the high cost of rail transportation of the residuals to mills.

Complicating matters for the government was its political stance towards the resource industries—that those who use the province's minerals and fibre should pay more for that privilege. The NDP had indicated that its government wanted to obtain a greater return from the province's natural resources. This view was demonstrated in the increases of various user fees. Thousands of forest industry workers had been laid off, many indefinitely, and this trend was expected to continue as sawmills cut production. The NDP government was now faced with its first major economic problem.

**Task Force on Crown Timber Disposal**

One of the major ways that the NDP government responded to the difficulties in the forest industry was by establishing the Task Force on Crown Timber Disposal headed by Dr. Peter Pearse. The purpose of the Task Force was to review forest policy in the province. The Task Force was established because an investigation of provincial forest policy had not been done since the Sloan Royal Commission of 1956 and many aspects were, according to Resources Minister Bob Williams (who established the Task Force), unacceptable and required improvement. Of the three Task Force reports, the first on recommended changes to old temporary tenures was most controversial; the second focused on the timber appraisal system and in some cases strongly criticized the Forest Service; the third gave a history of the province's tenure system.

The first subject for the task force was to look into the old tenure arrangements granted on publicly-owned land before 1907. One of the recommendations in the Task Force's first report, entitled *Crown Charges for Early Timber Rights*, was that royalties on timber cut from old

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land holdings should be sharply increased, to produce an estimated additional $15 million for government coffers. This increase would affect mainly the five major companies (also known as the “Big 5”) who held 80 per cent of these old tenures. As expected, these companies were upset. Some small independent operators were also upset because they had paid full value (in cash) at the date of purchase for the property rights to the timber on some of the old leases. Although the recommendation was targeted at the "Big 5", there would be a trickle down effect on small operators. It would affect all coastal operations, directly or indirectly, because small firms produced an important share of the log supply for the "Big 5" from the outlying camps on the coast. Driving out big companies would affect the viability of the smaller operations.

The next subject for the Task Force was the stumpage appraisal system, the system used by the Forest Service to set stumpage fees collected for trees cut in the province. The Task Force published its second report, entitled Timber Appraisal, in July 1994.

The third study of the Task Force, entitled Forest Tenures in British Columbia, was completed in December 1974. The report did not make any recommendations as its purpose was to be a policy background paper on forest tenure arrangements in the province. The third report made some strong comments about the tenure arrangements and corporate concentration in the forest industry. Specifically, it commented that tenures favoured large firms and that through transfers, mergers and other contractual arrangements, tenures were concentrated in the hands of few companies

The Task Force concluded that the current forest tenure system arrangements tended to favour large integrated forest companies over smaller companies. Although some forms of tenures were designed to accommodate large forest companies and others were more suited to smaller operations, the results tended to support an unbalanced advantage in favour of large companies, as shown in the fact that pulp leases, tree farm licences and pulp harvesting agreements granted very extensive tracts of Crown timber to large integrated companies. These

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4 "Truck loggers hit Pearse report," The Vancouver Sun, 26 March 1974, 23.

licences provided rights to Crown timber on generally more favourable terms than the tenures held by small operators and carried longer terms and exclusive rights without fear of competitive bidding. To some extent, these achievements by large companies were a result of "judicious investments on the part of the holders", however, such tenures were often unavailable to smaller companies because of the sheer size of the tenures and the historic pattern of consolidation of the holdings of the large firms and their associated manufacturing facilities. Transfers of rights between small and large companies tended to follow the pattern of large companies taking over small operations and not the reverse. The Task Force further charged that large companies acquired a large proportion of Crown-granted timber lands which carried little or no royalties and, like old temporary tenures, were subject to less-demanding regulatory control.

There was no mistaking the trend that had been occurring since the 1950s—the consolidation of the forest industry into a few large integrated and often multi-national corporations. This trend encompassed not only the manufacturing and logging sectors but also included tenure holders. The effect was apparent in inhibiting independent logging and manufacturing enterprises by constraining the marketing of intermediate products such as log and pulp chips. The Task Force stated that whether the level of concentration should be changed should be left to a Royal Commission.

With its term expiring December 31, 1974, the Task Force concluded that it would not have sufficient time to conduct a comprehensive review before its term ended; hence the third report would provide background research necessary for a new investigation that Williams had stated in September 1974 would be appointed in the future to conduct a comprehensive review of

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6 Ibid., 122.
7 Ibid., 121 - 122.
8 Ibid., 123.
9 "Forest tenure system to be studied," The Vancouver Sun, 3 June 1975, 10.
forest policy. The new body would study issues not covered in reports by the Task Force. It would hear public submissions and make recommendations.

**Economic Decline in the Forest Industry**

Meanwhile, during the last half of 1974 a number of relevant further developments had taken place. By August 1974, the lumber sector of the industry was reeling from the effects of falling demand for its products and the associated spiraling decline in prices in this sector. Lumber mill shipments had dropped by 26 per cent from the previous year on the coast and by 36 per cent in the north central interior. The world-wide declining demand for lumber had resulted in close to 8,000 forest industry workers being laid off. The decline naturally affected government revenues as stumpage was seriously affected by the slump in the lumber market. The only bright spot in the industry was that pulp prices remained buoyant throughout the year.

The difference in the market for lumber and pulp emphasized the difference in problems facing the big integrated companies, which made a full range of products, and the smaller non-integrated sawmillers and logging operators, who made only one product to sell. Thus the entire industry was not equally affected. The larger, integrated companies with pulp mills were cushioned from the severity of the situation by the buoyant demand and price of the pulp and newsprint market, while those companies which produced only lumber products were hard hit by the declining lumber markets. In particular, independent sawmillers in the interior, highly dependent on the volatile United States market and affected by volatile chip prices, were in grave difficulties. By mid-November 1974, more than 15,000 forest industry workers were out of work. Seventeen per cent of the forest work force was idle and there was no indication of a turnaround in the immediate future.

The government responded to the crisis. At the end of November 1974, Resources Minister Bob Williams made changes to stumpage rates to assist the industry: interior forest

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10 "New group to review forest policy," *The Vancouver Sun*, 12 September 1974, 42.

operators would be charged only minimum stumpage and independent coastal operators would have their levies cut in half.\textsuperscript{12} On the coast, stumpage would now be based on sale prices through the Vancouver log market while in the interior, stumpage would be based on an end product appraisal which included the price of lumber and residual wood chips sold to pulp mills. In addition, the government announced a temporary suspension of penalty charges for usable wood left on the ground after logging, except in cases of flagrant waste. These were measures that the government hoped would ease the pain felt in the industry as a result of the severe slump in the lumber market and would address the problem of now having more than 16,000 forest industry workers who were jobless throughout the province. These actions were in keeping with the NDP government's philosophy of aiding small, independent forest companies, which they viewed as being more efficient than the large, integrated companies.

**Pearse Commission**

On June 12, 1975, Resources Minister Williams established Pearse as a one-person royal commission of inquiry into British Columbia's forest industry. The inquiry covered both provincial Crown (95% of provincial lands) and private (5%) forest lands. Pearse was given quasi-judicial powers, such as the right to subpoena and cross-examine witnesses under the Public Inquiries Act. The inquiry's terms of reference focused on forest land tenure, the most critical issue in forest policy at that time. Pearse considered his number one priority to be "the way in which the Crown chooses to provide timber to private industry--'the way it allocates timber: the nature of the contracts'."\textsuperscript{13} Specifically, the issues were how much timber to allocate to firms, and according to what terms and conditions attached to the tenure contract. In addition, the terms of reference also called for an "examination of ownership and control of companies, structure of markets, the adequacy of revenue from the industry and proper harvesting and utilization practices."\textsuperscript{14}

\textsuperscript{12} "Stumpage rates cut by B.C. government," The Province, 28 November 1974, 21.

\textsuperscript{13} "Early action promised in forest inquiry," The Vancouver Sun, 13 June 1975, 27.

\textsuperscript{14} "UBC economist named to probe forest industry," The Province, 13 June 1975, 1.
During the twenty years between the two Royal Commission (the Sloan Commission in 1956 and the Pearse Commission), many changes in forest policy and the forest industry were introduced. The size and structure of the industry, its harvesting, transport and manufacturing technology, and its impact on other resource values changed dramatically. Concurrently, public aspirations changed. Changes to public policies were made to respond to and accommodate these changes. New innovations and modifications to established arrangements led to an altered forest tenure system in British Columbia. In addition, in light of political changes, growing pressures on the available timber supply and unprecedented demands for environmental protection, apprehension grew about the capacity of forest tenure policy to meet its challenges. Thus, the inquiry by Commissioner Pearse was timely.

Generally, forest companies welcomed the establishment of the commission. Some were quite pleased with Pearse’s appointment, observing that he was both a forester and an economist and that he already had considerable background on the industry from his academic work and his time on the government’s Task Force on Crown Timber Disposal. In addition, for those who feared that he was a little too close to Williams, Pearse stated that he was of the Liberal Party political persuasion. However, some industry spokespersons had reservations about the commission and its terms of reference; their concerns centered on the effectiveness of a one-person commission and the perception that the commission’s mandate might be too restricted. Some forest companies felt that a three-person commission might be better, given the vast and complex subject. Others felt that the mandate should have been expanded to require a comprehensive overview of all aspects of the industry, rather than being restricted to studying tenure, taxes, and other charges levied on forest land. Nonetheless, although the commission

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16 Ibid.

17 "Inquiry Welcomed," The Vancouver Sun, 13 June 1975, 27.
had not been given the task of examining the stumpage appraisal system, Pearse indicated that he would consider the implications of the system on the forest industry.

HEARINGS

The Pearse Commission, in gathering evidence for its findings, held public hearings in Prince George, Nelson, Prince Rupert, Kamloops, Victoria and Vancouver (representing each of the 6 forest regions) and received 194 written submissions from a cross-section of the interested public (including groups and societies, firms, professional associations, local governments, labour groups, and individuals). The range of submissions was an indication of the expression of wide public interest in forest policy in British Columbia.¹⁸

This section outlines in turn the views expressed by large operators and their associations, by small operators and their associations, by the Ministry of Forests, and other interests. The focus will be the viewpoints expressed as they relate to access to timber supply.

Large Operators and their Associations

The main issue raised at the hearings by large, integrated, forest companies was the uncertainty of assured timber supplies. They argued that existing mills should continue to have an assured timber supply in order to keep the mills running at full capacity with minimum costs. In addition, any incentives or assurances that had been given by government on timber supplies and timber charges should not be retracted.

All large companies wanted security of timber tenures as this was critical to attracting the necessary capital investment to keep the forest industry competitive in world markets.¹⁹ They recommended that any changes to tenure agreements be negotiable, not arbitrary. Furthermore, if the negotiations resulted in losses to be incurred by licensees, they should be compensated.²⁰

¹⁸ Pearse, Timber Rights and Forest Policy, xii.

¹⁹ “Probe won’t narrow scope,” The Vancouver Sun, 25 September 1975, 33.

²⁰ “Big Guns to be heard,” The Province, 12 November 1975, 24.
In the event that extra timber became available, large companies, such as Canadian Forest Products, recommended that it should be allocated to existing operators. Existing companies had provided the government with much stumpage revenue and had contributed to the economic wealth of the province through job creation in many communities. Many of the large integrated companies had made substantial investments of capital in their plants and deserved a decent return on their investment. New entrants should “pay their dues” by putting up large guarantees in order to bid or go to work in areas which were not currently under a tenure agreement. In effect, accepting these views would limit the ability of new operators, especially small operators, to act on new opportunities. Furthermore, large companies found it hard to see what advantage there would be to letting in new operators, especially if existing mills were operating efficiently and their capacity was in balance with the existing resource. Any new entrants would create new timber demands which could cause imbalance and could end up causing layoffs of workers at existing mills. If newcomers wanted to be part of the industry, they should buy an existing operation. However, some large companies, like MacMillan Bloedel Ltd., supported the idea of small parcels of Crown land be made available to individuals and small operators.

Canadian Forest Products and other large companies argued that, in comparison with the independents, large integrated companies were treated unfairly by the government as they were charged more stumpage than small companies. They charged that small operators were advocating for timber rights out of self-interest. All companies, regardless of their size, wanted bigger and better allocation of timber tenures--something that might not be possible to accommodate.

COFI, with its membership from large companies, expressed views similar to those of most of its member companies. COFI supported changes to tenure agreements that would ensure certainty to existing licensees such as having the term for forest tenure agreements on Crown land be for 25 years, with a review of performance every 5 years. If performance were satisfactory,

21 “Sawmill security probed,” The Vancouver Sun, 14 August 1975, 35.

