IBM Business Consulting Services

A Greenward Shift in the Market for Forest Products from British Columbia

Commissioned by:

IMPACS

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Table of Contents

Acronyms Used

B.C.
British Columbia
CFPC
Certified Forest Products Council
COFI
Council of Forest Industries
CSA
Canadian Standards Association
ENGOs
Environmental Non-Governmental Organizations
FSC
Forest Stewardship Council
GMO
Genetically Modified Organism
IMPACS
Institute for Media, Policy & Civil Society
RAN
Rainforest Action Network
SFI
Sustainable Forestry Initiative
TCF
Total Chlorine Free
WWF
World Wildlife Fund

Note on Timing

Please note that in October 2002, IBM completed its acquisition of PricewaterhouseCoopers' global management consulting and information technology services business, PwC Consulting.

As a result, PwC Consulting is no longer a part of the PricewaterhouseCoopers network of firms, and is now a part of the IBM Global Services business unit. Accordingly, all references to PwC Consulting or PwCC in this document should be deemed to be references to IBM Business Consulting Services. IBM (including IBM Business Consulting Services) and PricewaterhouseCoopers are not the same organisation, and neither governs or is affiliated with the other, or any affiliate, subsidiary or division of the other.

The majority of quotations contained in this report were obtained in one-on-one interviews that took place between June and September 2002 (three respondents provided written responses). In February 2003, IBM Business Consulting Services contacted respondents from all companies listed in table 3.4 to validate or update quotes included in the report.

1.0 Introduction

1.1 Background

In May 2002, PwC Consulting was commissioned by the Institute of Media, Policy and Civil Society (IMPACS) to study the procurement practices of major customers of B.C. forest products.

The primary objective of the study was to determine the extent to which there has been a shift in the marketplace towards "greener" procurement – that is procurement in which environmental criteria play a key role in the customer's decision-making process. A secondary objective was to understand the challenges faced by major customers as they try to implement environmental procurement policies. Finally, we sought the customers' perspective on how the debate on environmental procurement should progress if there are to be lasting solutions for all stakeholders.

PwC Consulting was selected by IMPACS in order to ensure an objective assessment without bias to any stakeholder in the B.C. Forest Industry.

1.2 Project Hypotheses

In order to effectively evaluate the extent of a shift in the market (if any), the study objective was subdivided into two main hypotheses[2]. Finding a high degree of support for these hypotheses would indicate that there has been a shift in the market in an environmental or "greenward" direction. Finding a low degree of support would imply that the perceived shift could well be just "smoke and mirrors".

The following two hypotheses form the backbone of this study:

1. **The majority of major customers of B.C. forest products interviewed want more forest products derived from ecologically sustainable harvesting. This implies a combination of:**
   a. Shifting to more FSC "certified wood": i.e., the majority of these customers are already shifting much of their purchasing towards forest products that are FSC certified.
   b. Shifting away from "endangered forest/old growth" wood: i.e., the majority of these customers do not want to buy products from "endangered" forests including controversial areas of old growth[3].

2. **The majority of major customers of B.C. forest products that were interviewed believe the trend to environmental procurement:**
   a. Will continue.
   b. Is sustainable.

1 Given the qualitative nature of this study it is impossible to scientifically prove or disprove our hypotheses. However, as explained in section 1.3, we believe our findings provide a strong indication of market directions.

2 No definition of 'endangered / old growth' forest was provided to the respondents; they interpreted the words themselves and answered the questions in that context.

1.3 Study Limitations: Qualitative Nature of Results

To evaluate the hypotheses, we conducted detailed interviews with 30 customers who collectively spent well over Canadian $2.1 billion on B.C. forest products in 2001. It is important to note however that, notwithstanding the major spend by these customers, the results of this study are *qualitative*. While the results reflect the views of a large and important subset of customers of B.C. forest products, the sample size is not statistically significant. All findings are therefore intended to inform the reader of the opinions of these major customers only. While some of the findings may be indicative of the wider market, they cannot necessarily be considered representative of the entire market for B.C. forest products.

On a related point, one of the important aspects of qualitative studies is that the majority view may not necessarily be the “right” one, or the one that will prevail in the future. Individual respondents, for example, may have opinions that are very different to the majority, but are potentially more insightful than the majority view. Where appropriate, these individual comments have been provided. A second potential limitation of the study relates to the topics discussed. Given the sensitivity of the issues, there was a possibility that responses might be biased to give a “greener” picture than reality. We are however confident that responses provided, for the most part, reflect the true opinions of customers interviewed. In order to avoid skewing the results, we used two main techniques:

1. **Assured Anonymity:** We stressed that no comments made by a company would be directly attributable to them and that no data reported would allow their organization to be identified. We also gave respondents the option to be completely anonymous so that not even their company name would be shown in the report.

2. **Asked Probing Questions:** Many questions were followed up with specific probing questions on the definitions of terms such as “preference” and how customers were implementing stated policies, when they were doing so and how practices have led to changes “on the ground”.

1.4 Report Structure

This report is divided into five sections.

- **Summary:** A short synopsis of the methodology and the conclusions of our study.
- **Detailed Review of Methodology:** The exact steps taken to complete the study including the level of effort and logic used to make research decisions.
- **Detailed Findings:** An exploration of the extent of a "shift" (if any) at a number of different levels: the breadth of the shift, the nature of the shift, and the extent of the shift etc.
- **Key Challenges:** The key challenges faced by customers attempting to buy more certified products and avoid those from "endangered/old-growth" forests.
- **Solutions:** Potential solutions to address the challenges, and the role of each stakeholder.

In addition, pulp and paper customers were asked about their preferences for high post-consumer recycled products. Responses to these questions are provided in Appendix 1. Unsolicited points raised by customers are provided in Appendix 2 and the questionnaires used are provided in Appendix 3.

2.0 Summary

2.1 Overview of Methodology

The following activities were carried out between May and September 2002. The level of effort and sources used in each activity area are outlined below and detailed in section 3.0.

Step 1	Step 2	Step 3	Step 4	Step 5
B.C. Supply and Demand Profile Created *4 Sources Used* • COFI Factbook • Statistics Canada • Industry Canada • Internal Experts	**~500 "Probable B.C. Customers" Identified in 15 Segments** *2 Sources Used* • Forestry Industry Analysts • Hoovers Online	**~90 Customers in Total Approached** • 30 Interviews Completed • 30 refused interview *(Either unable to commit to 30-45 minutes required OR sensitive to subject matter)* • 30 unable to complete in time	**30 Interviews in Total Completed** • 27 by telephone • 3 by e-mail (All Japanese) • 15 US Customers • 6 Canadian Customers • 5 European Customers • 4 Japanese Customers	**Data Analysed and Report Created** • Majority Views Analysed • Differences by Segment Analysed • Secondary Data Analysed • Report Created

2.2 Conclusions

Based on interviews with 30 major customers of B.C. forest products, the following conclusions can be drawn on the main hypotheses:

Hypothesis	Sub-Hypothesis	Supported?	Conclusions
The majority of major customers of B.C. forest products interviewed want more forest products derived from ecologically sustainable harvesting. This implies a combination of:	Shifting to more FSC "certified wood": i.e., the majority of these customers are already shifting much of their purchasing towards forest products that are FSC certified.	**NO** *For FSC products only* **YES** *For certified products generally*	• FSC purchases currently represent a very small percentage of all forest product purchases. • While the majority of customers interviewed are attempting to shift their purchasing towards certified products, few believe that FSC is the only certification scheme that will lead to ecologically sustainable harvesting. • Based on their current understanding, over half of the customers interviewed (including many with stringent environmental procurement policies) believe that "on the ground" there is little difference between the North American certification schemes. • Only a handful of customers are willing to pay a "green premium".
	Shifting away from "endangered/old growth" wood: i.e., the majority of these customers do not want to buy products from "endangered" forests including controversial areas of old growth.	**YES, BUT**	• The majority of customers interviewed would like to avoid controversy related to purchases of "endangered" forests and areas of "old growth". To do this, they are willing to announce a complete ban. • The main impediments to these customers realizing their desire to avoid controversy related to "endangered/old growth" wood products is the lack of information on, or definition of, these areas. • There is also growing evidence of preference for responsible harvesting in "endangered/old growth" forests rather than complete avoidance.
The majority of major customers of B.C. forest products interviewed believe the trend toward environmental procurement:	Will continue	**YES**	• The majority of customers believe that they and their peers have already made much effort, and that the trend will continue.
	Is sustainable	**YES, BUT**	• Approximately half of the customers interviewed believe that long-term growth of the trend is contingent on the perseverance of all parties in the debate and higher demand by the ultimate consumer.

To summarize the hypothesis table above, we conclude that:

Based on our discussions with 30 major customers, we believe there is clear evidence of a greenward shift in the market for forest products, including those from B.C.

The shift is real, buyers believe it will continue, and we believe it will have a negative impact on forest regions and producers that do not respond to it.

