# Mill closures devastate Canada’s forest industry

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Domtar Inc. and Abitibi-Consolidated, two of the largest players in the Canadian forest industry, announced October 10 and 11 that they will be closing eight sawmills.

Seven of the eight sawmills are located in the province of Quebec, one in Ontario. The closures will put a total of 1,650 people out of work.

These are just the latest in a wave of mill closures that has been sweeping across the Canadian forest industry in recent years.

Other recent closures include:

* On October 4, Tembec announced the indefinite shutdown of its mills in Bearn, La Sarre, and Taschereau, Quebec, affecting at least 435 employees.

* October 2, Weyerhauser announced the shutdown, beginning in the new year, of two Saskatchewan mills located in the communities of Carrot River and Hudson Bay, putting roughly 300 people out of work.

* October 1, Kruger Inc. shut down its mill in Longlac, Ontario, putting 350 people out of work and Domtar announced it was laying off 116 employees from its mill in Espanola, Ontario.

* A month earlier Norampac announced the indefinite shutdown of its mill in Red Rock, Ontario, putting nearly 300 people out of work.

This list could go on and on. According to the *Globe and Mail,* as of the middle of August there had been over 6,000 permanent or indefinite layoffs in the Canadian forest industry in 2006. That number has now certainly risen to over 8,000.

And the total number of layoffs in the industry over the last five years is well over 40,000.

This crisis affects many more people than those directly employed by the forest industry. It is estimated that more than two indirect jobs are dependent upon each job in the forest industry.

Moreover, it is likely this trend will continue for some time to come, as industry analysts are predicting a significant number of further mill closures. Citing poor market conditions for forest industry products, Mark Bishop of RBC Capital Markets says that in order to restore industry profitability, “We need to see widespread mill closures pretty quickly.” Another industry analyst, Paul Quinn of Salman Partners, believes that with lumber prices now well below producers’ costs, an estimated 7 billion board feet of production needs to be taken out of the North American market in order to restore profitability. “That’s like saying you need one quarter of Canfor to go away,” said Quinn in a reference to Canada’s largest lumber company. “Things are going to get really ugly over the next 12 months.”

A number of factors have combined to create this crisis in the Canadian forest industry, including the rapid appreciation of the Canadian dollar, high energy costs, a shrinking market for newsprint, and the longstanding, but recently settled, softwood lumber trade dispute with the US. Even more damaging in the long term is a shift of production in the forest industry away from the traditional centers of lumber and paper production to countries where production costs are lower.

Since January 2002, the Canadian dollar has risen from $.62 US to almost $.90, or by approximately 45 percent. This dramatic rise is due in part to high global commodity prices, particularly of oil and base metals, on which the Canadian economy largely depends. But the US dollar has also been depreciating due to mammoth US federal budget, trade, and current account deficits.

Though a relative rise in the Canadian dollar is beneficial to Canadian importers and consumers buying foreign commodities, it is detrimental to Canadian corporations, particularly export-based corporations, such as those in the forest industry. This is because their costs are largely denominated in Canadian dollars. Furthermore, because the United States is the destination for approximately 80 percent of the products of the Canadian forest industry, most of their revenue is accrued in depreciating US dollars. In other words, the rise of the Canadian dollar and depreciation of the US dollar constitute a double affliction for Canada’s forest industry.

Another major factor behind the crisis in the forest industry is the dramatic rise of energy costs in recent years. Electricity rates in Canada have increased along with oil prices, particularly in Ontario, where they have increased by almost 60 percent in the past four years. This is partly due to the Ontario government’s elimination of price protection measures. Rising energy costs are highly damaging to the forest industry, because energy costs account for such a large portion of total production costs—up to one-third in certain sectors.

A further factor is the shrinking market for Canadian forest industry products, particularly in the US. Newsprint consumption in the United States has been declining steadily for over a decade, but has seen a particularly dramatic fall in recent years. According to the Pulp and Paper Products Council (PPPC), for example, total US newsprint consumption in July 2006 was down year-over-year by an astonishing 8.5 percent. This decline can be partially attributed to the decrease in demand for daily newspapers as more and more people turn to the Internet for their access to news. The US market for lumber has also declined sharply as a result of the weakening US housing market. Since January, the price of lumber has plummeted by about a third.

The Canadian forest industry has also been battered by the latest chapter in the decades-long Canada-US softwood lumber dispute. Although Ottawa and Washington recently struck a deal to end the dispute, Canadian forest companies have only accepted it grudgingly.

While the Canadian industry is pleased that Washington will be obliged to return $4.3 billion of the $5.3 billion in duties the US collected over the past four years, it is angered that the deal does not provide for unrestricted access to the US market for Canadian softwood. Indeed, under the sliding export tax provided for in the deal—a tax which varies in inverse proportion to the price of lumber—Canadian companies will have to pay the maximum tax of 15 percent if the price of lumber does not rise sharply from its current level of $250 per thousand board feet.

Industry observers are warning that while the return of most of the duties collected by the US will provide the forest companies a windfall, it will do little to staunch the global shift in the forest industry from the traditional production areas in the developed world such as Canada, the United States, Oceania and western and northern Europe to low-cost areas such as China, Russia and South America.