22 “Big not necessarily bad,” The Vancouver Sun, 14 November 1975, 25.
the agreement would be extended for an additional five years which would allow companies to always have a 20 to 25 year horizon in which to plan investments or major changes to operations. The net result would be greater certainty and better planning capabilities. COFI also supported its members’ view that any changes to tenure agreements be negotiated or, alternatively, be subject to full debate in the Legislature. Furthermore, amendments to tenure agreements should be negotiated between affected parties.

NILS, representing large operators in the Prince George area, also argued for the need for security of tenure to enable the sawmill industry to obtain capital and compete in lumber markets, and thus to contribute to the stability of employment and community development (by providing tax revenue to government which in turn could be returned to the community for building hospitals, schools and other local services). NILS requested tenures to be granted for a minimum of 15 years and suggested that new allocations of timber be granted only to those who were prepared to establish timber converting facilities. Only existing licensees in the public sustained yield area should be entitled to compete for any available new tenure.

The ILMA, like COFI and NILS, advocated long-term security of tenure. The ILMA suggested that cutting rights within public sustained yield units be converted to a renewable form of tenure with a term of 21 years. This type of tenure would “provide the means for efficient planning for all resource uses, security for amortization of continuing capital investments, and sufficient term to provide incentives for intensification of forest management practices such as thinning, fertilization, etc.”

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23 “Union man asks gov’t log controls,” The Vancouver Sun, 13 December 1975, 32.

24 Ibid.

25 “Commissioner questions tenure,” The Vancouver Sun, 16 September 1975, 23.

26 “Forestry Commission hearings briefs outlining grievances”, The Vancouver Sun, 3 September 1975, 33.
Small Operators and their Associations

At the hearings, small companies outlined the problems they faced and made suggestions for improvements. Their problems included the inability to compete against large companies, difficulty in borrowing money from banks, and financial difficulties that forced many small operators to sell out to large companies. These problems were further complicated by the shortage of quality logs which forced many small mill operators to import logs from the United States to continue their operations.

Small operators proposed various solutions. To continue the survival of small operators, security of tenure was needed. Timber sale licences should include renewal provisions and be treated like tree farm licences, with renewal upon expiry if performance had been satisfactory. More timber should be granted to small operators thus creating more efficiency as it would increase competition and diversity in the industry. Moreover, if small operators had performed well in the past, they should receive a percentage of the allowable annual cut of the forests near their plants, thus ensuring them a degree of independence and contributing to competitiveness and efficiency. Small operators pointed out that they tended to operate in a specific community and thus had the interest of the community at heart and could do better than large companies in protecting and utilizing the forest resource.

In acknowledging the general decline in the number of small operators that were in the forest industry, small operators made suggestions to save themselves from extinction. Quotas in public sustained yield units (PSYUs), which were originally designed to provide a long-term timber supply for smaller independent manufacturers, should be reserved for independent operators. To prevent history from repeating itself, wherein independents sold out to major companies, restrictions would be placed on PSYU holders to prevent them from transferring their quotas. So as to make selling out undesirable to small companies and ensure a lasting place in the forest industry for them, quotas would be returned to the Crown in the event that the quota

27 "‘Mouse’ roars at forest probe," The Province, 17 September 1975, 20.

28 "‘Little man needs new deal’," The Province, 13 August 1975, 14.
holding company closed down, sold or merged with other companies.\textsuperscript{29} Some small operators went further and suggested that quota rights for timber on PSYUs should be taken away from large integrated forest companies and be returned to their original purpose, which was to provide wood for small independent conversion plants.\textsuperscript{30}

With respect to the problem of shortage of quality logs, small operators demanded a more equitable dispersal of the supply of quality logs. Often if quality logs were available, they were not made available to independent mills at any price. One suggestion was that new tree farm licensees should have to submit a portion of logs for open log market bidding.\textsuperscript{31} The concept of an open log market in which everyone had equal access to logs of equal quality was popular among many small operators.

The BCILA, representing independent logging and log hauling contractors, made recommendations that were designed to assist independent manufacturers in terms of wood supply. The BCILA advocated to the Pearse Commission that 20 per cent of the allowable annual cut be allocated to independent logging contractors, through normal tenure arrangements. Furthermore, this allocation should be granted on the basis of performance, financial capability and demonstrated stability in the industry.\textsuperscript{32}

The greatest concern that the TLA (who represented many truck loggers and independent logging companies on the coast) had, related to access to long-term supplies of timber. The TLA was extremely critical of the fact that over the years, large manufacturing companies had been able to obtain tenure in a form that satisfied their needs while the log producing sector was placed in a subservient situation and needlessly weakened.\textsuperscript{33} The demise of the small operators

\textsuperscript{29} "Independent loggers on the ropes," \textit{The Province}, 13 November 1975, 24.

\textsuperscript{30} "Timber quotas scored," \textit{The Province}, 22 October 1975, 25.

\textsuperscript{31} "Independents lack quality logs, hearing told," \textit{Daily Colonist}, 21 October 1975, 7.


\textsuperscript{33} Truck Loggers Association, \textit{A Brief Submitted to the Royal Commission on Forest Resources}, (Unpublished) November 1975, 2 - 3.
(particularly of the independent market logger) was depicted as resulting from government policy that denied the logger from access to timber, from economic difficulties and from tax laws that motivated many of them to sell out their operations. Because of time and the high cost of producing logs, the TLA was not optimistic that it was possible to recreate a free market situation.\textsuperscript{34} As this was the case, the TLA recommended that the log production side of industry be separated from the manufacturing side and given access to an adequate timber supply. The TLA recommended restructuring the log producing sector by reducing log production costs so that the manufacturing sector of the industry could be more competitive in world markets. One way of reducing costs could be to provide the log producer with the security of access to timber, thus leading to an ability to attract capital and build an efficient organization.\textsuperscript{35}

**Ministry of Forests**

During the Pearse Commission hearings, the Ministry of Forests and Lands (as it was named then) spoke on many issues in forest management. The only point relevant to this thesis that was raised was the lack of competitive bidding for timber rights. John Stokes, Deputy Minister of the lands and forests ministry, explained that the lack of competition in bidding for timber rights on Crown land could potentially lead to stagnation and inefficiency in the forest industry. He could recall only one case of truly competitive bidding in the last five years and in that case, he explained, the bidding pushed prices up to such a ludicrous level that the applicants were dismissed by the Minister of Lands and Forests.\textsuperscript{36}

**Other Interests**

Many members of the public appeared before the Pearse Commission to outline their concerns about forest management. Farmers, and environmental and community groups expressed concern about the non-timber values in the forests. Farmers were concerned that few

\textsuperscript{34} Ibid., 11.

\textsuperscript{35} Ibid., 12.

agricultural land leases were granted in tree farm licence holdings, the problem being the lack of criteria for proving that some portions of holdings were unsuitable for marketable timber production. Environmental groups and community associations urged more consideration be given to the stewardship of forests instead of their exploitation, particularly with respect to clearcutting forested areas. They believed that the best use of a forest could be for watershed, wildlife habitat, stream bank protection or esthetic purposes and not necessarily for the removal of trees. Often, they asserted, the interests of wildlife, agriculture, community development, water quality and recreation were protected only as an afterthought. Non-timber uses of the forest such as recreation, guiding and outfitting, an wildlife habitat should be emphasized. They recommended better public involvement, by allowing sufficient time to comment on company plans, so that proper planning of all resources in the forests could be made. In addition, in different parts of the province such as the Nelson area, there was the conflict between those who wanted to harvest timber and those who wanted to preserve spectacular wilderness. This type of conflict was new; it had not been in evidence during the 1956 Sloan Commission hearings.

SOCIAL CREDIT GOVERNMENT COMES TO POWER

The change in government—from NDP to Social Credit in 1975 did not have any initial effect on forest management or on support for small operators in the forest industry. After the Social Credit government came into power, the new Forests Minister, Tom Waterland, reiterated his government’s support for the Pearse Commission’s work after he was reassured by Pearse that his work was not politically motivated.

In April 1976, Tom Waterland stated his government’s position towards small and large forest companies at the annual meeting of the Council of Forest Industries of BC. He suggested, much to the dismay of the large integrated companies, that one of the ideas his government was

37 “Forest probe urged to save more trees,” The Province, 16 September 1975, 19.

38 “Sharing of forest area urged,” The Province, 18 September 1975, 17.

39 “Commission to carry on,” The Province, 10 January 1976, 10.
entertaining was dividing up the industry so that "independent operators might tackle the whole job of harvesting" while large operators would concentrate on manufacturing, research, marketing, sales and promotion. In anticipation of policy changes resulting from the Pearse Commission's recommendations, Waterland put the industry on notice that changes would be forthcoming and that industry should "get its house in order" just as government was doing with the Forest Service. Waterland expressed deep concern about the wide gap between large operators and small operators. His view was that there was room for both groups in the overall industry but their continued well-being was dependent on mutual cooperation. He gave his first hint that future government policy would recognize the importance of small operators and their need for support from large companies and government for their continued existence. Government policy would encourage and stimulate small operators, using specific regulations to assist them if necessary.

SUMMARY OF RELEVANT POINTS OF PEARSE REPORT

The Pearse Commission Report was completed in September 1976. Pearse identified five priorities that required government attention: clear resource management goals, explicit industrial objectives, security of timber supplies available to the forest industry, flexibility in the Crown’s allocation of resource rights, and coherent and efficient public administrative arrangements. Of the five priorities identified, the most pertinent to the Small Business Program were the issues concerning industrial objectives and security of timber supplies. In addition to specific recommendations, Pearse made some statements in his report that were just as important because they confirmed and raised the profile of current problems in the forest industry.

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40 "Socreds 'won't be pushover'," The Vancouver Sun, 10 April 1976, 28.

41 Ibid.

42 Pearse, Timber Rights and Forest Policy, 59.
Industrial Objectives

Pearse saw an urgent need for an explicit public policy to influence the structure of the forest industry. Specifically, Pearse was concerned about "maintaining the best balance between large and small firms, integrated and non-integrated companies, opportunities for the entry of new firms, and maintenance of a healthy competitive climate for disposition of Crown timber." While the forest policies that had been pursued had not been deliberately biased in favour of large and integrated companies, they were detrimental to small, non-integrated firms, and potential new firms in that they hastened the consolidation of the industry into fewer, larger and more integrated enterprises.

In 1974, the ten largest controlling companies had held rights to approximately 86 per cent of the committed allowable annual cut on the Coast and to 53 per cent in the Interior. Pearse questioned whether the growth in size of corporations and their plants had resulted in the technical and economic efficiency that had originally been taken for granted. He suggested that in some cases relatively small companies were more efficient than large firms. He cited logging as a good example, where economies of scale in logging did not extend beyond a single operation. Without clear evidence that large integrated companies were substantially more efficient, Pearse stated that forest policy should not be biased in their favour.

According to Pearse, various features of forest tenure policy put small firms in a disadvantaged position. The forms of a number of rights were designed to accommodate only the needs of large firms. As this was the case, large enterprises were given the best Crown timber in some regions. All of the significant licensing arrangements small firms depended on were also held by large corporations. The trend towards increasing the financial and management

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43 Ibid., 60.

44 Ibid., p. 41.

45 "In forest industry, bigger doesn't mean better," The Province, 18 November 1976, 30.

46 Ibid.
obligations of licensees proved to be an impediment to smaller firms.⁴⁷ Often, the construction and operation of a pulp mill or sawmill was made a requirement for obtaining rights to Crown timber. The promotion of integration within firms was also enhanced by the fact that some licences were granted only to licensees who could demonstrate a "need" for their manufacturing plant.⁴⁸

Pearse was not opposed to the integration of the industry or to the existence of the large forest companies, for he recognized that much of the overall strength of the industry lay with the large companies and recommended developing this strength further. His concern centered around the erosion of opportunities for small and new firms "to play a constructive role in the industry" and, second, the growth of regional monopolies as large corporations assimilated small firms with their resource rights.⁴⁹ It was the consolidation of the industry, especially the consolidation of rights to Crown timber into the hands of a few large corporations and the creation of regional monopolies by large companies, that drew urgent warning from Pearse.⁵⁰ He concluded that greater variety and greater numbers in the province's forest industry would result in a more resilient and vigorous industry. His argument for a diverse forest industry was supported by his belief that opportunities for new entrants to compete in the market would increase production efficiency. A closed and monopolistic industry would require governmental regulation beyond the scope of resource managers to regulate investment decisions, prices and marketing of individual firms.