The shift is however also just starting. Customers are currently grappling with all the complexities it implies for them and are developing the procedures that are designed to ensure effective implementation.

The sustainability of the shift is predicated on all stakeholders staying at the table and resolving the many outstanding problems that the shift implies, and ultimately on consumers starting to actually demand "greener" forest products.

3.0 Detailed Methodology

3.1 Supply and Demand Identification: Where is the Market for B.C. Forest Products?

In order to create a roughly representational sample of customers of B.C. forest products, the first step was to identify the supply and demand patterns. Data from 1999 was used, as it was the only data available to us at the appropriate level of detail. This data was used to define “the market” overall[4].

In 1999, B.C. forest companies shipped approximately Cdn.$18.6 billion of forest products[5]. The U.S. was, and remains, the largest customer for B.C. forest products – followed by Canada, Japan and Europe[6]. The percentages of total global shipments sent to various regions are given in the following table.

Region	Wood Shipments by Region (%)	Newsprint Shipments by	Pulp & Paper Shipments by	% All F&P Shipments by
Canada	22.1	13.9	7.7	14.6
Japan	14.4	12.1	11.9	12.8
USA	59.0	47.6	24.5	43.7
Europe	2.6	3.0	24.7	10.1
Other	1.9	23.4	31.2	18.8
Total	100.0	100.0	100.0	100.0

Domestic shipments totaled approximately Canadian $3.3 billion, amounting to 14.6% of total global shipments[7]. Of the $15.3 billion of forest products exported, the bulk of shipments are in lumber and pulp, newsprint and other papers, as shown below.

Shipments of B.C. Forest Products – 1999	CDN$ Million (Export)
Lumber	7,549
Pulp, Newsprint, Other Paper	5,407
Plywood, Veneer	413
Reconstituted Panels	482
Shingles & Shakes	289
Poles, Logs & Chips	381
Millwork & Misc.	717
All Exports	15,238

With the current products and markets used as a starting point, end use segments and customers were then identified.

4 It is acknowledged that there has been some change in the marketplace for B.C. products since 1999. This is particularly the case since the B.C. government has been attempting to diversify the market in recent years. However, at the macro level, the overall patterns of supply and demand in 2002 are somewhat similar to those in 1999.

5 COFI Factbook, 2000.

6 In future years, China is likely to be a very significant customer of B.C. forest products – particularly if current B.C. government lobbying for Chinese building code changes is successful.

7 COFI Factbook, 2000.

3.2 Segment and Customer Identification: Who are the Major Customers?

Once the key markets for B.C. forest products were identified, the next step was to identify the segments and customers that make up a large proportion of B.C. forest products sales[8]. At the segment level, this exercise was somewhat straightforward. As shown in section 3.1, there are a number of segments that the B.C. forestry industry supplies its products to. These were further divided into 15 sub-segments. Finally, the sub-segment's annual spend in B.C. was estimated in order to arrive at a segment weighting.

Rank	Sub-Segment Name	Segment's Est. Annual Spend in B.C. (CDN$)	Average Weighting Applied for Selection
1	Dealer Owned Buying Groups	>1B	5
2	Wood Distributors/Prodealers	>1B	5
3	Homebuilders	>1B	5
4	Pulp Buyers	>1B	5
5	Publishers	>1B	5
6	Newsprint Buyers	101M –1B	4
7	Paper Retailers	101M –1B	4
8	Telephone Book Manufacturers	101M –1B	4
9	Hardware & Lumber Retailers	10.1M –100M	3
10	Hygiene Products Manufacturers	10.1M –100M	3
11	Molding/Millwork Manufacturers	1.1M –10M	2
12	Paper & Packaging Buyers	1.1M –10M	2
13	Wood Products Manufacturers	1.1M –10M	2
14	Hygiene Products Retailers	1.1M –10M	2
15	Furniture Retailers	0-1M	1

At the customer-level however, information on spend in B.C. tends to be kept only by forest producers and their distributors. Because of the competitive nature of this information, it is not available for analysis in this study. However based on a company's overall size and location together with the types of species they buy, a best guess can be made of how much a particular customer spends in B.C. The range of values into which individual customers were slotted is given below:

Customer's Estimated Annual Spend in B.C. (CDN$ Millions)	Average Weighting Applied for Selection
>100M	5
50.1M –100 M	4
10.1 1M –50M	3
1.1M –10M	2
0-1M	1

By considering the segment and customer weighting, an approximately ranked list of nearly 500 B.C. customers was created.

8 Every effort was made to understand and reflect the market for B.C. products in this study. However, given the lack of available data, there is no guarantee that all major segments and customers have been identified accurately.

3.3 Customer Screening & Recruitment

The top 100 customers from this ranked list were then considered for interview recruitment. A target list of the "ideal" customer and segment mix was created based on the criteria below:

- Focused on major customers only, i.e., customers with both a high segment and customer ranking.
- Representative of the regions that comprise the bulk of the current market for B.C. products: USA, Canada, Japan, Europe.
- Representative of most of the major segments that B.C. products are sold to.
- Focused on present and past customers rather than future customers, i.e., on those with an understanding of the B.C. forest environment.
- Focused on downstream rather than upstream customers i.e., those closer to the ultimate consumer (with a few major intermediaries interviewed to get the upstream perspective).

The targeted individuals in the organizations were either the senior purchasing decision-makers or the senior environmental decision-makers.

With the above criteria in mind, roughly 90 out of the top 100 major customers were approached and 60 were screened out, either because the intended respondents refused to participate or they could not complete the interview by the deadline of August 31, 2002.

The profile of the final sample is provided below:

Total Spend in B.C.	Location of HQ – Country Profile	Segment Profile	Downstream: Upstream Profile	Respondent Profile
> $2.1 billion spent in B.C. by just 14 out of 30 Customers The other 16 were unable or unwilling to reveal their approximate spend in B.C.[9]	15 U.S. Customers 6 Canadian Customers 5 European Customers 4 Japanese Customers	17 Wood & Wood Products Customers 13 Pulp & Pulp Products Customers	24 "Downstream" Customers (i.e., one or two levels from the ultimate consumer) 6 "Upstream" Customers (i.e., one or two levels from the ultimate producer)	22 Senior Purchasing Decision-makers 8 Senior Environmental Decision-makers

9 One of the thirty customers spoken to was not fully certain if his organization indirectly purchased pulp from B.C. However, given the significance of the company's segment to the B.C. market and the size of the organization itself, we included them in our analysis. This was based on the high probability that at least some of their supply was B.C. derived.

3.4 Customer Interviews

Customers were divided into four groups for the interview process with one of four questionnaires (shown in Appendix 3). The basic structure of the questionnaire was similar for all groups, but slightly different questions were asked to the 17 wood customers vs. the 13 pulp/paper customers; and again for the 19 customers who had existing policies on environmental procurement of forest products vs. the 11 who did not. Most of the interviews were conducted over the telephone. Three Japanese companies responded in writing to a translated questionnaire.

In order to ensure candid responses to questions that were of a potentially sensitive nature, respondents were assured that no comments made would be directly attributed to their organizations. The final list of customers interviewed is provided below[10].

#	Company	Segment	Sub-Segment	Headquarters
1	The Home Depot	Wood	Wood Retailer	USA
2	FOCUS WICKES	Wood	Wood Retailer	UK
3	Lanoga Corporation	Wood	Wood Dealer	USA
4	Stock Building Supplies	Wood	Wood Dealer	USA
5	Mitsui Home Co. Ltd.	Wood	Homebuilder	Japan
6	Tomen Canada Inc.	Wood	Trading Company	Japan
7	Tribune Company	Pulp & Paper	Newsprint	USA
8	TELUS	Pulp & Paper	Paper	Canada
9	BBC Worldwide	Pulp & Paper	Publishing	UK
10	Axel Springer Verlag AG	Pulp & Paper	Newspaper/Magazine Publishing	Germany
11	Oji Paper	Pulp & Paper	Paper	Japan
12	Random House of Canada	Pulp & Paper	Publishing	Canada
13	McClelland and Stewart	Pulp & Paper	Publishing	Canada
14	Major Canadian Wood Customer	Wood		USA
15	Major U.S. Wood Customer	Wood		Canada
16	Major U.S. Wood Customer	Wood	Wood Dealer	USA
17	Major U.S. Wood Customer	Wood	Wood Dealer	USA
18	Major U.S. Wood Customer	Wood	Wood Dealer	USA
19	Major U.S. Wood Customer	Wood	Homebuilder	USA
20	Major U.S. Wood Customer	Wood	Homebuilder	USA
21	Major Canadian Wood Customer	Wood	Homebuilder	Canada
22	Major U.S. Wood Customer	Wood	Homebuilder	USA
23	Major Canadian Wood Customer	Wood	Homebuilder	Canada
24	Major Japanese Wood Customer	Wood	Homebuilder	Japan
25	Major US Pulp Customer	Pulp & Paper	Telephone Books	USA
26	Major US Pulp Customer	Pulp & Paper		USA
27	Major US Pulp Customer	Pulp & Paper	Tissue/ Diapers	USA
28	Major US Pulp Customer	Pulp & Paper	Tissue/ Diapers	USA
29	Major European Pulp Customer	Pulp & Paper	Publishing	Germany
30	Major European Pulp Customer	Pulp & Paper		

10 Information is not provided if customer requested complete anonymity.

4.0 Detailed Findings

4.1 Involvement in the Environmental Procurement Debate

It could be stated that the debate on environmental procurement is currently at its most active in the history of the global forest industry. As a case in point, in April 2002, over 1,200 individuals from an extremely diverse range of stakeholders came together at the *Forest Leadership Forum* in Atlanta to discuss how best to promote trade in "responsible" forest products. Therefore, given the significance of the issue, it could be assumed that the marketplace as a whole, and by extension, the B.C. marketplace, is involved in the debate. However, of the 30 B.C. customers spoken to, two-thirds are actively considering the issues raised by the concept of environmental procurement, but a full third are essentially uninvolved. European customers are most engaged in the debate, followed by certain leading U.S. customers.