This shift is occurring for a number of reasons. First of all, transnational logging corporations are moving production into areas where costs—particularly labor costs—are lower, so as to maximize profits and better compete with other corporations in the industry. An example of this can be seen with Domtar, a Canadian-based corporation, which laid off 185 employees from its paper mill in Cornwall, Ontario, last March 31. Domtar cited lack of demand as a major factor in its decision, even while at the same time becoming partners of a factory in Shouguang, China, which makes the same product.

A second reason is that the demand for forest products is shifting from developed countries to developing countries. A significant portion of the demand for the products of resource industries, such as the forest industry, comes from manufacturing industries, which have been steadily transferring to developing countries over the past few decades.

Take the furniture industry as an example. With the shift of furniture production from traditional areas such as the United States, to developing countries like China, the demand for hardwood lumber, which is necessary for the production of furniture, has followed suit.

Resource industries, which are geographically closer to the manufacturing industries in developing countries such as China, have a strategic advantage over their global competitors. To cite some statistics, the value of Chinese furniture exports to the United States rose 2366 percent between 1993 and 2003. In just the past five years hardwood timber consumption by the US furniture industry has fallen by over 60 percent.

Not only do forest industries in developing countries usually have an advantage over those in the traditional areas of production (such as Canada) because of closer proximity to manufacturing industries and lower labour costs. Mills in these countries are generally much newer, using the most technologically advanced methods of production. Canadian mills, most of which are at least 30 years old, are not as efficient and have lower productivity.

While it is clear the globalization of the forest industry has brought destruction upon Canadian forestry workers who are dependent upon it for their livelihood, the development of globalized production has enormous progressive potential. What prevents the harmonious utilization of the resources of the world economy in the interests of all working people is the subordination of production to the profit imperative of the capitalist owners and the division of the world into competing capitalist nation-states.

The trade unions—which accept and enforce the capital wage-labor relationship and are rooted in and orientated to the nation-state—are organically incapable of, and hostile to, uniting the international working class in a common struggle against globally organized capital.

The unions in Canada's forest industry have responded to the assault on their members' jobs and working conditions by rallying behind the Canadian forest companies in an effort to make them more competitive and by demanding the Canadian government introduce protectionist measures aimed at putting the burden of the restructuring of the industry on workers in other countries.

The Communications, Energy and Paperworkers Union (CEP), the largest union of forestry workers in Canada, espouse this nationalist outlook in their document "CEP National Forest Strategy,"declaring, "Our exports will be hurt even more if (there is) worldwide free trade in wood products.... A national forest strategy needs to get trade policy right. Canada needs fair and balanced international trade rules, not a race-to-the-bottom."

The CEP, as well as other unions in the industry, argue that the solution to the crisis is to create better conditions of production for corporations in the Canadian forest industry so as to entice them to increase investment and produce higher value-added products which will put the Canadian industry in a better position to compete against other global competitors. "With increasing competition from Scandinavia, Russia and Latin America in lumber, pulp and newsprint, Canada's future depends on moving up the value chain."

Toward that end, the unions are pressuring the federal and provincial governments to provide the forest companies with tax cuts, rebates, loans and grants so as to help them modernize and boost their profits.

CEP Ontario Region Vice President Cec Makowski gave a clear example of this sentiment when he stated, "The solution to this crisis lies with a change in policies at both levels of government. High energy and fibre costs are crippling the industry in Ontario while trade and monetary policies at the federal level are also hurting."

The union bureaucracy accepts that massive job losses are needed to ensure the profitability of the industry. What aid the federal and provincial governments have given has been aimed at helping the companies to finance the introduction of job-cutting machinery, not aiding the workers and traditional forest industry-dependent communities. Insofar as any aid is offered to the workers, it is usually so as to facilitate their migration out of the industry.

Pressuring governments to fork over money to the forest companies goes hand in hand with the unions' efforts to please the forest industry bosses and secure work and investments by lowering production costs through wage and benefit cuts and speedup.

In March 2006, the 710 members of CEP Local 233 voted to accept a temporary pay cut as well as a wage freeze until the fall of 2009 to help their employer, Tembec, remain profitable. Pierre Brien, vice-president of communications and public affairs for the local union, was quite pleased with the results of the vote, stating, "It sends a strong signal. It showed everyone's commitment to the mill and to the community."

So subservient are the union bureaucracies that in the event the union rank and file are not willing to accept a reduction in their living standards, they have no qualms about suppressing strikes and otherwise acting on behalf of the corporate bosses. In December 2003 the leadership of the Industrial, Wood and Allied Workers Union (IWA) betrayed their members by inviting British Columbia's Liberal provincial government to end a three-week-long strike by the workers in BC's coastal forest industry through the enactment of emergency legislation. This legislation stripped the workers of their right to strike and imposed binding arbitration upon them which ensured that the employers would be able to extract sweeping contract concessions.

Having accepted the capitalist framework, trade unions offer no viable solutions to the problems confronting forestry workers. Their problems can only be solved by joining forces with not only forestry workers worldwide, but with the international working class as a whole, in the fight to radically reorganize the economic structure of society so that the world's resources are utilized to satisfy human needs, not to create profits for the few.