If the industry were balanced, competitive, and free of monopolistic distortions, the public interest would be adequately protected through market conditions and not require extensive government intervention.⁵¹ This was not to say that large corporations in the forest industry

⁴⁷ Pearse, Timber Rights and Forest Policy, 61 - 62.
⁴⁸ Ibid., 61.
⁴⁹ Ibid., 61 - 62.
⁵⁰ Ibid.
⁵¹ Ibid., 62.
should be disadvantaged. Instead, Pearse advocated that smaller, unintegrated operations and potential new entrants be encouraged in much the same way as larger enterprises had been previously. A balanced and diverse industry was achievable with policies that provided opportunities for all kinds of firms. The removal of obstacles faced by smaller independent logging and manufacturing firms would allow them to compete successfully in the market for inputs and final products and consequently be important sectors in the forest industry in British Columbia. The more balanced industry could be achieved through sale of public timber in an open and competitive process created by changes to the timber sale licence system. Licensees should not carry heavy resource management and development responsibilities, as these would result in an undue burden on small companies. The reforms, while improving opportunities for small companies, would not place large companies at a disadvantage. Large companies would continue with their existing timber rights such as private holdings of timber, access to high quality Crown timber through their old licences (which carried favourable royalty terms) and tree farm licences (which generally contained better grades of timber and would continue to have long terms without competition).

Security of Timber Supplies

With respect to the priority of security of timber supplies, Pearse suggested that ways be found to make bidding for timber more open and competitive and that the provincial government take tighter control over the industry. He suggested modifying the timber sale licence as one solution.

In recognition of the problems that small operators faced, Pearse suggested that the timber sale licence should have shorter terms and cover smaller areas to accommodate the need for smaller licences with shorter terms, and to provide flexibility both to the government and to forest

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52 Ibid., 62-63.

53 Changes to tenure, making it more open and competitive, will be discussed in the next section.

54 "Pearse reassures forestry giants," The Vancouver Sun, 1 December 1976, 26.
enterprises. The key element of the timber sale licence was that it should come in a variety of sizes and terms in order to meet the full range of needs and circumstances. Therefore, the size and term were not fixed. The timber sale licence would have a three to ten-year term and a maximum annual harvest of not more than 10,000 cunits, with many of a smaller rate of harvest. Under normal circumstances a five-year term would be suitable with an annual harvest of much smaller than 10,000 cunits. Bids for timber sale licences should be made through sealed tender, similar to bids for forest licences. To ensure that all operators had frequent opportunities to bid for sales under these licences, the licence would not have contractual renewal privileges.55

There is no doubt that Pearse envisioned the timber sale licence as a way to accommodate the needs of independent logging companies and small mill operators. This fact was reflected in his recommendation that the Ministry of Forests assume responsibility for resource management (including preliminary cruising, planning and surveying of cutblocks), construction of major roads, and most forestry measures (including reforestation and site treatment); which would alleviate the burden that small operators often faced of coming up with large sums of money to pay for these activities.56 Moreover, the expenditures for these activities could only be written off over long periods of time through the stumpage system. The recommendations for the timber sale licence would later prove to be important in relation to the establishment of the Small Business Program.

REACTION TO PEARSE’S RECOMMENDATIONS

Reaction to Pearse’s recommendations regarding the forest tenure system was varied. Small operators, represented by the TLA and the BCILA, were very pleased while major companies were somewhat critical. The TLA felt that the recommendations followed closely those put forward by small logging companies and was highly supportive of the recommendation that government should repatriate surplus timber and redistribute it, although the TLA did not

55 Pearse, Timber Rights and Forest Policy, 81.

56 Ibid.
wish to wait the 25 or 50 years that Pearse proposed. The TLA was also supportive of government’s playing a stronger role in management of the forest resource.

COFI and its large company members were happy with some recommendations, unhappy with others. COFI was supportive of the following recommendations: that government recognize the economic importance of forest products to the province; that government not add unnecessary costs for the forest industry; that utilization standards and cost recovery systems be reviewed to find ways of reducing costs to industry; and that “evergreen” contract renewals be proceeded with. COFI also endorsed the idea that an efficient forest industry required a mix of both large companies and small companies—large companies with large capital necessary for integrated operations and independent logging and sawmill operations to provide needed enterprise and balance. However, COFI objected to some of Pearse’s recommendations including proposals for increased government involvement in the industry and the creation of a Forest Products Board.

Crown Zellerbach Canada Ltd. did not dispute Pearse’s view that more opportunities for small operators were needed. It acknowledged the roles that large, medium and small-sized operators in the industry could play. In fact, Bob Rogers, chair and chief executive officer of Crown Zellerbach, stated, “there are many jobs to be done by small and medium-sized operations in the industry.”

Not all large companies praised Pearse. Canadian Forest Products Ltd. (CFP), for example, was quite critical, expressing grave concerns about some recommendations, including those intended to increase participation of small enterprises. In CFP’s view, Pearse was using an “unproven assumption that there is a need for significant increase in the number of small, unintegrated and new enterprises within the industry” to justify the “erosion of the tenure security currently enjoyed by industry.” Furthermore, CFP took issue with the recommendation that

57 “Truck loggers go for Pearse points,” The Vancouver Sun, 23 November 1976, 29.
59 “Giant welcomes small firms,” The Vancouver Sun, 24 November 1976, 59.
60 “Report severely criticized,” The Vancouver Sun, 26 November 1976, 42.
current allocations to industry be reduced to provide timber for additional small enterprises. In this case, CFP was referring to proposals to reduce the allowable annual cut (annual rate of harvesting) on tree farm licences by as much as ten per cent every five years, and was arguing that aiding small enterprises would jeopardize the stability of large operations and the long-term security of their jobs and investments. CFP thus viewed the proposal to increase the number of small companies as a backward move, citing the fact that industry used to be comprised of a large number of small operators who sold out to others because of an unwillingness or an incapacity to obtain necessary capital to remain competitive. These companies who bought the small operators out, like CFP, were originally small operators who became larger.

Overall, politicians were supportive of Pearse’s report. Gordon Gibson, leader of the BC Liberal Party, praised Pearse’s efforts and was supportive of Pearse’s encouragement of a greater number of smaller operators and specialized operators. Former Resources Minister Bob Williams praised Pearse for his conclusions that the consolidation of the industry into the hands of a few giant companies was against the public’s interest and for his recommendations about timber sale licences in order to increase competition by allowing new companies to enter the industry. However, Williams was critical of the recommendations regarding tenures on the coast, particularly tree farm licences.

The Social Credit government responded to the Pearse report in December 1976 by announcing the formation of a committee to examine the hundreds of recommendations. Tom Waterland, Minister of Forests, stated that changes to the Forest Act, based on an analysis of the recommendations, would not be introduced until 1978 as it would likely take the committee time to digest the recommendations and embark on the task of preparing new legislation. However, he made clear that he believed that major changes to the Forest Act were definitely needed as much of it was out of date and the band-aid approach had been taken previously and would no longer suffice.61

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Summary

Kingdon's theory of the agenda setting process provides a framework for explaining how the creation of the Small Business Program came on the government's policy agenda. The issue, of an adequate timber supply for small operators, first came to light in the 1970s, during the NDP government's term of office, when indicators revealed the growth and concentration of the forest industry in the hands of large, integrated companies and a corresponding decline in the number of small operators. The crisis of the economic decline of the forest industry, in conjunction with major layoffs of industry workers during the early 1970s, demonstrated to the NDP government that an examination of government forest policies was necessary. The work conducted by the Task Force on Crown Timber Disposal, particularly as reflected in its third report on the history of forest tenures, emphasized the fact that small operators were threatened with extinction within the industry. The hearings conducted by the Pearse Commission, after its creation by the NDP government, elevated public and political awareness of the plight of small operators. The Pearse Commission Report not only illustrated the problems faced by small operators but also made recommendations on how to resolve their problems and ensure that small operators continued to play a role in the forest industry. The forest industry's reaction to the Pearse Report differed between large and small companies. Large companies generally did not dispute Pearse's view that more opportunities for small operators were needed. However, they were concerned that opportunities granted to small operators would require a reduction to harvesting levels of existing licensees such as themselves. Small companies were, not surprisingly, very pleased with Pearse's recommendations to assist small operators. The conclusions that Pearse presented regarding the need to have a balance between large and small operators, and the need to provide opportunities for the entry of new firms in order to maintain a healthy competitive forest industry provided the rationale for the Social Credit government to act to assist small operators. The manner in which the government proceeded along these lines is examined in the following chapter.
CHAPTER 3
KEY PARTICIPANTS AND THEIR ROLE IN ESTABLISHING
THE SMALL BUSINESS PROGRAM

Introduction

Chapter two focused on problems, policies and politics in the pre-establishment phase of the small business program, that is, on the agenda setting process. This chapter concentrates on the convergence of the three streams: problem recognition, policy proposals, and politics; to do so, it will examine the policy window, key participants and policy entrepreneurs. In terms of the eventual Small Business Program, it is clear in retrospect that the policy window was provided by the need to respond to Pearse’s recommendations to assist small operators. The need could not be ignored and government responded by establishing the Small Business Program.

In any policy or program formation, there are key participants and there are policy entrepreneurs, the latter being a subset of the former. The key participants may be either individuals or groups, while only individuals may normally be considered as policy entrepreneurs.

Policy entrepreneurs are critical to the convergence of the three streams in the agenda setting process. They link solutions to problems, proposals to political momentum and political events to policy problems.

In the present case, the key participants turned out to be the Forest Policy Advisory Committee of B.C. (FPAC); small forest companies in general; interest groups such as the British Columbia Independent Logging Association (BCILA), and the Truck Loggers Association (TLA); Ministry of Forests’ Timber, Range and Recreation Management, and Operations Divisions; and Tom Waterland, Minister of Forests. Large companies and their lobby associations, although not key participants, were important to the establishment of the Program.
In addition, certain events influenced the activities of these groups or individuals. In order to put these key players in context, we need to first discuss the events that would lead to their involvement.

**Forest Policy Advisory Committee of B.C.**

On December 16, 1976, the Social Credit government made its first major response to the Pearse Report by appointing a special forest policy advisory committee that would report to Tom Waterland. The mandate of the Forest Policy Advisory Committee of B.C. (FPAC) was to review the implications of Pearse’s recommendations and to advise the government on their implementation, and to propose legislative changes that would lead to a new Forest Act.

Waterland wanted the FPAC to be made up of a small group of professionals in various areas of expertise who would be able to work together as a professional advisory group to Cabinet. The four areas of expertise set out by Waterland in a memo to all fellow members of the Cabinet were:

1. a background in previous forest administration to provide the government viewpoint;
2. a professional forester with a broad background in the industrial sector of the forest operations in British Columbia and not biased towards large or small scale forestry operations;
3. a good legal background and expertise in the forest economy to deal with changes to legislation including rewriting the Forest Act; and
4. a good taxation and financial background.\(^1\)

Those appointed to the FPAC were John Stokes, Bob Wood, Wes Cheston, James Rae and Mike Apsey. Waterland selected Stokes, Deputy Minister of Forests, who fit the criteria of having background in public administration in the Ministry of Forests. Bob Wood was a professional forester with a broad diversified background in the forest industry who was highly

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regarded in the industry, and who had worked as a forestry consultant for both Waterland and former Minister of Forests Robert Williams. Waterland believed that the appointment of Wood would instill a feeling of confidence on the part of industry in the make up of the Committee.\(^2\) Waterland solicited suggestions from Cabinet Members and from Wood for the other members of FPAC.

The appointment of Wes Cheston, Resources Manager, Special Studies Division, Ministry of Forests, was recommended by Wood on the basis that Cheston was broadly experienced at most levels of the Forest Service and in most regions of the province. His skill at writing and analysis of data made him, in Wood’s opinion, suitable as a working secretary to FPAC. Wood recommended that the Ministry of Economic Development nominate one of its senior officials, in order to provide input from that ministry; hence Rae, Assistant Deputy Minister, became a FPAC member.\(^3\) Apsey was obviously appointed because of his forest economics background and his industry connections. Apsey had been a consulting forest economist with F.L.C. Reed and Associates in Vancouver and had also been a former COFI vice-president. Thus FPAC was made up of three government officials and two forest consultants.