It is apparent that those customers of B.C. forest products that have been approached by either ENGOs, their shareholders and/or customers are more apt to be involved. Those who have not been approached are less involved. Apart from a few cases we came across, involvement is rarely self-driven.

> *"Originally, it was shareholder concern that got this started for us. We were reactive at first, but then our awareness increased, we learned more and could become proactive instead. Environmentalists (for example Great Bear issue) also forced us into action."*
>
> *"I am not highly involved, the issue is not on our radar screen as far as I know. We did not attend the Forest Leadership Forum."*

One clear finding of the research is that ENGO campaigns have been effective. By locating and communicating with customers and shareholders of the B.C. forest sector, the ENGO community has raised the profile of the issue and got these specific customers to the table for joint discussions.

4.2 Awareness of Environmental Procurement Terminology

The majority of customers, whether they are involved in the debate or not, believe they have a strong understanding of the key issues and terminology. However, they are also aware of the differences in understanding among stakeholders and how this leads to confusion in the market. Definitions and semantics are often the main cause of misunderstanding between stakeholders. Given the confusion at the industry level, there is a strong concern that unless resolved by industry stakeholders, the same confusion will be passed onto the public who are perceived to be entirely uninformed at present.

"Sustainability to a producer of timber is sustainable yield; to an ENGO it is biodiversity."

"Greatest confusion is in multiple definitions and inability to decide on one scientifically agreed definition."

"Certification is confusing, the European system is different to FSC but consumers don't know the difference."

In order to develop their awareness of the issues and to help bridge the semantic divide, over one-third of the customers we spoke to consider ENGOs as the best source of information. Suppliers, government, magazines and consultants were also considered good sources of information, as were the customers that have the longest involvement in environmental procurement.

Many customers are ready to listen and work with particular ENGOs and value the stream of good (and free) ideas that come from them. However, there is also a sense that ENGOs are unwilling to consider alternatives, or even come to consensus among themselves. This exacerbates the confusion in the market and forms a major barrier to implementation of environmental procurement policies.

"As always, no-one has come to a formal international consensus – even in the U.S., each environmental group has different definitions – until there is consensus, there will be confusion."

"We have a very good understanding of the vocabulary as we have 12 forest scientists on our staff. I believe the most misunderstood term is old growth-especially among the environmentalists."

4.3 A Greenward Shift in the Market?

In order to establish whether a "shift" has occurred, a series of questions needed to be asked:

- Is there a desire to shift?
- What is the depth of that desire?
- What is the extent of the shift?
- Is the shift already occurring?
- If so, are changes going to be implemented in the short-term or long-term?
- Are there shifts in rhetoric, or shifts in practice?
- What specific operational changes have been implemented?
- What are the main challenges to implementation?

These and other nuances need to be examined in order to come to a determination of whether or not a real macro shift has occurred. The following pages provide a detailed assessment of how our conclusions were arrived at.

4.4 The Desire to Shift

The first step towards change is a decision to challenge the status quo. In terms of environmental procurement, this implies creating a policy to be used by buyers to make decisions. Nearly two-thirds of the customers interviewed have a policy with a preference for, or against, certain types of forest products. Many of these policies are publicly available. Two examples provided by interview respondents include:

> *"We plan to join with forestry groups and industry to help define and identify environmentally endangered forests through scientifically credible means, with the goal of phasing out our purchases of wood products from those areas, to the extent possible by end of 2002."*
>
> *"We will immediately begin to phase out the purchase of wood products from endangered forests as soon as these areas are properly defined and mapped. We will give preference to wood products that come from well-managed forests that have been certified by independent, third-party organizations. Acceptable certification systems include: FSC, SFI. CSA and ISO."*

The policies tend to focus on two main preference types: for certified/well managed forest products and against products from "endangered/old growth" forests.

[1] Policies with stated preference for products from FSC/other certification schemes/ or "well managed forests"

Customers with policies for certified/well managed forests fall into three main camps:

1. **The certification-focused:** since certification implies third-party verification, the majority of customers with a policy stated that they would actively give preference to certified products. The majority of customers are asking their suppliers to explore certification and are also allowing access to new suppliers who are certified. What is notable about this group is that in some cases the sole reason a new supplier is allowed access to the company is because of their ability to provide certified products – they would not have become a supplier otherwise.
2. **The supplier-reputation-focused:** A few customers believe that if a supplier is reputable and quality conscious — sustainability is more likely than with a lower quality supplier. They support their policy to buy more "good wood" by driving more of their spend towards these suppliers.
3. **The policers:** A handful of larger customers are taking the responsibility to ascertain if their suppliers follow sustainable forestry practices. They do this by periodically visiting the suppliers, asking hard questions and gaining this comfort level themselves. Certification to these customers is a valuable side service that makes their effort less onerous; but their own efforts come first.

> *"We have very specific information requirements and do a major survey of all suppliers. All suppliers already have or are on the verge of sustainable practices – we look closely at what suppliers are doing"*

While only a small number of customers have a preference for FSC certified products, approximately half have a preference for certified products irrespective of scheme. Even customers with preferences for FSC place a caveat in their preference (either publicly or privately) by saying that if FSC product is not available then other certification schemes will be given preference followed by non-certified products from known, well-managed forests.

Based on their current understanding, nearly every customer with a perspective on the different schemes (including those with the longest involvement in environmental procurement) believes that FSC, SFI and CSA certification schemes are close to equivalent from an environmental standpoint – all having some good and some bad points. A few (notably, but not exclusively European) customers give preference to FSC, precisely because it is supported by ENGOs, even though they do not necessarily believe it to be significantly better from an environmental standpoint than the other North American schemes. It is felt that FSC is more relevant for developing countries than for industrialized ones. This is due to more urgent social issues and a weaker legal framework in developing countries. There is, however, evidence of a general belief that some certification is better than none.

> *"FSC is most credible to ENGOs – but not necessarily for us. We see all three as credible."*
>
> *"We recognize the value of staying in the market regardless of the region. We consider this an issue of 'transitional timber'. We are transitioning to a certification-type marketplace, even if certification may not exist in that region. We are using conservation organizations to drive the market to a certification model"*
>
> *"Don't give preference because all have their pluses and minuses – all will evolve until they are pretty much the same. FSC is much more social and if that is what is important to some people, so be it. We just tell our suppliers to choose from any of them."*
>
> *"Today when you look at FSC – it is the most global scheme. FSC addresses developing world forest issues effectively – and we need that level of comfort."*

[2] Policies with preference for products NOT from "endangered/old growth" forests

In terms of "endangered/old-growth" forests, under two-thirds of the customers interviewed have policies that explicitly state that they will avoid wood and pulp from these forests. There is, however, often a caveat within the policy statement. The lack of certainty as to what constitutes "endangered/old growth" forests limits their ability to act decisively. There is a legitimate fear of stating that they will phase out these products before they understand what they are.

In the short-term, the approach many buyers are adopting is to avoid areas where there is controversy. As with certification, customers are implementing their policies in a variety of ways. Companies with the longest experience in environmental procurement tend to use a mix of approaches and work very closely with suppliers to ensure fulfillment of their policies:

1. **Supplier Communication:** this is by far the most common approach. Customers will ask their suppliers if any of their wood/pulp is from areas that could be deemed "endangered/old growth". They then either trust the supplier when told that the product supply is not from these areas (this is the most common approach) or, in a few cases, verify compliance themselves.
2. **Avoiding Regions:** A smaller number of customers are willing to avoid regions entirely. They make these decisions based primarily on controversy raised by ENGOs. However, while ENGO information is often used to make these decisions, it is sometimes felt to be less accurate than that provided by industry. One of the main difficulties faced by customers trying to avoid regions however is that accurate supply chain tracking mechanisms are almost nonexistent. There is therefore often no assurance of the actual sources of the wood.
3. **Certification:** Not only is certification looked upon as a way to ensure "good wood/pulp", but it is also a method for avoiding the bad. Indeed in some regions that are considered "endangered/old growth" by ENGOs, many customers will still source from the region, if the products are certified.