There was little explicit reaction to the establishment and composition of FPAC although there was some negative reaction from some environmental groups. Bill Otway, Executive Director of the B.C. Wildlife Federation stated that the appointment of the FPAC was unnecessary and simply another commission investigating the findings of another commission. Brian Inglis, president of the Amalgamated Conservation Society, an organization fighting for salmon stream rehabilitation, stated that FPAC was just another bureaucratic body. Both groups felt that government already knew what British Columbians wanted to improve management of Crown forest lands (i.e., no logging practices that damage fisheries resources). Howard English, a member of the International Salmon Advisory Committee, observed that FPAC’s membership

\(^2\) Ibid.

\(^3\) R. S. Wood, Victoria, to T. M. Waterland, Victoria, Memorandum re proposal for a “review and implementation” committee to handle the Pearse Report, 30 November 1976, Ministry of Forests, Victoria.
was timber-oriented, with no representation from the non-timber resource sectors—fisheries, water, wildlife and recreation.4

Waterland had the Cabinet appoint Wood as chair of FPAC and in this role he was in charge of liaison with Waterland. Stokes was made responsible for liaison with the Ministry of Forests staff. Rae was to attend FPAC meetings and address issues relating to economic development, regional planning and other issues. Cheston, as intended, would be secretary and committee coordinator. Apsey's role was to attend FPAC meetings and function on the basis of identified need. Legal and financial consultants were later retained to provide legal and financial advice to FPAC. The selection of the individuals to sit on the FPAC was based on certain criteria that Waterland established. Presumably, Waterland would have solicited input from his advisers. One can speculate that Wood, one of his advisors, would have provided some of this advice as he would later be appointed to FPAC. However, there is no clear indication of this in Waterland's correspondence.

There were no representatives of small business forestry (e.g., BCILA) labour or other forest resource (non-timber) interests (e.g., recreation) on the committee. The composition of the committee suggests that the focus was to be on the economic development of provincial forests—with a particular emphasis on the timber production aspect of the industry. On the other hand, would membership on the committee look different if it had been appointed by an NDP government? Likely, there would have been membership from labour, such as the International Woodworkers of America, the largest labour union in the forest industry. Time itself could have been a factor. During the 1970s, the focus in forestry was still on timber extraction. Today, the focus has shifted to incorporate broader, non-timber values of forestry such as recreation, range, fish and wildlife habitat, and watershed values. A different membership might have produced significantly different results.

FPAC started out in January 1977 by inviting all participants who had appeared before the Pearse Commission to comment on the Pearse Report. From February to April 1977, FPAC

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received and reviewed over 170 responses. At the same time, FPAC produced a number of progress reports seeking Cabinet approval on the policy direction FPAC was embarking on. From May to July, FPAC conducted more than 130 interviews with federal and provincial government representatives, forest product companies, industry associations (including, COFI, the BCIL and the TLA), regional districts, water districts, Indian bands, citizen groups, provincial and technical associations and individual citizens. During August, FPAC reviewed and considered the information it had gathered. From September onwards, FPAC drafted three new pieces of legislation, the Ministry of Forests Act, the Range Act and the Forest Act, and also the necessary approval documents such as Cabinet Submissions. After review by Cabinet Committees (Environment and Land Use Committee, Planning and Priority Committee, and Legislation Committee) and Cabinet itself, the three acts were to be presented in the Legislature during the Spring 1978 session. In addition, FPAC was to recommend the elements for future forest policy in the province. FPAC was to be phased out at the end of April 1978. However members would be accessible to Waterland during legislative debate on the new Acts in May and June 1978.

In one of the reports to Cabinet, made during the summer of 1977, FPAC recommended, after examination of the current forms of tenure and those proposed by the Pearse Commission, that a “Small Business Set Aside Programme” be established. This program, to be administered by the Ministry of Forests, would provide a portion of the allowable annual cut to the small independent industry. The purpose of the program would be to ensure an annual flow of timber to small loggers, small manufacturers and Indian Bands. The report was the first indication of FPAC’s support for a small business program.

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The FPAC’s final report of May 16, 1978, British Columbia Forest Policy--Comments and Policy Decisions by the Forest Policy Advisory Committee on the Recommendations of the Pearse Royal Commission, provided a thorough examination of Pearse’s recommendations. This report provided not only comment on each of Pearse’s recommendations but also suggested actions with respect to each recommendation.

In terms of a small business program, as had been foreshadowed by its summer 1977 report to Cabinet, FPAC concurred with the majority of Pearse’s recommendations regarding changes to timber sale licences in order to provide the avenue of opportunity for small and new operators.

Regarding the small business program, FPAC provided some general policy directions:

• the timber sale licence would be the licence used to accommodate small business;
• the new Forest Act should provide for the initiation and sale of timber sale licences solely to eligible small business enterprises;
• timber sale licences sold under the Small Business Program would extend for a three-year term and would not contain contractual renewal privileges; and
• the Ministry of Forests should undertake responsibility for resource management and construction of major roads for timber sale licences sold under the Small Business Program.  

These FPAC proposals would be the starting point for Ministry of Forests staff in developing a framework for the small business program.

A new Forest Act

On May 12, 1978, Forests Minister Waterland introduced a new Forest Act (Bill 14), and in so doing initiated sweeping changes to forest management, particularly in tenure and forest administration. The new Forest Act reaffirmed the integrated use of forest lands, provided new

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appeal procedures, decentralized decision-making in the Forest Service, modernized administrative procedures, and encouraged small and independent business. Tenure changes to assist small companies involved new 10-year maximum term timber sale licences, new woodlot licences with 15-year “evergreen” tenure, and a new requirement that a certain portion of the allowable annual cut in each public sustained yield unit be dedicated to small business enterprises.

Critical to the establishment of the small business program were two key sections in the new Forest Act. Section 16(3) allowed a Forests Regional Manager to specify that applications for a timber sale licence would be accepted only from small business enterprises (a term to be defined by regulation) and to determine whether bonus bids would be accepted. Section 8 allowed the Minister to specify that a portion of the allowable annual cut approved for “a public sustained yield unit or the Crown land not in a tree-farm licence area or woodlot licence area in a timber supply area to be available for granting” under the timber sale licence. In other words, the new Forest Act made provisions for a portion of the allowable annual cut of each Crown managed unit to be made available to small business enterprises. The intent was to provide opportunity to the small entrepreneur, who would be allowed to concentrate on the special expertise of harvest without incurring excessive overhead costs by virtue of the entrepreneur’s small size. In addition, the Act required that companies that held tree farm licences contract out at least 50 per cent of the cut in their licence. Here the objective was to encourage and assist independent truck loggers. Although most companies were already engaged in this activity, some, such as MacMillan Bloedel Ltd., contracted a much smaller proportion to independent operators.

The changes in the new Forest Act led to much heated debate in the Legislature, before it finally received royal assent on June 29, 1978. There was also rigorous debate within the industry.

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10 “New B.C. forest law urges firms to manage wisely,” The Vancouver Sun, 12 May 1978, A2.
Many large companies including, for example, Canadian Forest Products Ltd. (CFP), were supportive of the legislation. CFP expressed some concern about the provisions regarding replacement of tree farm licences, but overall, CFP was happy with the 25-year renewable tenure provisions for tree farm licence areas, as these would resolve some of the uncertainty about a possible reduction in the tenure term, and consequent long-term financing.  

Overall, COFI was impressed and approved of the new forest legislation. It considered the legislation as progressive, and as strengthening the relationship between government and industry by clarifying the intent and procedures in areas where there had been confusion previously. COFI, however, was apprehensive about some effects of the new Forest Act, including increases in royalties and rentals and the lack of compensation for deletions of up to five percent of allowable cuts in forest tenures.

The BCILA, representing nearly 1,000 independent logging contractors and log haulers, condemned Bill 14, believing it would strengthen the hold that the large companies had on timber tenures and legislate what were previously contractual arrangements between the companies and government. The effect would be to ensure timber allocation for large companies, retaining the status quo. Small companies would be left with a token allocation, through the timber sale licence, and they would have to compete with each other for this allocation. Wanting stronger assurances that independent loggers would receive a guaranteed share of the allowable annual cut, the BCILA proposed that sections 8 and 16(3), which established the small business program, should clearly outline that 20 percent of the total allowable annual cut was to be made available to independent loggers. Allocation of this timber would be through open competition, exclusive of

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quotaholders in public sustained yield units, thus placing existing licence holders in the free marketplace and giving independent loggers security of tenure.\textsuperscript{15}

Initially, the TLA supported the overall changes to forest legislation. The TLA was especially happy with the provisions in the Forest Act that were designed to assist small loggers and independent logging contractors.\textsuperscript{16} However, a month later after a careful review, the TLA rescinded its support for the legislation, concluding that the legislation would enshrine the monopoly of the large, multi-national companies over the timber allocation process, to the detriment of small operators. The TLA was also unhappy with provisions to allow tree farm licences to be automatically renewed without public hearings, and with proposed increases in rental fees which would be a heavy financial burden to small operators.\textsuperscript{17}

Both the opposition NDP and Third Party Liberals opposed Bill 14, focusing their criticisms on the provision of security to large integrated companies. NDP leader Dave Barrett stated that the bill was designed to please COFI and did not provide strong enough guarantees for the survival of the small forest operator; instead, the bill would increase and entrench the concentration in British Columbia’s forest resources held by foreign corporations.\textsuperscript{18} Liberal leader Gordon Gibson argued that some of the timber held by these licence holders should be granted to small, independent, domestic companies when the TFL licences were to be converted. Although debate on Bill 14 in the Legislature was vigorous, evident by the one month period spent debating its passage, there was no debate on sections in the Bill that were designed to assist small operators. Thus all parties in the House supported these sections.

Peter Pearse, the person whose opinions would presumably carry significant weight, stated that he was impressed with the comprehensive changes to forest legislation introduced by the Social Credit government. However, he felt that the legislation did not go far enough in

\textsuperscript{15} "B.C. loggers seek changes in new act," \textit{The Province}, 6 June 1978, 21.

\textsuperscript{16} "Initial reaction of industry sources is generally favourable," \textit{The Province}, 13 May 1978, 29.

\textsuperscript{17} "Truck loggers do an about-face," \textit{The Province}, 13 June 1978, 21.

\textsuperscript{18} "New forests act chopped as campaign fund payoff," \textit{The Vancouver Sun}, 18 June 1978, A13.
providing competition for public timber; specifically, he was concerned that the pressure placed by the licence holder on the Crown to renew forest licences would make it difficult for any new companies to compete.\footnote{“Applause from Pearse,” \textit{The Province}, 16 May 1978, 20.}

Forests Minister Waterland responded to calls for open competition by stating that there should be competition amongst equals. Small operators should be ensured a place in the industry, but they would not have a chance of surviving if they were pitted against large integrated companies; provisions in the new \textit{Forest Act} to maintain competition would ensure survival of small operators.\footnote{Ibid.} As timber supply could not be guaranteed for everyone in the industry, the new legislation would recognize the different sizes of companies in the industry. The legislation would transfer the political discretion that had previously been held by the Minister to Forest Service staff in the field. Waterland indicated that large operators require a guaranteed timber supply to justify investments in their mills. Small operators, like independent loggers, have mobility with their investments and can move to where timber is available. In addition to provisions of security for large integrated companies to justify their investments in mills, the legislation would set aside some land for a small business timber sale program to allow existing and new small businesses to obtain a wood supply. Bidding for unallocated and reallocated timber in the program would be limited to companies without an interest in a processing plant, tree farm licence or forest licence.

While the \textit{Forest Act} was being debated in the House, Apsey was appointed Deputy Minister of Forests on June 1, 1978 and oversaw implementation of the changes in the new \textit{Act}.

\textbf{BCILA’s Proposal for a Small Business Program - September 1978}

At the invitation of Apsey, the BCILA submitted a proposal in September 1978 regarding eligibility for timber allocation under the small business program outlined in the \textit{Forest Act}, 1978. The proposal was comprehensive. It presented criteria designed to ensure that applicants were
small and independent (e.g., demonstration of financial independence from any “quota” holding firm). Furthermore, timber for the small business program was to be awarded only to independent logging contractors. Moreover there were restrictions which tended to favour established logging operators, to the disadvantage of new entrants to the logging business (e.g., actively engaged in at least one phase of logging operations for at least three years and proprietorship or partnership in at least one major piece of logging machinery). There was also a requirement for an applicant to reside in the Timber Supply Area where the sale would occur, in addition to the requirement that the successful applicant be required to be present during all logging operations.

The proposal presented a complex 150-point system for which an applicant had to obtain a minimum of 75 per cent of the points (112.5 points) in order to be eligible to apply for a small business licence. This system was to be used by the Regional Manager to determine an applicant’s eligibility to bid on a timber sale licence in the small business program. The system gave out varying points for such aspects as residency, existence of logging operations in the district, financial responsibility based on a credit rating granted by financial institutions or suppliers, past performance record, logging experience and time remaining on a licence. Some of these criteria were highly subjective and arbitrary, such as credit rating and past performance. With respect to forest management and development responsibilities, such as reforestation and road building, the proposal stipulated that these should remain with the Ministry of Forests. To provide real competition, the proposal suggested establishing a log market in the interior which would lead to increases in utilization and competitive efficiency in both logging and milling.

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22 Colin Fraser, Victoria, to T. M. Apsey, Victoria, Letter and Brief, 28 September 1978, 3

TLA’s Proposal for a Small Business Program - November 1978

Although the TLA, unlike the BCILA, was not asked by Apsey to make a submission, it nevertheless sent its views on a small business program in November 1978 to Apsey. The TLA’s perspective reflected the United States model in which small business programs were defined in terms of specialization in certain manufacturing activities rather than in terms of size of operation. In particular, the TLA felt the goal of a government policy for small business should be to expand specialized and secondary manufacturing of timber resources, which would lead to increased, value added utilization of timber. Achieving this goal would require the establishment of a fair, free and open log market, which could be attained, the TLA believed, by:

- allocating 30 per cent of the Coastal allowable annual cut to the log market;
- providing log production specialists with assured timber supply;
- establishing procedures within Timber Sale Licence contracts to ensure that logs are contributed to the log market and reach designated small business manufacturers; and
- prohibiting transfer of cutting rights that are allocated to the open market, except when the transferee is a log producer committed to selling in the open market.  

In contrast to the BCILA proposal for a small business program, which was defined on the basis of size, the TLA’s proposal was defined on the basis of function.

White Paper on the Small Business Program - January 1979

The 1978 Forest Act provided the legislative tool for the establishment of the Small Business Program. The logical next step was to provide a framework for the program. During late 1978 to January 1979, the Ministry of Forests developed a white paper on the small business program entitled The Small Business Program, January 1979, A White Paper for Discussion Purposes (White Paper). Ted Knight, Director, Strategic Studies Branch, presumably chosen by Apsey, was responsible for the drafting of the paper, which was carried out in consultation with senior officials who reviewed working drafts. Those collaborators were: Apsey; Bill Young,

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Chief Forester; Bill Bishop, Assistant Deputy Minister in charge of the Timber, Range and Recreation Management Division; Ralph Robbins, Assistant Chief Forester; Tony Robinson, Director, Timber Management Branch; Ken Reid, Staff Consultant; Wes Cheston; and Elizabeth King, Assistant Legislative Counsel who provided legal advice on draft copies of the proposed regulation. Thus two members of the original Forest Policy Advisory Committee of B.C. (FPAC), Apsey and Cheston, were also involved in creating the proposed framework for the Small Business Program.

The objectives of the proposed Small Business Program, as set out in the White Paper, were to provide opportunities for smaller operators to have a larger role in the industry and to provide openings for the entry of new firms into the industry. The White Paper acknowledged and accepted the Pearse Commission’s recommendation about the need for diversity in the forest industry--maintaining a mix of large and small, integrated and unintegrated companies, coupled with the need for opportunities for new companies. Not surprisingly, given the fact that Apsey was now Deputy Minister, the White Paper reflected the policy direction proposed initially by the FPAC.

The key elements of the White Paper were:

- a definition of small business enterprises to be enacted by regulation, which divided them into two categories--Class 1, covering independent loggers as well as those who directly own or indirectly own or have a material interest in a timber processing facility, and Class 2, covering only independent loggers;

- a requirement that not less than 15% of the allowable annual cut for a particular unit be available for application by small business enterprises; and

- administrative requirements of the program, including eligibility, content of a small business licence, method to award a licence and licensee’s responsibilities.


The two classes of small business enterprise were proposed in order to ensure that some sales would be limited to only independent loggers, while other sales would be open to both independent loggers and others who owned or had an interest in a timber processing facility. Even though some sales would be restricted to independent loggers, an owner of a manufacturing plant could still have access by purchasing log supply from loggers.

In terms of the allowable annual cut, the small business part, which was to be 15% of the total annual cut, would be taken from the Forest Service reserve, together with additional volume necessary that the Regional Manager would assign to the small business program as the program was developed. The 15% total would also include, where possible, reductions under Sections 55 and 56 of the Forest Act of the allowable annual cut available for granting under other forms of licence, and timber from emergency salvage that was not covered under an existing agreement. Class 2 enterprises would be limited to applying for sales from Sections 55 and 56 reductions while Class 1 enterprises could apply for sales from all components of the 15 percent total.

The elements of a timber sale licence under the Small Business Program would include a maximum 3-year term; a description of the area of Crown land within which timber could be harvested; the allowable annual cut specific to the licence; a requirement that the license holder must be an active occupant of the licence area and must personally conduct or supervise the operations; a requirement for the licence holder to pay stumpage and a bonus bid (where required); and a limitation that the licence or an interest in it could not be assigned or transferred to another party. There would also be a limit placed on the number of licences--two per business enterprise.

Timber sale licences under the Small Business Program would be awarded by public competition, by advertising for bidding through sealed tender or by public auction, as specified by the Forests Regional Manager. Applicants would be required to register with the Regional Manager in order to be eligible to bid on a timber sale licence under the program.

Responsibilities of the holder of a timber sale licence in the Program would be restricted to activities associated with the actual logging operation, including any necessary hazard abatement
after logging. The Ministry of Forests would be responsible for main access road construction (outside of the licence area itself), timber cruising and reforestation of the licence area.

The White Paper had some similarities to the BCILA’s proposal. Like the BCILA’s proposal, the White Paper outlined criteria to ensure that applicants were small and independent. There was also a number of similar requirements that applicants needed to meet: a residency requirement and a requirement for the successful applicant be present during all logging operations. Both proposals advocated that responsibility for forest management and development activities such as reforestation and road building reside with the Ministry of Forests. In fact, the BCILA made several representations to Ministry staff previous to the release of the White Paper. On the other hand, the White Paper did not reflect parts of the BCILA’s proposal, including the complex point system and log market proposals.

The White Paper differed substantially from the TLA’s proposal. While the TLA proposal focused on function, the White Paper focused on size—providing opportunities for independent loggers and manufacturers.

There is no doubt that the Social Credit government was committed to making timber available to small operators. Much of the support for the Social Credit government came from small business enterprises around the province, particularly those away from urban centres. Furthermore, at the annual TLA convention in February 1979, Premier Bill Bennett told the TLA that small business enterprises would be given access to their share of the forest resources. In addition, to ensure their continued viability, his government would take steps to protect them from the sheer size and fiscal might of the major companies.27 Forests Minister Tom Waterland, also in attendance, reiterated the Premier’s assurance, stating that timber would be made available to “independent operators who run small logging or sawmilling businesses.”28 Some of the

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27 Brian Martin, “No holds barred in gov’t stance,” British Columbia Lumberman, February 1979, 34.

28 Ibid., 35.
timber would be made available through reductions to the allowable annual cut of licensees who did not meet harvesting performance and recalling allocated but unused, uncut timber.\textsuperscript{29}

RESPONSES TO THE WHITE PAPER

The Ministry of Forests received over 100 responses to the White Paper. These came from many sources including large companies, small companies, industry associations, and Ministry staff. The responses were sent to W. G. (Bill) Bishop, Assistant Deputy Minister, Timber and Range Management Division, (later renamed as the Timber, Range and Recreation Management Division), who was the Ministry executive member charged with developing the framework of the Small Business Program. Bishop also handled inquiries regarding the White Paper. As expected, the reaction varied even within the different sectors.

Large Companies

Overall the concern from large companies centred around where timber for the Small Business Program would be derived and the 15\% allowable annual cut figure proposed to be made available to the Program. The issue regarding timber for the Program centred around the belief that there were areas in the province that did not have the necessary timber supply to contribute to the Program. In some forest regions, there were areas that had been overcut or whose timber supply was fully committed. In these areas, large companies such as Crown Zellerbach Canada Limited and Weldwood of Canada Limited, believed that the Program should not be introduced. The proposed 15\% allowable annual cut figure for the Program was also problematic. There was some concern that meeting this figure would result in a reduction in timber harvest to existing licensees. If meeting the 15\% figure resulted in a reduction of volume to existing licensees, it would be detrimental to industry as a whole because existing licensees would then have to compete for the purchase of logs which the existing licensees otherwise would have produced. The continuous supply held by existing licensees (such as Whonnock Industries, Weldwood of Canada Limited, Canadian Forest Products Ltd.) would be

\textsuperscript{29} Ibid.
threatened. In addition, it would drive log prices very high, beyond what would be acceptable to operate their mills. In the end, this reallocation of timber would not provide greater economic activity.\textsuperscript{30}

While some respondents were cautious in criticizing the program, others were more open and forceful in their criticism. Slocan Forest Products Ltd. expressed strong opposition to the White Paper. It cited the 15 percent annual allowable cut figure as arbitrary and without justification. Meeting the 15 percent figure could result in drastic reductions to the "large business" sector which would result in the mills in this sector operating at less than full capacity—a poor business practice. More importantly, the program would provide preferential treatment to loggers who were only a small segment of the lumbering industry—a practice that was blatantly discriminatory.\textsuperscript{31} Under the program, small operators would have little responsibilities as most of the necessary forestry work would be undertaken by the Ministry of Forests. In addition, Slocan Forest Products felt that small operators should not be given a chance to re-acquire cutting rights at little expense to themselves. Many small operators had gone out of business because of inefficiencies in their operations. Those who survived did so because they were efficient enough to survive the hard times. The re-emergence of more small operators would only harm existing licensees who were efficient. There was also some fear that bidding for timber in the Small Business Program would lead to spite bidding and collusion, something that would not be helpful to the long term health of the industry.

**Small Companies**

To no one's surprise, most small mill operators and logging contractors were pleased with the White Paper and were anxious to see the proposed Small Business Program established. They felt that the Small Business Program would give small operators a better chance than what they


currently had and looked forward to having the program in place.\textsuperscript{32} It would also provide opportunities for those mill operators who were constantly struggling to procure Crown timber supply and who relied on acquiring private timber.\textsuperscript{33} Many believed that the program would lead to more efficient utilization of the Crown’s timber because small operators were labour intensive, able to use selective logging rather than clearcutting as a harvesting tool and would reinvest their profits into the local community. Many small operators requested that timber sales under the Program be limited to those in the local community where the sale was being made.

Even among small operators, there were some dissension and concern expressed about the two categories of small business enterprises, independent loggers and mill operators/owners. Some mill operators feared that they would be at a disadvantage in the open market bidding for a timber sale under the Small Business Program. They believed that if an independent logger and a mill operator were both bidding on the same timber sale licence under the Program, the logger would have an advantage over the mill operator because the logger could bid considerably higher for the logs since large forest companies would be prepared to give the logger a much higher price for the logs.\textsuperscript{34} There was some fear by mill owners that independent loggers would act as brokers or agents to existing tenure holders, which would only result in higher log prices and greater concentration of timber supply in the hands of large companies who could afford the high prices. In addition, small operators who were already established and had some timber rights, had strong reservations about the program because they feared that since they already had access to a limited Crown timber supply, they would be ineligible to bid for sales under the Program. This would put them at a disadvantage among new small operators entering the industry.\textsuperscript{35}


\textsuperscript{34} Glen Norbraten, Prince George, to W. G. Bishop, Victoria, Letter re Small Business Program, 3 March 1979, Ministry of Forests, Victoria.

\textsuperscript{35} Fred Linde, Williams Lake, to W. G. Bishop, Victoria, Letter re White Paper, 6 March 1979, Ministry of Forests, Victoria.
Industry Associations

The Council of Forest Industries of BC (COFI) had one major concern about the proposed Small Business Program—one also expressed by large companies. The concern revolved around the 15 percent of the total public sustained yield unit (area based units where harvesting rights were granted on a volume basis) that was to be reserved for the Program. COFI was opposed to the 15 percent figure, which it considered to be arbitrary, and any reduction to existing licensees in order to meet the needs of the Program.36

The Cariboo Lumber Manufacturers’ Association (CLMA) was encouraged about the Small Business Program after meeting with Bishop, who reassured them that the Program would be introduced gradually, that the 15 percent figure represented a maximum not a minimum figure for the program, and that a major consideration for establishing the Program in an area would be the availability of timber that was surplus to the needs of existing licensees/operators.37 Such reassurances indicate that the Ministry was seriously considering the concerns of existing licensees. Initially, the CLMA had not been supportive of the White Paper’s proposal, fearing that the proposed program would result in reductions in timber supply to existing operators.