The certification-option reflects a growing trend among customers to not just use certification to define "good wood/pulp". There is a growing sense that even if they are avoiding regions to avoid controversy — it is inappropriate, and perhaps environmentally and economically unsustainable, to impose a blanket ban on certain areas. Bans remove the ability for the customer to drive positive change in forestry practices in the region.

Bans are thus seen as being bad for forestry and a waste of a valuable natural resource. Certification of wood/pulp from "endangered/old growth" forests is considered the best compromise solution. Additionally, certification removes the onus on customers to pass judgment on forestry practices (which is not usually their area of expertise) or to sift through the debate on "endangered/old growth" forests.

> *"We try our best to make sure we know where everything is coming from. We do a detailed timber audit by asking suppliers which species, which countries, whether it is certified etc. But we cannot put a huge amount of effort into the audit. That is why certification is critical – certification deals with both the good wood and the bad wood issue."*
>
> *"We would prefer not to avoid areas altogether – but work with the best suppliers in the area to ensure the resource is being used and the practices are correct."*
>
> *"We partner with reputable firms – 'certified suppliers' that manage second-and-third growth forests primarily. They are managed using best forestry practices and some may come from Old Growth."*

The one-third of the customers that do not explicitly state a preference to avoid "endangered/old growth" forest products fall into three camps:

1. **The non-believers:** who believe the issue is overstated by the ENGOs and that science does not support the concerns expressed. They will source from these areas if they believe (as they tend to do) that their suppliers manage their forests sustainably. While there are only a few of these customers, they do make up a large proportion of spend in B.C.
2. **The unaware:** who do not know how to avoid sourcing from these areas or have not considered it
3. **The laggards:** who have started to think about the issue of "endangered/old growth" forests but are yet to develop policies.

4.5 The Depth of the Desire to Shift

In order to evaluate the depth of the desire to shift, it is critical to understand what "preference" in an environmental procurement policy means. Customers were asked what "preference" meant to them and the following definitions were tested:

1. With all other things being equal the "greenest" product will be chosen
2. Supplier must meet a minimum set of environmental criteria after which all other factors (price, quality, etc.,) become important
3. You are willing to "give" a little in terms of price/quality/delivery for "green products" from any supplier.

Very few customers with a preference in place chose definition [2]. A handful was willing to "give" a little for greener products – either in terms of cost or quality but the price premium tends to be no more than 5% of a product's cost. The vast majority therefore, (including most but not all of the companies with the longest involvement in environmental procurement), define "preference" as per definition [1] i.e., only with all other things being equal.

This is a very significant finding for two reasons. Firstly, it implies that there may be little change in practice unless suppliers are willing to absorb the extra costs of certification and sustainable harvesting. Secondly, any supplier that focuses on environmental criteria to gain market access must be equal to or better than the competition in all other areas of evaluation: price, quality, technical capabilities, delivery etc. Marginal suppliers with green credentials are not relevant.

The "all things being equal" or "ceteris paribus" definition for preference could be considered indicative of a very marginal shift in the market. However, this presupposes that in order to gain access to a customer, all a supplier has to do is offer a product. In reality, there are major barriers to suppliers attempting to win more business from customers, and even greater barriers for new suppliers trying to gain access — particularly to customers of the size reflected in this study.

What "ceteris paribus" preferences allow suppliers are a new way to differentiate their products and gain market access. If already good suppliers are willing to add environmental considerations to their production (and absorb costs) they can further "decommodify" their products. In quasi-commodity industries such as forestry, even ceteris paribus definitions of "preference" can lead to a significant market shift.

4.6 The Breadth of the Shift

The majority of customers that have developed environmental procurement policies come from all segments of the market. There is evidence of a broad shift in the marketplace. The main difference between the segments is that companies further down the supply chain (nearest the end customer) are the most explicit in their commitments. Up the supply chain, there tends to be more tenuous commitment or none at all. Lastly, pulp customers tend to be more explicit in their policies than wood customers and European customers seem to be more committed than those from other regions.

However, it is notable that all companies with policies, or those in the process of developing them, have been targeted at some point by ENGOs. There is a possibility that these policies were announced purely in response to market campaigns, without an intention to actually implement. The question of practical changes will be addressed in the following section: The Extent of the Shift.

Of the companies never targeted by ENGOs, few, if any, include environmental criteria in their procurement unless directly asked by their customers. As these companies' customers seem to be relatively uninformed about the issues, change is unlikely. When asked if they felt any push from any direction to establish environmental procurement policies, the short answer was: very little. Perhaps they received some letters from ENGOs, but very little pressure from customers, government or other stakeholders. On a separate point, a few customers without policies felt that the potential to market green products to particular consumers was high.

> *"There is an internal push related to possible marketing advantage. If we are able to say that our wood is from sustainable forests this is powerful. No one is using this statement, anywhere."*
>
> *"From our customers there is no push. The question does come up occasionally, but more 'out of interest' than anything else. However the one environmental project we have done has been very successful."*

When companies without policies were asked if it is likely that more environmental criteria may be added in time, few were able to state a definitive time frame. The reason for the uncertainty was that adoption of policies with additional criteria depends on economics, market push and /or change in the political landscape.

4.7 The Extent of the Shift: Changes on the Ground

To test whether or not policies were being implemented in practice, customers were asked to state how far they had progressed on a ten-stage continuum. This continuum is based on our view of best practices in environmental procurement. As expected, various degrees of implementation were evident.

	Customer 1	Customer 2	Customer 3	Customer 4	Customer 5	Customer 6	Customer 7	Customer 8	Customer 9	Customer 10	Customer 11	Customer 12	Customer 13	Customer 14	Customer 15	Customer 16	Customer 17	Customer 18	Customer 19
Preference In Place?	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	⊕	●	●
Preference Publicly Announced?	●	●	●	●	○	●	●	●		●	○	○	●	●	●	●	⊕	●	●
Training Program in Place for Employees?	●	●	●	⊕	●	●	○	●	○	●	●	○	○	○	○	○	○	○	⊕
Communications Plan in Place for Stakeholders?	●	●	●	⊕	●	⊕	○	●		○	●	⊕	○	○	●	○		○	○
Marketing Strategy in Place for "Green" Products?	●	●	●	●	○	○	●	○	●	○		●	○	○	●	●		●	○
Started to Work with Suppliers on Environmental Policy?	●	●	●	●	●	●	●		●	⊕		●	●	●	⊕	●	●	○	○
Management/ Tracking Systems in Place?	●	●	●	●	●	●	●	○	●	⊕	●	⊕	⊕	○		○	○	○	○
Supply Refused?	●	●	●	●	●		●	○	○	●	○	○	○		○	○	●	○	○
Preferred Supplier List with Environmental Criteria?	●	●	●	●	⊕	●	⊕	●	●	●	⊕	⊕	●	●		○	○	○	○
Third Party Verification of Implementation?	●	○	○	○	○	○	○	○	●	○	●	●	○	⊕			●	○	○

● Implemented ⊕ Partially Implemented ○ Not Implemented (If no symbol, respondent did not provide input)

* It should be noted once again that practices above are not necessarily representative of all customers of B.C. Forest Products.

The table exposes a number of salient points. There is clearly evidence of implementation in a large number of customers interviewed. Customers that make policies are not only willing to announce them in public, but a major proportion are also developing training programs, marketing plans, communication plans and preferred supplier lists. Additionally, the vast majority of customers with a preference have already started working with their suppliers; in fact nearly half of the customers with policies have actually refused products. On the other hand, the fact that only half of the customers with policies have actually refused supply implies that out of thirty customers interviewed, less than a third have been willing to turn down products for environmental reasons. Since moving away from "endangered/old growth" forest products was stated as a preference for two-thirds of the customers interviewed – this implies a significant proportion of those with policies have not fulfilled their commitment to move at least some of their supply away from "endangered/old growth" forests. There are a number of possible explanations for this discrepancy:

1. They may not have been buying in "endangered/old growth" areas.
2. They may be waiting for clarity on the definitions of "endangered/old growth" forests.
3. They delayed implementation on finding that it is a complicated and expensive undertaking.
4. They may have made promises without an intention to implement that part of their policy.

In our assessment, the second and third explanations are the most plausible. There is a possibility that fourth explanation is applicable to a very small minority of customers – i.e., their policy may simply be "smoke and mirrors." This seems to be the exception rather than the rule. What is clear is that the field of environmental procurement is a nascent one and that implementation is only just beginning for most customers. In fact of all customers spoken to, only one has achieved what we would call "best practice".

This does not imply that shift is not real, merely that it has just started and the complexities of making the right decisions and changes are being explored. Given this fact, the proportion of products sourced under environmental procurement is currently quite low. Most respondents could not (or were unwilling) to estimate their spend on certified products. This is partly due to the issue of tracking. While a high proportion of customers stated that they had implemented tracking systems, in reality, effective tracking mechanisms for wood and pulp are rudimentary compared to those for other product categories. Major investments, particularly in information technologies, are required before tracking systems accurately reflect actual product flow.

Of the very few customers who could estimate their current spend on FSC certified products, one stated a relatively high 25% of spend. This was by far the highest proportion — for other customers, total spend on FSC products was significantly lower. If CSA and SFI products were also considered, current spend for a few customers was much higher. One customer, for example, implied that nearly 80% of their wood products were already certified[11].

In terms of projecting future spend on certified products, customers were equally uncertain. Of the few who could respond, most felt that FSC products would likely comprise between 25-50% of spend in five years, and if all other schemes included – some went as high as 100%. Of those who had a preference, few responded as to what they would do if certified products remain in short supply. A few said they would simply buy where they could; a few said they would let the suppliers sort it out, or review their supply. Another few stated they would continue to encourage FSC or "good" forestry practices regardless. One respondent strongly felt this would not be an issue as the current certification schemes would realistically allow for the continuation of supply.

11 Given the relatively small amount of certified forest that has been independently verified by third parties, the high figure stated by this customer may include products from suppliers that have stated 'intentions' to certify.

4.8 The Timing of the Shift

Related to the above point, one of the key messages from the research is that to develop and implement an effective environmental procurement policy takes a major effort, close monitoring of conduct up the supply chain, and a *significant* amount of time and expense. This implies that a major "shift" in demand on the ground is perhaps less real *currently* than the host of policy statements would imply. However, this does not consider the very real changes occurring in the background today — as shown in the table in section 4.7.

> *"The issue is complicated – and there is a lot of effort involved in making it a reality. Once you make a policy, you need to make sure it is having the right impact environmentally – e.g., if wooden handles are replaced by plastic (which happens) is this a better thing? If particle board is made from standing timber (vs. recycled wood) even if they are from FSC certified lots, is that a good thing? We must be very aware of doing the wrong environmental thing because of the right policy."*

Of the customers with stated policies, only a few have strict timelines for implementation. These companies tend to be ones that have been aggressively targeted by ENGOs in the past. However, specific target states in the 2002-2003 date range will be difficult to be *fully* met by these customers notwithstanding a great deal of effort on their part. This is primarily because the statements were made partly under duress, without full understanding (on all sides) of what it takes to implement.

> *"We were doubtful we could promise to meet it given there are so many other players involved (suppliers, customers, etc). We are trying to identify and develop green products – create demand and satisfy that demand…but the real challenge is getting product. We are finding it, but not as much as we would like…at a reasonable cost spread there is more demand than supply."*
>
> *"Not 100% achievable by our actions alone – contingent on supplier change."*

Due to the difficulties faced by the earliest adopters of environmental procurement policies, customers developing policies have become less inclined to state a timeline for implementation. While they may have their own targets to help drive improvement, public announcements of timings, without a series of contingencies are likely to be extremely rare in the future. The three main reasons for this include:

1. A belief that timelines are unrealistic:

> *"There should not, and cannot, be a deadline since we will constantly be adjusting the system and policy and practices in order to achieve our goals"*

2. A desire to continuously improve:

> *"No timelines – our ultimate aim is everything we buy will be certified up to FSC or equivalent"*

3. A desire to reduce risk

> *"Do not want to risk the possibility that we promise to phase out certain species and cannot do it."*

4.9 The Permanence of the Shift

Most customers believe that environmental procurement is here to stay and will become a standard practice. As expected, respondents with a stated policy in place tend to be most confident in that view.

> *"Businesses that don't consider sustainability will not be around-must be a part of business"*
>
> *"Here to stay because the issue is a valid one. (Wood) is a natural resource and the environment air quality, forest etc. issues are not going away."*
>
> *"Generally, producers that supply the largest volume are on a certification track. In 3-5 years certified will be the norm. 'Non-certified' suppliers will become the exception and find it difficult to win business."*
>
> *"Definitely here to stay as there is a lot of awareness and education about environmental issues and people expect corporations to be environmentally responsible."*
>
> *"Yes, as more people become educated in this area they will adopt environmental procurement as a standard business practice."*
>
> *"We may further clarify our position…but we are fully committed to continuing to implement our policy."*

However, even the customers who believe it is here to stay, imply that the market is only just starting to change with the leaders driving others in their industry and elsewhere.

> *"There is an evolution to come – in a way, some paper customers have already become something like 'chain of custody consultants' to the forest, pulp and paper industry."*

Additionally, nearly half of the customers caveat their belief by cautioning that the shift will last ONLY if there is a significant growth in consumer pressure and demand (in terms of actual spend).

> *"Is here to stay…but unsure how big a part of spend it will be"*
>
> *"Educate the buyer on what he is buying and the marketplace will adjust."*
>
> *"I do not think it will hang on…it is possible, but it may get carried too far and the general public may feel it goes too far. At the moment only a very small percentage of the general public cares."*

A few remaining customers either do not know or believe it will become a standard practice if (and only if) it is economically viable for the marketplace to bear.

> *"If alternative products are cost effective then business practice would probably go this way."*

Therefore, in terms of the perceived permanence of the shift, most customers believe that the trend toward environmental procurement will continue. However, market dynamics (particularly at the end-consumer level) will help ensure the shift is sustainable. This implies much effort is still required by all parties to avoid the trend either leveling-off, or environmental procurement simply remaining a marginal part of the overall market for forest products.

4.10 How May B.C. Be Affected?

Of those with a stated preference for environmentally procured products, roughly half said their efforts are going to focus on specific forest regions, while the other half said their purchasing efforts will be applied equally to all regions. Of those regions that were mentioned as top-of-mind "trouble spots", the Amazon Basin, Indonesia, Russia, Guyana and B.C. were all mentioned.

> *"A few areas are in discussion. If supply is from controversial areas – we ask for FSC certified forest. If have it – we will buy there. Otherwise we request our suppliers not to buy from the area."*
>
> *"Yes – we were sourcing fibre from B.C. and the contracts were not renewed. We also stopped doing business with Indonesian suppliers."*

Over half the customers with environmental policies, (over one-third of the all the customers we spoke to) said that controversy over B.C. forest would concern them enough to modify their purchasing practices in that region and that they would be influenced by the "right changes" occurring in the province. A number of customers indicated that controversy over B.C. had already affected their purchasing decisions.

> *"We are staying away from (B.C.) because it is a 'hot button' with respect to 'old growth' timber".*
>
> *"Do not buy paper from areas that Greenpeace is involved in B.C. We don't get paper and pulp from these controversial areas and we try and stop our suppliers from buying in these areas"*
>
> *"Until implementation of 'joint solutions' occurs, we will not source from B.C. – there has to be sign off on the next round."*
>
> *"Not sure how our spend will change in B.C., but we will be influenced by well-managed sustainable forestry practices."*
>
> *"I can't predict as I don't know how our spend will change in B.C. What would influence us is the degree to which the mills cooperate in terms of changing practices to produce better products."*

In conclusion, over one-third of the customers interviewed indicated that they would reduce or stop purchasing forest products from B.C. Customers develop environmental procurement practices both globally and for specific regions. In both cases, B.C. will be negatively impacted.

4.11 Key Drivers of the Shift

Among the customers interviewed, the most common driver of a shift to environmental procurement was avoiding controversy and stopping specific campaigns. Campaigns were also responsible for bringing the procurement issue greater prominence in companies that had already developed environmental programs based on CEO or shareholder pressure. The existence of some environmental values, coupled with decision-makers who support the idea of corporations "voting with their dollars", combined to create a receptive environment for ENGO ideas on environmental procurement.

> *"Policy was there for a while – then temperate campaign arose in UK and opened up our mind further."*
>
> *"There was already a latent awareness there – RAN pressure added to what was already there."*

For a few companies, environmental values, (irrespective of campaigns or controversy) have been the main driving force in their procurement initiatives. Surprisingly, only one company mentioned positive Public Relations and customer demand as a reason to develop an environmental procurement policy.

> *"It is part of our operating principles…these have been modified due to legitimate scientific concerns. Prefer not to just look at the public policy debate but to hard science."*
>
> *"There was no external pressure – it was the desire to be an environmentally responsible corporation."*
>
> *"Demand from customers and positive public campaigns."*

In terms of how these driving forces have changed over time, most respondents feel that the debate has been positive and resulted in a permanent corporate values shift. Avoiding controversy is still seen as a concern, but now there is a feeling that the debate has (or at least should) move beyond conflict.