The Interior Lumber Manufacturers’ Association (ILMA) had strong reservations about the proposed Program and concerns similar to those expressed by many of the large companies with existing tenures. The 15 percent allowable annual cut figure was arbitrary, it believed, and would likely lead to reductions in the timber supply held by existing operators. A more flexible figure based on available reserves of timber supply should be used. Former small operators who had sold out for profit in the past should not be eligible for the Program.38


Like the CLMA, the Northern Interior Lumber Sector of the Council of Forest Industries (NILS) shared the view that established operators in the forest industry should not suffer from the introduction of the proposed Small Business Program. Because the program was based on various parties bidding on timber sales made under the program, NILS feared that this would lead to the establishment of log brokerage companies which would not contribute to the efficiency of the forest industry but would undoubtedly increase the cost of logs.\(^ {39}\)

With its membership of approximately 75 independent logging and hauling contractors in the Terrace-Kitimat area, the North West Loggers Association supported the White Paper’s proposal. It applauded the proposed minimum 15 percent of the allowable annual cut to be set aside for small business operators to harvest, and believed that small and more specialized companies would provide the much needed diversity and increase productivity in the forest industry.\(^ {40}\)

The BCILA was clearly supportive of the White Paper proposal. Many of their ideas were reflected in the White Paper. In addition to technical suggestions, the BCILA made two general comments, suggesting first that new entrants should be required to have five years logging experience as an eligibility requirement, thus improving the chances of success for potential applicants. Second, the BCILA pressed for implementation of the program as soon as possible.

Ministry of Forests Staff

Although in favour and support of a small business program, the regional and headquarters staff in the Ministry of Forests had reservations about the program proposed. The 15 percent figure was a concern because it could lead to reductions to existing licensees in some regions, something that Ministry regional staff did not want to occur. There was also concern

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regarding workload and funding, as the proposals indicated that the Ministry would need to
undertake additional activities such as cruising, silviculture and road building.\footnote{\textit{M. G. Isenor, Nelson, to W. G. Bishop, Victoria, Memo re White Paper, 12 March 1979, Ministry of Forests, Victoria.}}

Overall, it appears that support or opposition to the proposed Program was related to
security of timber supply. Those who did not have timber supply and who relied on the purchase
of logs privately or on the open market, or did not have access to Crown timber, were supportive
of the White Paper’s proposal. They viewed the program as a great opportunity to obtain access
to Crown timber, providing a stable supply to operations that were dependent on prevailing
lumber market (not only in price but also in terms of product availability). In contrast, those with
guaranteed access to Crown timber were the least supportive because of the threat to their
existing supply. They feared that establishment of the Program would lead to a reduction to their
existing timber volumes.

Between January and March 1979, the Strategic Studies Branch and Timber Management
Branch staff of the Ministry of Forests studied the comments received on the White Paper. These
comments were taken into consideration as the Strategic Studies Branch developed the
\textit{Small Business Regulation} in the spring of 1979.

\textbf{Small Business Program Regulation - June 1979}

The \textit{Small Business Enterprise Regulation} was enacted on June 1, 1979. The Regulation
defined a “small business enterprise” as one registered with a Forests Regional Manager and as
meeting the requirements of the first or second category of small business enterprise, and submits
a statement certifying that the applicant is a first or second category small business enterprise to
the Regional Manager, as given in the White Paper. The Regulation also stipulated that to be
eligible, a small business enterprise could not hold any other rights to harvest Crown timber.
Thus an applicant could not hold a tree farm licence, forest licence, timber sale harvesting licence,
pulpwood harvesting area agreement, farm woodlot licence or woodlot licence. In addition, the
applicant could not hold more than one timber sale licence or hold an existing timber sale licence for which the holder was applying for a replacement.\textsuperscript{42}

Even though the Regulation did not totally reflect the BCILA's proposal which had been used to develop the White Paper, the BCILA supported the Regulation and suggested that any amendments be withheld until the regulation was tested over time, in operation.\textsuperscript{43}

**Draft Policy for the Small Business Program - June 14, 1979**

The initial draft policy for the Small Business Program was completed on June 14, 1979 and sent out by Apsey to all Regional Managers, who were instructed to use the draft policy as guidance in administering the program. The accompanying memo directed the Regional Managers to begin implementation of the program as soon as possible in areas where it was required and where timber was available.\textsuperscript{44} The content of the draft policy was procedural and administrative in nature. In particular, it focused on establishing procedures for implementing the Small Business Regulation.

The draft policy stipulated that the initial volume available for the small business program would be equivalent to (5\%) and derived from the present Forest Service Reserve. The policy defined three categories of small business: category 1 defined as a person who does not own or operate a timber processing facility; category 2 defined as a person who owns or operates a timber processing facility; and category 3 defined as a person who qualified under category 1 or 2.\textsuperscript{45} Registration procedures (i.e., forms and certification process) were provided in detail to ensure that all applicants were qualified to bid on small business program sales. A description was

\textsuperscript{42} This was interpreted to mean that a small business could hold two timber sale licence. However, on acquiring the second one, it would cease to qualify for further small business sales. In fact, an applicant could get around the restriction if the applicant had many corporations, each of which had a small business sale.

\textsuperscript{43} Colin Fraser, Victoria, to T. M. Waterland, Victoria, Letter re expressing support, on behalf of the BCILA, for the Small Business Regulation, 11 July 1979, Ministry of Forests, Victoria.

\textsuperscript{44} T. M. Apsey, Victoria, to all Regional Managers, Memo re draft policy on the Small Business Program, 12 June 1979, Ministry of Forests, Victoria. The attached draft policy was dated June 14, 1979.

\textsuperscript{45} Until the Forest Act was amended (on July 27, 1979) to provide for two distinct categories, all sales were to be offered under category 3 small business enterprises.
provided of various requirements or limitations that were placed on the licensee, including: a limit of two sales by each licensee at one time; a requirement that the licensee must personally conduct logging operations under the licence; and the licensee would not be given designated applicant status (i.e., the applicant could not apply for further timber in the applicable timber supply area under a different licence such as a forest licence).

To assist in the administration of the Program, the policy described the types of sales to be made under the program: special forest product sales, handlogging timber sales, cash sales, salvage sales, and normal sawlog sales; all of which had terms of one to three years, with a provision for a longer period if needed. The policy specified administrative details such as the type of licence document to use (e.g., Timber Sale Licence (Minor) or Cash Sale) to issue the sale; terms and conditions regarding assigning or transferring the licence; and that generally, sales were to be offered by sealed tender. The policy also stipulated that the Forest Service would be responsible for main access road construction, cruising, silvicultural practices in the licence area, and any additional measures necessary for forest regeneration.

While Ministry files do not clearly indicate who developed the initial draft policy for the Small Business Program, the Timber Management Branch (Tony Robinson, Director) would have been the most likely branch as its staff would be providing administrative guidance and policy advice on implementing the program to the Regional Managers. The files support this premise, particularly as Robinson sent out further instructions regarding administration of the Small Business Program to all Regional Managers on July 12, 1979 and made reference that the memo of June 12, 1979 originated from his Branch. The draft policy and procedures for the Small Business Program were updated over time to reflect the changing needs of the administrators of the program and also to reflect "lessons learned" as implementation of the program proceeded.

46 A. B. Robinson, Victoria, to all Regional Managers, Telex re further guidelines on implementing the small business program, 12 July 1979, Ministry of Forests, Victoria.

47 Ibid. See also similar telex of same parties dated July 14, 1979.
Forest Act Amendment - July 27, 1979

While the Small Business Enterprise Regulation created two categories of small business enterprises, the 1978 Forest Act did not provide the legislative authority for this to happen. This situation was obviously unforeseen when the Act was created, but was not a surprise because regulations provide broader details about the administration of an act, and may make provisions that will result in the need to amend the act. As a result, the Act was amended in July 1979 through the Forest Act Amendment, 1979 to implement the content of the Regulation regulations. The amendment was required to allow for the regulation to be fully implemented, providing for differing classes of businesses to be described as “small business” under the program and allowing each to be treated differently, and so allowing the Ministry to discriminate between categories (e.g., restricting bidding on certain timber volumes solely to independent loggers). Previously, the Act had made provisions for the existence of only one category of applicants.

Debate on the amendment allowed the opposition NDP to criticize the lack of progress made in terms of allocation of timber, known as “sales”, under the Small Business Program. Some progress had been made, such as the removal of some of the harvesting area from CanCel's tree farm licence No. 1 and making it available for sales under the Small Business Program.48 Bill King, MLA-Shuswap-Revelstoke and the NDP forests critic, contended that as it did not take long to provide timber for large integrated companies, it should not have taken more than a year (since passage of the new Forest Act) to make timber available under the Program.49 Minister Waterland defended the progress made by stating that the delay was a result of efforts to analyze timber supply areas in the province in order to identify timber that was not being fully utilized by existing licences.50 The NDP alleged that the amendment was another stalling tactic

48 Thomas Waterland, Speech to the Legislative Assembly, 26 June 1979, Debates of the Legislative Assembly, vol. 1, no. 18 (1979), 372.


by a Social Credit government that was in reality hesitant to implement the Small Business Program. King stated, “I fail to see where there’s anything introduced in the amendments that could be of major significance or could adversely affect the minister’s ability to establish the small-business program ...”

Implementation of the Small Business Program

Shortly after the Small Business Regulation came into force, the program got underway with the first sales soon made. The quickness in implementing the program suggests a push by the Minister to get the program going. In fact, status reports were periodically given in Fall 1979 to the Minister on progress of sales made under the Small Business Program. The progress reports indicated the pressures brought to bear on Ministry staff to implement the program.

By September 12, 1979, although only 2 sales had been made, 137 sales were in process. There were 181 registrants in category 1 and 211 registrants in category 2, and a further 117 applications for registration that had yet to be processed. A month later, the program was still growing: 21 sales had been made, while there were now 522 category 1 registrations and 342 in category 2. By December 15, 1979, the program had a total of 1 577 registrants, had 27 sales completed and had 383 sales in progress. (See Table 1 for further details)

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51 King, Speech to the Legislative Assembly, 13 July 1979, Debates of the Legislative Assembly, vol. 2, no. 7 (1979), 758.


Table 1 - Small Business Program - Registration and Sales in 1979:

<table>
<thead>
<tr>
<th>Date</th>
<th>Category 1 Registrants</th>
<th>Category 2 Registrants</th>
<th>Registration Applications in Progress</th>
<th>Sales Sold</th>
<th>Sales in Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep. 12, 1979</td>
<td>181</td>
<td>211</td>
<td>117</td>
<td>2</td>
<td>137</td>
</tr>
<tr>
<td>Oct. 19, 1979</td>
<td>522</td>
<td>342</td>
<td>not available</td>
<td>21</td>
<td>not available</td>
</tr>
<tr>
<td>Dec. 15, 1979</td>
<td>1059</td>
<td>518</td>
<td>not available</td>
<td>27</td>
<td>383</td>
</tr>
</tbody>
</table>

Key Participants

Who were the key participants and what were their roles? The establishment of the Small Business Program was influenced by the role that a number of key participants played. Without their role, the Small Business Program would likely not have been established, or certainly not as quickly as it happened. These key participants could have been FPAC; small forest companies and their associations; the Ministry of Forests—various parts of the organization and individual staff members; and Tom Waterland, Minister of Forests. Although large forest companies and their associations were not a key participant in the establishment of the Program, their involvement should be explored.

FOREST POLICY ADVISORY COMMITTEE OF B.C. (FPAC)

There is no doubt as to the importance of the role that FPAC played in the development of the Small Business Program. The earlier part of this chapter describes its contribution to the development of the Program. The two most important contributions were, first, its developing the provision in the Forest Act which gave the Ministry of Forests the authority to restrict applications for a timber sale licence to those from small business enterprises and, second, its providing the policy framework that would guide the Ministry in its work in developing and implementing the Small Business Program. FPAC provided the link between the recommendations encouraging opportunities for small and new operators advocated by the Pearse Commission and the ultimate establishment and administration of the Small Business Program by the Ministry of Forests.
Among the industry members of FPAC, Bob Woods, chair, and Mike Apsey were key participants. In his liaison role with Tom Waterland, Wood provided the leadership and direction that FPAC needed to conduct its work. Apsey was the senior civil servant that was charged with establishing and implementing the Small Business Program. His role will be discussed in the section dealing with the Ministry.