> *"We used to be reactive – but now we are proactive. We seem to be working more with environmentalists. We are listening more to many different players on the debate."*
>
> *"The driving forces changed significantly – and are now part of our environmental values – we are now in regular discussions with Greenpeace and our suppliers."*
>
> *"The primary reason we have shifted is Corporate Social Responsibility. Avoiding controversy is still however a concern."*

5.0 Key Challenges

5.1 Challenges Related to Certified Products

Significant challenges related to procurement of certified products exist on the supply side and the demand side. Both issues combine to create major barriers to increased policy implementation and are the primary reasons for low certified product sales. These challenges are particularly acute for FSC products.

Supply Side: On the supply side, the existence of FSC certified forest is a critical constraint for the few customers who have FSC as their preferred source of "good wood". In August 2001, for example, Canada had only 35,553 hectares of FSC certified forest compared to 5.35 million hectares of CSA-certified and 3.94 million hectares of SFI certified forest. Customers looking to buy FSC products have an extremely limited supply overall from the Canadian market. To respond to this shortage, these customers act in different ways. One response is to develop formal or informal "tiers" of preference with: FSC certified product at the top, other certified products next, non-certified,"well-managed" forests next and unknown forests last. This tends to be the chosen route for customers who give FSC preference[12].

> *"Keep encouraging suppliers to pursue FSC – and if practices are good, even if not FSC (for example Irving in Canada) we will still support the 'good suppliers'"*
>
> *"FSC first, then others (we must serve production)."*

The majority of customers who consider the schemes equivalent have an easier time accessing supply.

> *"There will always be a certified supply large enough to meet our needs considering we see the certification schemes as being functionally equivalent FSC=SFI=CSA."*

Others are even more pragmatic if certified products remain in short supply.

> *"We will carry on buying where we can."*
>
> *"We will let the suppliers sort it out."*
>
> *"Not a lot we can do (about low supply)…this will be the reason we do not get to our targets."*

Demand Side: On the consumer side, the key challenge stated is that there is low public awareness and even lower customer demand for certified products. This is the case both for retailers who sell to the general public and intermediaries who sell to businesses. The low demand is exacerbated by the perception (sometimes based on pilot tests sometimes on perception alone) that customers seem unwilling to pay even a small premium for certified products.

12 The definition of 'preference' is worth recalling here – generally, FSC certified products will tend to be chosen only with all other things being equal.

> *"End customers are simply not willing to pay more for certified products. We did a test where we had certified studs for $2-15, uncertified for $2-10. The uncertified sold out before anyone considered the certified. We want to get to a position where we do not ask consumers to make the choice – want their choice to be to buy from us WITH the knowledge that we have already made the right choice for them."*
>
> *"We move a lot of lumber and last year we had six requests for certified lumber. Sometimes the requests came with specified certification scheme but most times not. One customer said I have to have FSC. Another said I need proof that it is properly managed forests. Apart from these six requests, of the millions of orders we fulfill a year I am not seeing very much demand from our customers (and they are) definitely not seeing it from the public at large. For the one customer that requested FSC we went to a lot of trouble to find FSC products but could not find the range requested by the customer. Were able to come back with a quote… but with great difficulty."*

In response to this low awareness and demand for certified products, companies have three main choices:

1. **Do not demand it:** This is the easiest option and is used by a significant minority we spoke to. These customers prefer that the market be true, rather than one falsely created by ENGO pressure.
2. **Promote certified products separately to other products:** This is the chosen route of a few customers in Europe where awareness among consumers of FSC is higher than elsewhere. The risks of this approach are threefold. Firstly, there is the risk that if certified products from different schemes are labeled and marketed separately it will create much confusion in the consumers' mind. Secondly, if, as companies who have done pilots believe, consumers are not willing to pay a green premium, then there is risk of expending marketing budgets on products that do not bring a return on that marketing spend. Thirdly, and perhaps most importantly, companies are concerned about opening up a "Pandora's box" if they separately promote labeled, certified wood. If they announce that this wood is "good" they could, by default be announcing that their other wood is "bad". While this may be considered oversensitive, there is understandable cause for concern.
3. **Sell the certified products along with all others:** The "Ikea" model, as described by a number of customers is one in which the company makes environmental decisions for the consumer. In this model, companies want consumers to enter their establishments with the knowledge that this organization is doing the right things for the environment. They want to avoid the confusion over different certification labels by not allowing it to arise. This third model may be the most prevalent in the future unless there is a major increase in consumer awareness and demand.

An additional challenge that is likely to continue causing problems for customers is the way certification standards are set.

> *"Main confusion is in taking criteria that apply in certain countries and trying to apply them globally. Uniform global standards are not necessarily appropriate in all regions. Indigenous people's rights are more important in some countries – less important in others. Mustn't make FSC certification in one region contingent on less relevant criteria – this will keep supply low."*

Lastly, there are few effective mechanisms to track certified or "good wood" through the supply chain that show the customer what is being bought. Labels help with tracking (regardless of whether the end-consumer customer cares about labels). But labelling alone still does not solve the data problem: customers do not want to have to physically count the labelled products every time they want to assess their wood supply. The issue of tracking wood through a sometimes complex supply chain (via invoices, manifests, automated systems, etc.) will be one of the biggest technical challenges for companies implementing environmental procurement policies. Bar coding technology will possibly assist in resolving this issue over the long term.

5.2 Challenges Related to "Endangered/Old Growth" Forest Products

On the issue of "endangered/old growth" forest products, there were, once again, a number of major challenges faced by customers. By far the greatest of these was getting accurate information on what is considered an "endangered" or "old growth" forest. This is due to both the lack of a definition and the lack of supply transparency.

> *"Should have a map of endangered forests and also should have local stakeholders involved."*
>
> *"Finding a reputable merchant and establishing a good relationship with mills. However, most paper customers do not even know any contacts from the mills they purchase at."*
>
> *"No way for us to track. If we are made aware that our supply is coming from endangered forests (from whomever, ENGOs, Government) we will address the issue then."*
>
> *"Confusion over what is and is not."*
>
> *"Anything that is less that 100% post-consumer has a challenge re: old growth. Printers do not know anything. There are many layers between them and the mills; there is a lot of information to wade through. In the mean time we need to produce – but think about this for the future."*

Another issue regarding "endangered/old growth" forest products is that in some cases, it may be commercially more attractive to disregard the issue. Even for the most progressive companies, commercial incentives may get in the way of ethical practices. Most customers interviewed did not raise this point, but it is worth noting since while unstated, it may well be an issue for many customers – particularly those whose purchasing and environmental departments do not work very closely together.

> *"'Bad wood' tends to come cheaper. Sometimes we have to play off a very cheap product from an unknown source versus a more expensive product from a known source. We know that if we refuse this product it will be sold to our competitor down the road. It is sometimes hard to handle that commercial reality."*

Related to the above point, one final challenge to both certification and "endangered/old growth" forests is that certification can be illegally purchased. This is partly due to the fact that even where there are government-backed initiatives protecting certain areas, on-the-ground activities are hard to track. This fact allows "endangered/old growth" forest products to gain the aura of respectability. While this is less relevant in B.C. than areas in the developing world, it is nonetheless a very critical point.

> *"Without a clear, scientifically based, multi-stakeholder definition, it is difficult to drive our vendors away from 'endangered forests'. Secondly, now there is a challenge in how to identify the 'legal' wood – if you can do that, then the illegal does not matter (because it will not be part of our supply chain)."*

6.0 Solutions

In order to develop solutions to the challenges faced by customers, a series of questions were asked on *"how to ensure that environmental procurement becomes a standard practice".* Overall solutions were discussed, as were the ideal roles and responsibilities of all stakeholders in the debate.

6.1 Overall Solutions

Two key drivers of consumer demand and economic viability were raised numerous times as the critical factors in determining that environmental procurement becomes a standard practice.

> *"The needs should be created at both sides of demand and supply."*
>
> *"Strong demand from consumers/customers needs to happen."*

Another solution mentioned by just one customer was related to investors. This customer emphasized the link between shareholder value and environmental/sustainability performance.

> *"Credible sustainability of a value chain is an issue more and more investors are showing interest in. More professional research should be done in order to better understand possible relations between shareholder value and the performance of a company regarding sustainability."*

To get around the very significant challenge of the definition of "endangered /old growth" forests, customers had three main schools of thought:

1. Develop universal standard definitions and create maps of "endangered/old growth" forests according to these definitions.
2. Allow multiple stakeholders involved in a forest body within a nation define "endangered/old growth" forests in their own terms.
3. Allow multiple stakeholders involved in a forest body (irrespective of nation) define "endangered/old growth" forests in their own terms.

One customer suggested the most workable solution would be to do [1] and [3] i.e., have a universal core definition and map out High Conservation Value Forests (HCVFs) universally, but at the same time, encourage local multi-stakeholder discussions on additional forest bodies to protect (irrespective of national boundaries).

Similar thinking applies to FSC certification as well, i.e., the need to have standards and definitions for the "forest body" irrespective of national boundaries.

6.2 The Role of Customers

The customers with strong policies related to environmental procurement believed that implementing and enforcing their own policies would help the entire market shift. This includes more selective sourcing and actually driving change rather than just requesting it and trusting suppliers to deliver. There is also a growing realization that implementation and enforcement imply a lot of effort – from tracking supply, changing individual habits, appeasing boards, making suppliers change (but in a way that keeps the relationship positive) developing markets and staying on top of developments. Most companies are only just beginning to realize the extent of the effort.

> *"Need to put in the effort – and realise the implications of each decision."*
>
> *"Build into my purchasing criteria – in tendering documents this year, committed to buying paper from FSC."*
>
> *"A customer should show interest in the sustainability aspects of the paper chain. Customers should go and talk to people working in the forests, in pulp and paper production as well as to social and ecological stakeholders in the regional society."*
>
> *"Make suppliers understand that we are waiting for them to get certified…I dislike threats as a customer 'you have to be certified'. I will communicate that I want to see the policy and get regular updates…makes them understand that is important."*

There was also a feeling among customers that they are more aware of the key issues than suppliers and that as buyers, they should actively and regularly educate both companies they buy from and the companies/consumers they sell to. This education could include their policies, the reasons for their policies, the latest thinking on the issues or best practice ideas from other suppliers. This may also imply not actually announcing complete bans on purchasing from regions (because that does not drive improvement) but working with and assisting the best suppliers.

> *"Customers got out of an area in the past – in the future we want to work with the best suppliers in an area."*
>
> *"I need to make sure I can provide information on our supply chain. Also we can be thought leaders – make recommendations to our suppliers."*
>
> *"I think our customers will ultimately determine how everything falls out – we want good policies that help the environment, and will let our suppliers know that this is the demand and the direction we want to go in. We are trying to educate, and create demand and I see this continuing. More regulations will pass, and demand and supply will increase."*

As expected, customers without environmental procurement policies had a more "laissez-faire" attitude.

> *"I feel very confident with my suppliers. They are practicing good land management and I am very satisfied with their on the ground practices. We may not drive change but it happens anyway as good harvesters are good business"*

6.3 The Role of Producers

Nearly one-third of the customers interviewed stated that producers needed to switch to more sustainable harvesting practices. A notable few also added that producers need to understand that sustainability implies more than sustainable yield. By working more closely with ENGOs, producers would better understand the importance of ecosystem sustainability.

> *"They need to take the issue to heart – has been around for twenty five years. For years we talked about sustainable forestry – but it is not just about sustaining fibre – it's about sustaining ECOSYSTEMS."*
>
> *"They need to work with environmental groups. They need to look at business practices and develop a phased-in approach (overhauling the mills and sourcing differently) to make it work."*
>
> *"Can't speak for them…but it is in their best interests to find compromises with the ENGOs."*
>
> *"Solid harvesting practices – scientifically based."*

Another third of customers suggested that getting certified would be the best way to address the issues. For most of them, any certification would be better than none, but because of ENGO support, a notable few would support FSC first.

> *"The more certified material that is available and the better the certification schemes that are made, then the better we all are. Education is very important for our customers and the market place overall. Being proactive in improving certification schemes is a must – suppliers must be more proactive to make it work."*
>
> *"Short-term answer is get certified in all ways for the same lots. We will support vendors that stay in the discussion and do not walk away from the table."*
>
> *"Need to work this one out – I am used to suppliers doing whatever they can to give the customer what they want. There is clear customer demand that is only going to increase…yet the suppliers seem very slow to respond. Dealing with cultures and entrenched views."*

Additionally, there is sense in the buying community that producers are not taking the issue seriously enough. The comment "there is no demand" is perhaps too easily used to maintain the status quo. A number of buyers stated that demand is growing and supply needs to catch up rapidly. They also imply that the B.C. producers who respond fastest will have a market ready for their certified products.

> *"Responding and taking responsibilities themselves (we need some producers to take the moral high ground). Many of them do not listen. For example I hear them say 'demand is not there'; even while I am in front of them actually demanding the product!"*
>
> *"Take a lead – these will be the suppliers we will work with when we return to previously controversial areas."*
>
> *"Some producers have been short-termist – this will come back to bite them."*

6.4 The Role of Certification Bodies

The key recommendations customers made to certification bodies centred around three themes:

1. **Be Independent and science based:** Being tied to industry is seen by some customers as a major impediment to objectivity. There is also a concern among some customers that certification bodies (especially FSC) get too tied up in differences between schemes and fail to see that from a scientific standpoint, the results on the ground may be the same.

   > *"The moves that SFI has made to become more open and credible, less tied to industry groups has helped – they are more independent now – and they are also getting quality individuals involved and becoming more transparent. All of that is helping – they have to keep going down this path."*
   >
   > *"FSC will never say that SFI results on the ground are functionally equivalent – although in many cases they may be."*

2. **Reduce cost and time to certify:** The fact that it takes a long time and requires a significant administrative effort to get certified is seen as a major barrier to widespread adoption. If certifying bodies want to achieve their aims — their processes need to be vastly improved.

   > *"Takes a long time to get from interest to actually certified – takes up to 3 years. Need certification at the speed of business – streamline the process, remove irrelevant criteria."*
   >
   > *"Cost puts off a lot of people. Cheaper and maybe quicker."*

3. **Work towards some sort of mutual recognition:** This was seen as highly unlikely to transpire — however at minimum mutual recognition of definitions would be a start. Additionally, a few customers recommended that all schemes put more effort into clarifying their similarities and differences.

   > *"Mutual recognition – but this is not likely to happen. The different schemes could put some effort into saying 'this is how we are similar, this is how we are different'. A good start would be getting better definitions of the terminology – and trying to at least get mutual recognition of the definitions."*

Lastly, the issue of maintaining the same standards for a forest body is critical. While regional differences in standards are expected and desired, it does not make sense to have two different standards applied to the same forest body that happens to cut across a border. More occurrences like these (as occurred in New Brunswick and Maine) seem likely to have a negative impact on the credibility of the FSC scheme.

> *"Changing specs after certification is granted is not fair – FSC region in eastern Canada changed criteria to pull certification off Irving, 50 miles away in Maine, the same forest was FSC certified – makes no sense."*

6.5 The Role of ENGOs

For ENGOs to make environmental procurement a standard practice, three recommendations were made:

1. **Be practical:** Realize that industry is changing and that there is a great amount of effort and ongoing debate involved in making these types of transitions.

> *"There is a shift to a solution. Get together and discuss very frankly…and understand the side of the producers. Each side has a different view of the same problem. Solution is a compromise."*
>
> *"Need to talk to each other a bit more and not walk away from the table so quickly. Walking away does not get anyone anywhere…in the UK we had a problem with certification a while ago, 2 years of hard negotiation, and we got to a settlement through mediation and arbitration."*
>
> *"Accept that trees will be cut down – they must be and it makes no sense to leave a valuable resource to waste away and rot. Must be wise about how to do it. Some bad science, and bad statistics on both sides."*
>
> *"Everyone will win or everyone will lose. More people, especially NGOs need to sit down and give a little. Industry is willing to talk. There is a lot of forestry out there – many forests that are being grown in the right way. If we continue to push and continue the dialogue then the right practices can be encouraged."*

2. **Take on the role of educator:** Educate customers, producers, industry, governments, certification bodies and yourselves. Remain fact based, avoid rhetoric and provide ideas for all stakeholders.

> *"They need to be more public, and issue more press releases, educate more and work with consumer groups and key buyers more."*
>
> *"If ENGOs are mature and responsible and continue the pressure – this is very good. They can establish the facts in a cooperative spirit and work together. There is still a lot of (nonsense) and rhetoric coming from ENGOs. For example, I saw an outdoor magazine – showing a picture to support an ENGO's position. The picture was of a hillside with environmental damage twenty five years old! Should avoid mistruths."*

3. **Be less confrontational and stay at the table:** Confrontation has worked in the past, but to leverage, and not reverse the success, it is better to engage in dialogue with all stakeholders.

> *"Don't revisit the conflicting tactics of the past. There has been enormous change in the last few years – effort put in has been far beyond what anyone perceived was necessary. If we see no reward – there is a risk that we will be forced to pull the plug on the whole program and return to 'production only'."*
>
> *"As part of their mission the ENGOs have a moral obligation to act as a bridge between industry and environmentally responsible retailers"*
>
> *"Moderate NGOs can benefit the most. Business does care about how they are doing. Moderate NGOs can give the whole issue credibility. Activists have played their role already, they have been successful in raising awareness. Now is the time for 'let's make progress and get things done' – not about nit-picking the margins and sensationalism. It's about finding practical solutions. All constituent representatives, including moderate NGOs, should be at the table"*
>
> *"Issue continues to be boycotting and flying off the handle – this will not accomplish anything. Some NGOs decide to walk away – we cannot have that if we want to get over the head-butting. Need to remove rhetoric and ask what are you really trying to protect…and don't ask for all trees and all valleys to be protected – decide and stick with that".*

When asked which of the ENGOs they most respected, customers who were able to comment almost unanimously mentioned the WWF. It is felt that by having a balanced and practical viewpoint, and a willingness to mediate between different perspectives, the WWF has been a critical player in the movement to sustainable forest management.