SMALL COMPANIES AND THEIR ASSOCIATIONS

Small companies were generally supportive of a small business program as it would increase their opportunities for timber rights. This fact was clearly evident in the many letters written to the Ministry of Forests in response to the White Paper. The consistent lobbying of Waterland in support of the White Paper provided the necessary support to government to embark on establishing the Small Business Program. It also ensured that the establishment of the Program remained a priority for the Social Credit government.

The two industry associations which had members from many small companies, the British Columbia Independent Logging Association (BCILA) and the Truck Loggers Association (TLA), had markedly differing degrees of influence. The BCILA made submissions to the Pearse Commission and to FPAC, advocating opportunities for small enterprises. As mentioned earlier, the BCILA recommended that 20 percent of the allowable annual cut be made available to independent logging contractors under normal tenure arrangements, and should be granted on the basis of performance, financial capability and demonstrated stability in the industry. To the FPAC, the BCILA recommended that 20 percent of the allowable annual cut be opened to direct competitive bidding, with bidding procedures established to prohibit any licensee with a secured timber supply from competing in open bidding. In addition, the BCILA wanted log marketing systems on the coast and in the interior to be encouraged.

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56 Ibid.
The BCILA played a very influential role in the development of the program. Many meetings were held in 1978 and 1979 with Apsey and senior Ministry of Forests staff to promote the BCILA proposal, and, as indicated earlier, many aspects of the proposal were reflected in the Ministry’s White Paper, the formative influence on the establishment of the Small Business Program.

Later as the Small Business Program was being implemented, the BCILA continued to play a self-appointed monitoring role. In November 1979, it pointed to the need for more stringent criteria to be applied to potential registrants in the Small Business Program and the need for a separate branch in the Forest Service to deal strictly with the Small Business Program. In December 1979, the BCILA suggested that the Program be administered to weed out applicants who did not meet the proper qualifications, that timber be made available regardless of existing commitments, and that a functional log market be established in the interior.

One prominent individual in the BCILA stands out as a policy entrepreneur. Colin Fraser, Executive Director in the BCILA’s Victoria office, acted as the liaison between the BCILA and the Ministry in ensuring that the BCILA’s concerns were heard and acted upon. Fraser’s lobbying efforts clearly paid off, in that the Ministry’s Small Business Program reflected many aspects of the BCILA’s proposal.

The TLA, with its membership based in coastal British Columbia, had a very small role in the establishment of the Small Business Program. Although its proposal (concerning function rather than size) provided ideas for the Ministry of Forests, its proposal had little impact on the establishment of the Program.

In searching through Ministry of Forests files, one finds little correspondence between the Ministry and the TLA regarding the Small Business Program, a fact suggesting that the TLA was not a major player in establishing the Program. A TLA representative confirmed this premise.


when interviewed on August 30, 1995, for this thesis. The economic situation was good for the 95 percent of its members who were contract loggers. Although acknowledging a timber supply problem, the TLA was not proposing solutions. Furthermore, the TLA was more interested in the contractor clause legislation (governing the relationship between large companies and independent loggers who did contract work for them) than any small business program. The TLA did want an open log market to allow all sectors to bid for logs (as illustrated in their November 1978 letter) but the Small Business Program would not meet this demand. In fact in 1979, the TLA acknowledged that many of its “more immediate concerns” had been eased in the preceding year and that “the time may have arrived for the association to take a lower profile.”

Nevertheless, the TLA was critical of the Small Business Program. It was particularly concerned about the possibility of “surrogate bidding”, in which a registered small operator could act as a front for a large company. The TLA was also concerned about the potential for imbalance between mills that had an existing log supply and mills that did not as the former could offer higher prices because their cost would be averaged out when this timber was “blended” with timber from existing tenures.

Alternatively, however, the lobbying efforts of small companies and through the BCILA were influential in the establishment of the Program. By expressing their support for the White Paper’s proposal for a small business program, these small companies assured the Social Credit government that there would be a high level of support for the program among those most affected by it. The BCILA played its critical role through its liaison with the Ministry staff in shaping the framework of the Program. Although the TLA played a much smaller role, it did point out some of the shortcomings of the Program—which the Ministry did in fact take into account as the Program evolved.

59 In 1994, the Ministry of Forests experimented with an open log market by establishing a number of pilot market projects in the province. In Lumby, for example, the province took some of the timber supply and committed to provide timber for a small log market in Lumby. The results indicated that the provinces was able to get a higher rate of return simply by sorting the logs so that they were more readily accessible for value-added manufacturing. (See “A Conversation with the Minister,” Truck Logger, August/September 1994, 40)

MINISTRY OF FORESTS

In order to identify the key participants within the Ministry, one must know something of its organizational structure. In 1979 it had three levels: headquarters, regions and districts. The headquarters was divided into four divisions: forestry; timber, range and recreation; finance and administration; and operations, each headed by an Assistant Deputy Minister (ADM), who reported to the Deputy Minister. The Ministry Executive was made up of the five officials. In addition, the Directors of the Information Services Branch and Strategic Studies Branch reported directly to the Deputy Minister. Generally the headquarters staff develop policy and provide overall policy/program guidance. They also advise the Deputy Minister, and consequently the Minister and Cabinet, on all matters relating to forest and range policy. The field level (regions and districts) are charged with ensuring that policies and programs are implemented.

The two divisions most relevant to the Small Business Program were the Timber, Range and Recreation Management Division (TRRMD) and the Operations Division. The former was responsible for developing comprehensive range and resource management policies and regulations through its five branches: Range Management, Timber Management, Recreation Management, Valuation, and Engineering. The Timber Management Branch’s role was to develop policies and administer programs related to timber tenures, timber allocation, timber harvesting and the granting of rights to harvest Crown timber; thus the Branch was the key branch in developing policies and administrative procedures to implement the Small Business Program.

The Operations Division played the other key role in developing and implementing the Small Business Program. The ADM of Operations functioned as the Deputy Minister’s immediate assistant in administering and coordinating all field operations, which were divided among the six forest regions. In turn, the operations within each region were divided among that region’s component forest districts. Thus the forest regional managers and district managers were responsible for ensuring that the Ministry’s policies, procedures and programs were effectively implemented throughout the province.

In actual practice, most of the implementation of the Small Business Program was divided between the Timber Management Branch of the TRRMD, at the headquarters level, which dealt
mostly with policy and procedural issues; and Regional Managers of the Operations Division, at the field level, who took on the details of carrying out the program—identifying areas for sales, taking and processing applications to be registered as a small business (a requirement for applying for sales under the program). Specifically, the Timber Management Branch was responsible for the following:

- receiving and recording a list of registrants for the small business program on computer;
- developing appropriate forms for the program, e.g., certification applications;
- keeping track of the number of registrants under the program (by category type), as well as the number of sales, number of applicants, number of sales pending, and number coming up in the future;
- offering advice to the Deputy Minister on interpretations and questions about the Small Business Program, especially on specific licences; and
- offering advice to regional staff on interpretations of administrative procedures in the program.

The Regional Managers were responsible for the following:

- accepting and approving applications for registration as a small business;
- issuing a certificate to applicants if they qualified;
- advising applicants on timber sales available in their area;
- supplying statistics to the Timber Management Branch; and
- conducting sales under the Small Business Program, including determining which of the categories recognized by the regulation was best suited for the sale.

On a smaller scale, the Strategic Studies Branch was also an important participant because it drafted the White Paper and the Small Business Program regulation.

Key Participants Within the Ministry

The previous sections indicate the importance of various sectors within the Ministry of Forests in developing and implementing the Program. The Strategic Studies Branch developed
the White Paper and Program regulation. The Timber Management Branch of the TRRMD developed the framework and policies and procedures for the Program. Regional Managers were given the responsibility of the day-to-day administration of the program.

In addition to key sectors in the Ministry, there were also a number of individual participant who played key roles. The importance of their roles related to the degree of involvement they had at different stages. Apsey, Deputy Minister, oversaw the development of the Small Business Program. He was the link between Waterland and Ministry staff in outlining the general direction the Program should take and provided Ministry staff with the leadership needed to meet the Minister’s request to establish a Small Business Program.

Bill Bishop, ADM of the TRRMD, was responsible for overseeing the drafting of the White Paper and establishing the program. He served as the sole ministry contact to the public concerning technical questions about the overall development of the Program. Responses to the White Paper were sent directly to him and he replied to many of them, in so doing at times providing “clarifications” that amounted to significant additions or revisions.61

Ted Knight, Director of the Strategic Studies Branch, drafted the White Paper, thus clearly playing a key role.

Tony Robinson, who was Director of the Timber Management Branch until August 1979, and his staff drafted the initial policy for the Small Business Program and drafted answers to some of the inquiries made to Bill Bishop, thus playing an important role in supporting Bill Bishop. Robinson also instructed and advised Regional Managers on answering policy and procedural questions and on more general aspects as well.

Bill Lehrle, who became the Director after Robinson retired in August 1979, took on and continued Robinson’s role.

H. G. Bancroft, Assistant Director, Timber Management Branch consulted Regional Managers for input on policy questions regarding the establishment of the Small Business Program (e.g., whether a licensee should be restricted to one or a few sales, or to a specific

and he provided Bishop with a summary of all comments received on the White Paper. He also drafted many responses to questions regarding clarification about the Program, thus providing interpretation on the policy of the Program after it was established in the Summer of 1979. Likely, he too was a key player in the development of the Program.

TOM WATERLAND

Without political leadership and support from the Minister, Tom Waterland, the program would not have emerged. Waterland, responsible for establishing the Small Business Program, played an important role in getting Cabinet approval at critical times, including garnering Cabinet approval for the Small Business Program regulation on June 1, 1979, a necessary procedure to provide legislative authority for the Program. In addition, Waterland provided the critical direction required to FPAC and Ministry staff on establishing the program. He provided the general and political direction that the framework for the small business program should take, including ensuring that the program would include small manufacturing business enterprises.

More importantly, he ensured that the establishment of the program was a priority for his Ministry. The swiftness with which the program was established provides the evidence of this fact.

LARGE INTEGRATED COMPANIES AND THEIR ASSOCIATIONS

Large integrated companies and their associations were not key participants in the establishment of the Small Business Program, although they did have some influence on the Program. It was unlikely that these companies, or their lobby associations would have supported a program for small business. However, it is also likely, had the "majors" been actively hostile to the program, that they would have brought pressure to bear on the government to stop the

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62 H. G. Bancroft, Victoria, to all Regional Manager, Telex re suggestions to questions, 20 March 1979, Ministry of Forests, Victoria.

63 E. Knight, Victoria, to T. M. Apsey, Victoria, Memorandum re Regulations for two categories of small business enterprise, independent loggers and manufacturers, 5 January 1979, Ministry of Forests, Victoria.
program. Likely, the majors did not see the Small Business Program as a threat to their tenure rights.

The large companies were somewhat divided about the Program. Some agreed with the Pearse Commission’s recommendation that it would be healthy to have a mix of small and large operators in the forest industry; some simply accepted the inevitable, given the Social Credit government’s traditional support of small enterprise. Others were adamantly opposed to the Program, believing it was discriminatory, in favour of independent loggers. Overall, it is fair to say that all large companies feared that the establishment of the Program would lead to a reduction in their harvesting rights. (However, this concern did not become real when the program was established, because timber volume for the program came from the Forest Service Reserve, and so the opposition from the large companies dissipated.)

The main industry lobby organizations, the COFI, the CLMA, the ILMA and the NILS, did have an impact on the Program. Overall, these lobby associations for large companies viewed the Program with cautious optimism, having no real objection to a role for new or small companies in the forest industry. The concerns centred around the availability of uncommitted timber and the pressures from fully or over-committed timber in certain areas of the province such as the southern interior. The ILMA was concerned that the Program would lead to a reduction of timber to the existing mills. These viewpoints were expressed when response to the White Paper was solicited by the Ministry of Forests, as outlined earlier in the chapter. Essentially, the large companies and their associations displayed limited opposition to the Small Business Program.

As the BCILA pointed out, the success of the Small Business Program would be dependent on the support and cooperation of the forest industry in general, and specifically of the major licensees. Without support and cooperation from the major licensees, the program would be doomed to failure, as the corporations could “freeze out” the small operator if their goal was

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to maintain control and a monopoly on the industry. However, if they wished to be good
corporate citizens and were concerned about the overall health of the industry, then they would
cooperate with government policies, such as the Small Business Program, which were designed to
ensure a place in the industry for small operators.\footnote{Colin Fraser, "An independent viewpoint," \textit{British Columbia Lumberman}, December 1979, 38.}

**Summary**

The Pearse Commission Report opened the policy window for the establishment of the Small Business Program. The need to respond to Pearse’s recommendations provided the impetus for the Social Credit government to develop the Program.

The most significant players in establishing the small business program were: the Forest Policy Advisory Committee of B.C. (FPAC), the small companies and their associations, the Ministry of Forests staff and Tom Waterland. Each played different roles in establishing the small business program.

In its work on providing advice to the Social Credit government about implementation of the Pearse Commission’s recommendations, FPAC provided the link from the broad concept of increasing opportunities for new entrants outlined in Pearse’s report to the establishment, in legislation, of the authority for government to create a program targeting new and small operators. FPAC also provided important general policy insight and recommendations about factors that should be considered in the establishment of a small business program.

Small companies and their associations played important roles, not least because the companies were the target beneficiaries, and thus without their approval and support the Program would be an embarrassing failure for the Minister, for his Ministry and for the Social Credit government. Hence the BCILA, in its role as the lobby organization for independent logging and log hauling contractors, was highly influential in getting the Small Business Program established. Colin Fraser, Executive Director of the BCILA, played a significant role in shaping the development of the program, especially in the proposal he drafted, at the request of Mike Apsey,
containing the BCILA’s ideas for a small business program. Fraser proved to be the most important policy entrepreneur in the development of the Program.

Ministry of Forests staff was given the task from Waterland of developing and administering a program that would provide opportunities for new entrants and small operators. Ted Knight developed the White Paper, after broad consultation with other branches in the Ministry; staff from the Timber Management Branch developed the framework, policies and procedures for the Small Business Program; while staff in regional offices conducted the day-to-day administration of the program, including evaluating applications under the Program.

Without the commitment by Waterland and the Social Credit government, the program would not have gotten underway. Waterland, as Minister of Forests, provided the political leadership necessary to persuade his Cabinet colleagues to support development of the program. In addition by ensuring the program was a priority, Waterland provided the motivating factor to his ministry staff to develop the regulatory and administrative framework for the Small Business Program. Waterland proceeded with development of the program on the basis of FPAC’s initial guidance.

Large companies and their lobby organizations such as COFI were important to the development of the Small Business Program, although they were not key participants. Their significance lay in their lack of vocal dissent against the Program.
CHAPTER 4

CONCLUSION

Using John Kingdon’s theory regarding public policymaking, the factors that led to and affected the development of the Program can be answered. The problem was the lack of an adequate timber supply for small operators. The issue emerged onto the provincial government’s agenda during the 1970s, under the NDP government. The need for an adequate timber supply for small operators was reflected in the crisis of the economic decline of the forest industry which started in 1972 and lasted for many years. The economic decline meant job layoffs for over 15,000 forest industry workers, and was exacerbated by the continual decline in the number of small operators in the forest industry and the rise in the number of large, multi-national, integrated companies. This situation led the NDP government to believe an examination of government forest policies was needed. The Task Force on Crown Timber Disposal, under Peter Pearse, then highlighted the problems, including the lack of adequate timber supply, that small operators faced in their ability to survive in the industry. A more comprehensive approach to the study of government forest policies, particularly those related to forest tenures, was subsequently produced by the Pearse Royal Commission on Forest Resources. The hearings and the Report of the Pearse Commission elevated public and political awareness about the plight of small operators, thus keeping the issue on the government’s agenda. The Pearse Commission Report made recommendations on how to resolve the timber supply problem faced by small operators and to ensure that small operators continued to play a role in the forest industry. The recommendations regarding changes to timber sale licences provided the conceptual framework for government to establish a Small Business Program. These recommendations provided a “policy proposal” for the Social Credit government to review and act upon.
The Pearse Commission Report also provided the policy window. It provided the impetus for policy proposals and political processes to converge with the problem of an adequate timber supply for small operators. The Commission’s public profile was so great and its report long anticipated, that any government would have found it difficult not to support the recommendations and implement them.

Although a provincial election led to a switch from an NDP to a Social Credit government in 1975, this political event did not have a dramatic effect on the timber supply for small operators issue other than to ensure that the issue remained on the government’s agenda. If anything, the traditional political support from small enterprises led the Social Credit government to demonstrate that it could be more helpful to small operators than the previous NDP government. This support, coupled with the need to respond concretely to the Pearse Commission Report, provided the Social Credit government with the direction to take to provide opportunities for new and small enterprises, including providing access to an adequate timber supply.

With the issue on the agenda and alternative specification starting to happen, the next steps in policy and program formation--identifying alternatives, making a decision based on the alternatives given, and implementing the decision can be delineated; and at the same time the key participants and policy entrepreneurs can be identified and their roles examined. The key participants in establishing the Small Business Program were FPAC, small operators and their associations, the Ministry of Forests, and Tom Waterland, Minister of Forests. Each had different roles at different stages.

Small companies and their lobby associations were critical to the creation of the Small Business Program. They played an important role in the agenda setting process by bringing their problem of the need for timber supply to the attention of government by pleading their case to the Pearse Commission and FPAC and ensuring that the issue remained a priority on government’s agenda. The BCILA’s proposal for a Small Business Program generated ideas for Ministry staff for their work in developing the government program. In addition, the BCILA played a monitoring role when the Program was being implemented, providing feedback to the Ministry on how the implementation of the Program was proceeding and advising on the need for changes.
The BCILA was quite successful in its efforts—the Ministry’s Small Business Program reflected many aspects of the BCILA’s proposal for a small business program. The TLA, who also represented many small companies, was not as aggressive or as concerned in realizing its objectives for a small business program.

Ministry of Forests staff were also key participants in the establishment of the Small Business Program. Their role lay in generating the policy proposal, advising the Minister, and implementing the Minister’s decision. They were given the task from their Minister of developing and administering a program that would provide opportunities for new entrants and small operators. This program would be the solution to the problem of an adequate timber supply for small operators. They generated a proposal (the White Paper) and drafted the legislation, regulation and policies to get the Program underway. In addition, they had the responsibility of implementing the program. Specific staff members and branches had significant roles. Ted Knight drew up the White Paper which guided Ministry staff in the administration of the program. Staff from the Timber Management Branch developed the framework, policies and procedures of the Small Business Program. Staff in the regions and districts conducted the day-to-day administration of the program.

Without the commitment of the Social Credit government, and especially Tom Waterland, Minister of Forests, the Small Business Program would not have been created. As a recently elected government in 1975, the government had to respond to the Pearse Report, which had outlined the need for government to take action to assist small operators in participating in the forest industry, and specifically, to provide a means to ensure that small operators would have access to timber supply. The lobbying efforts from the BCILA also ensured that the issue was a priority on the Social Credit government’s agenda and that the government remained committed to finding a solution to their timber supply problem. Waterland provided the political leadership necessary to convince his Cabinet colleagues to support development of the Program. He was also a critical link between what his political colleagues wanted and the resultant Program that was developed by Ministry staff. He ensured that Ministry staff considered the development of
the Program a priority. His commitment to the establishment of the Program was fueled by the recommendations made by the Pearse Commission and the advice given to him by FPAC.

Large companies and their lobby associations such as COFI and the ILMA were important to the development of the Small Business Program, albeit not as key participants. Their significance lay in their lack of strong opposition against the establishment of the Program. Although they had concerns that the establishment of the Program would negatively affect their timber supply, their fears were eased when the Program was established because it did not result in a decrease in the timber supply that they held. Because the large companies and their lobby associations were not key participants, a conclusion can be made that economic might in the industry does not always prevail.

According to Kingdon, agenda setting and alternative specification is the result of the convergence of the three separate streams of problem recognition, policy proposals and politics and can lead to great policy changes. The establishment of the Small Business Program demonstrates this theory. The recognition by the Social Credit government of the problem that small operators faced of needing an adequate timber supply, the subsequent policy proposal for a Small Business Program put forward by the Ministry of Forests, which was influenced by proposals submitted by the BCILA and the TLA; and the political pressure that the new government faced in implementing the Pearse Commission Report, converged and led to the creation of the Small Business Program.

Policy entrepreneurs, individuals who are willing to invest their resources in pushing their pet proposals or for the prominence of an idea, are critical to the convergence of the three streams in the agenda setting process. Colin Fraser, Executive Director of the BCILA, provided the link between small operators and the Ministry in developing the Program. Fraser, in his continuous lobbying efforts of government through FPAC and Ministry staff, provided the link between the solution (creation of the Small Business Program) and the problem.

A number of reasons could be advanced to explain the Social Credit government’s motivation for establishing the Small Business Program. While one could look at the statements in support of small operators made by Premier Bennett and Minister Waterland with a certain
degree of cynicism, inferring that they were merely trying to placate their supporters, the small operators, with no intention of following through, the fact that the Small Business Program was established so speedily serves to counter such cynicism.

One might also suggest that the Social Credit government established the Small Business Program as a “minimum” solution to placate small operators and that the Program itself would not upset the balance of timber held by large companies. This premise could be supported by the large forest companies’ lack of strong disapproval against the establishment of the program.

There is no doubt however, that the Social Credit government and Forests Minister Tom Waterland were both influenced by Pearse’s recommendations for the need for increased opportunities for small operators. With the advice of their advisors, FPAC, government responded by establishing the Small Business Program. The swiftness with which the program was established after the framework was established through regulation demonstrates the government’s commitment to the program. In addition, given the government’s traditional support and appeal to small, independent business people, it made political sense for the government to respond in some way to benefit its supporters. The Small Business Program fit the bill as a carrot for future electoral support in the rural/hinterland areas of the province.

Afterward

The Small Business Program is more commonly known today as the Small Business Forest Enterprise Program (SBFEP). The objectives of the SBFEP today have expanded and are to provide business opportunities, to stimulate the production of value-added forest products and to provide a fair return to the province for timber allocated to the Program. The sale of timber through the SBFEP occurs in three ways: competitive sales, bid proposal sales, and direct sales. Competitive sales are those sales made to the highest bidder. Bid proposal sales are sales where decisions are based on the best proposal for value-added wood products submitted by a firm. Direct sales are simply sales made at the discretion of the Ministry of Forests, without competition, and are direct awards.

The Small Business Program has continued to evolve since its inception in Summer 1979. By Fall 1979, problems had already started to surface. Bidders on Small Business sales had
brought attention to officials in the Ministry of Forests of some of the shortcomings of the Small Business Enterprise Program Regulation. Some companies expressed concern that the Regulation did not prevent a successful bidder from selling part or all of his/her timber to an established timber processing facility, thus creating a problem for small operators who needed the timber for their own operations and defeating the intent of the program.¹ The Ministry of Forests’ response was that the Regulation should be given a chance to work and that changes would be made over time, as the program evolved and experience dictated the need for them.

Over the course of Summer and Fall 1980, revisions to Ministry of Forests policy and procedures for the Small Business Enterprise Program (as it was now called) were proposed. Changes included:

- no more than one registration per family unit (i.e., a husband and wife living at the same address) be permitted; and
- registration would be restricted to an individual or his corporation or partnership. A person could register himself or his corporation but not both.²

These changes were in response to some of the problems that had appeared as the Small Business Program had continued to grow, and also in response to some of the problems identified by the BCILA who provided constant comment on the progress of the program.

Wes Cheston and Mike Apsey, members of FPAC, continued to play key roles in forest management in the province. Cheston was the Assistant Deputy Minister of Operations Division from 1984 to 1994. During the 1970s and 1980s, Apsey oversaw many changes to provincial forest policies, including government’s “sympathetic administration” policy. This policy was designed to relax administrative requirements in the interpretation of forestry regulations so that it would make life easier for beleaguered forest companies that were losing money.³ In June 1984,

¹ E. Norgaard, Merritt, to T. M. Apsey, Victoria, Handwritten Submission re complaints about the Small Business Program, 5 October 1979, Ministry of Forests, Victoria.
Apsey left government to accept an appointment as president of COFI, the forest industry's principal lobby organization that represented large integrated companies. Although this appointment was not to take effect until November 1, 1984, criticisms of conflict of interest were leveled against Apsey for not allowing time between switching to work for government to working for the industry he was regulating, something that was required of senior civil servants in the federal government but not a requirement in the provincial government.\(^4\) The federal government's policy for cabinet ministers and senior civil servants who quit their jobs required that they wait two years before they could conduct business with their former colleagues. This purification period was designed to make sure that there was no hint of conflict of interest.

Today the Small Business Forest Enterprise Program continues to operate. Its objectives have been expanded to include stimulating the production of value-added forest products and providing a fair return to the province for timber allocated to the program.

\(^4\) ibid.
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