> *"WWF got my attention recently with their latest report which stated that we don't have to stop cutting all trees, we just have to work at managing them better. It gave them way more credibility in my opinion."*
>
> *"WWF. Because they have taken the initiative of working with buyers and industry. They have put a huge amount of effort and resources to get like-minded companies together."*

The Nature Conservancy, Conservation International and the Markets Initiative Coalition also have good reputations with the buyers that they have worked with.

Customers were also asked if they were willing to partner with ENGOs. The majority of customers who had a perspective stated they would very much like to explore opportunities to partner, but only with credible ENGOs.

> *"There is an opportunity – we will partner with anyone – we are willing to do anything it takes to get more certified products coming through the system."*

> *"Environmental NGOs often contribute innovative ideas. It is in the interest of companies to develop an open culture of listening and constructive dialogue."*
>
> *"Depending on the ENGO, there is a possibility."*
>
> *"If they were credible, we would be open to working and listening for sure."*
>
> *"Yes, we are willing to partner with ENGOs – want to partner with ones that have an on-the-ground presence in the areas from which our products are sourced. This ties the partnership to our business. Without this direct tie in to the business, it is strictly philanthropy and not a partnership."*

6.6 The Role of Governments

When asked the role governments should play, customers interviewed had a range of opinions. Nearly a third of customers interviewed stated that coordination among stakeholders is the most important role of governments.

> *"To coordinate well among suppliers, consumers, NGOs, pulp and paper producers."*
>
> *"Get resolution – it is not a retailers' job to resolve issues between NGOs, communities, and industry in a particular region. Governments should drive to a consensus."*
>
> *"Play a central role among the different stakeholders."*

A small group of customers interviewed suggested that government's main role is to develop solid regulations and enforce them with incentives. Although another suggested that guidelines and industry standards were a better approach.

> *"Legislation and education of public. Enforce laws that are already in place, and apply real penalties for violation of those laws."*
>
> *"Make an agreement – keep the regulations solid…keep to standards that were negotiated."*
>
> *"Continue to set guidelines (not legislation) and push for industries to benchmark results."*

One customer had very strong views on the failure of governments to take a wider perspective and provide incentives for environmental improvement.

> *"I think that the role of government in recent years to facilitate business as the prime thing is wrong – their role is to work for the benefit for the society as a whole and not corporations. They need to change their focus to help society as whole."*

On the other side of the fence, another customer explicitly stated that the role of government was to support industry.

> *"To monitor and provide necessary political support to the forest industry as the major industry (in the province) to (help it) develop and be profitable."*

6.7 The Role of the B.C. Government

When asked to comment on the B.C. Government specifically, only half of the customers interviewed were able to comment. Among these customers, when asked whether the B.C. regulatory regime was sufficient to meet their needs, there were divergent opinions. One-third of these buyers were confident in the regime.

> *"I think it is basically good. Customers hope for continuous and successful consensus building processes among stakeholders in B.C."*
>
> *"The Government of B.C. has much multi-stakeholder input – this is very positive."*
>
> *"I believe the B.C. government will take care of their 'home'."*

A larger number of respondents, the majority of those who had a perspective, had a less positive view of the regime. A few of these customers also stated that they believe the B.C. government is too closely tied to forest producers.

> *"The B.C. government has an equal and opposite relationship with the logging industry. The government needs some perspective. They hear about (environmental issues) all the time. But change not going to happen if it is perceived as a threat to the industry…e.g., people are losing jobs…but cannot isolate 'jobs'…they get recreated elsewhere."*
>
> *"I am skeptical – because the players are always the same players."*
>
> *"On the quality side yes, environmental side no."*

Additionally, a handful of customers believe that in some cases the legislative regime and incentive structure create a major disincentive to environmental (and in some respects economic) sustainability.

> *"Before they say, 'if you shut that mill down, you lose your timber rights even if you have another mill nearby' they need to understand that timber sometimes needs to be moved around – need to allow remaining companies and mills to operate profitably."*
>
> *"If producers don't use their allowable cut – they lose it. Maybe the boom-bust cycle (that we all dislike) is enforced from a legislative standpoint – produce or lose!"*
>
> *"I have a bit of discomfort with the B.C. government surrounding the issues of revenues from lumber and their ability to pass balanced legislation based on their dependence on those revenues. I am a believer in market place correction – and feel the market will probably take care of most things better than the government."*
>
> *"No – because there is too much of a blur (in regulations). For a while it did not look like the forests were being decimated…but they are."*

In terms of resolving some of the regulatory issues, a number of customers, including both supporters and non-supporters of the B.C. regime suggested a need to promote certification.

> *"Government is the one that owns the timber – has to be an interested stakeholder and assist companies make certification more affordable. Now harvesting is very costly – and costs have not been passed onto consumers."*
>
> *"The regime is ok, but should certify own lands"*
>
> *"They could facilitate certification…and make it quicker"*

Not explicitly in reference to Canada, but relevant to the issue of government role in certification, one major customer strongly cautioned against mandated procurement of certified products.

> *"I don't like some of the legislation being passed now in US, where we must purchase FSC product. It does not make any sense."*

When asked about the Results-Based Code vs. the Forest-Practices Code, most customers did not know enough about B.C. Forestry laws to comment on the shift — but of those who were aware of the laws, most felt that the shift was positive, largely because the new code appeared to be simpler and eliminated red-tape and bureaucracy. However, a small number of customers expressed that if bad results were not punished, then there could be cause for concern.

> *"Well received as simplified application process contributes to cutting costs."*
>
> *"Positive, in that it will resolve a lot of the red tape and bureaucracy. However, I hope that they come up with things that ensure results are monitored and punished or rewarded. If not, the industry will go backwards in terms of environmental issues, and we need to go forward."*

On the issue of the central coast agreement, among the few customers who knew about it, the support was unequivocal.

> *"Shows that you can reach consensus – major step forward."*
>
> *"If we step back and say that there is a need to look after special places in a different way, the B.C. model is very appropriate."*
>
> *"Want to see resolution of the Central Coast – it was an excellent agreement."*

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Appendices

Appendix 1:

Procurement of Paper with High Post-Consumer Recycled Content

Appendix 2:

Other Issues Raised by Customers

Appendix 3:

Questionnaires Used

Appendix 1: Procurement of Paper with High Post-Consumer Recycled Content

As well as discussing certified and "endangered/old-growth" forest products, pulp and paper customers were asked about policies and practices related to products with high post-consumer recycled content.

As this was not the main focus of the study, or a core part of our research hypotheses, there was less focus on these questions and much less time dedicated to them in the interviews. However, some findings from these discussions are provided below.

Policies with stated preference for paper with high post-consumer recycled content

The majority of pulp and paper customers interviewed have a preference in place for high post-consumer recycled content paper. The level of use of high post-consumer recycled content is often contingent on the end use application of the product. Newsprint and telephone directory customers spoken to seem particularly willing and able to strive for high standards and in some cases even exceeding stringent U.S. government mandates.

> *"We signed a letter this morning requesting that purchasing post-consumer recycled content become a corporate standard even though it costs more. Quality is not an issue with this product."*
>
> *"We try to use post-consumer recycled content as much as possible and feel that the quality of these products is good."*

"Preference" for recycled paper buyers also tends to go beyond "ceteris paribus". The majority of paper buyers spoken to were willing to pay a small green premium for high post-consumer recycled content. The willingness to buy does however depend on the economics of the deal and this, in turn, depends on the likelihood of the producer taking most of the financial burden.

> *"At the moment we have to pay a 'green premium'. However, we want to move to (ceteris paribus) preference. Previously the surcharge was passed onto the publisher – now the printers are looking to mills to be more proactive – this is just starting. Some printers are looking to develop the right specification and will be willing to absorb some of surcharge…sometimes we can't do it – depends on the surcharge."*
>
> *"Depends on the customer…if customer is willing to pay the surcharge or not. If our customers can market their products as green products – then we will pay a green premium. Otherwise depends on the quantity available. Greener the better, but need an economy and environment balance."*

Key drivers

Use of paper with high post-consumer recycled content is driven by adherence to legislative mandates (primarily in US and Europe), ENGO pressure, and to a relatively large extent – internally driven.

> *"There was no external pressure – it was the desire to be an environmentally responsible corporation."*
>
> *"We felt it is the right thing to do and established a purchasing policy before the government requested it."*
>
> *"We are buying as it is necessary to hit targets – enough mills are producing it now. Was a great challenge earlier…because we were driving change in the market. Now the market has responded."*

Key challenges related to post-consumer recycled content

For newsprint and telephone book customers, the major issues related to use of recycled stock seem to have been resolved, and now normal business concerns present the key challenge.

> *"Printers were very leery of using recycled stock – because of perceived differences in quality. But mills made recycled paper equivalent".*
>
> *"As we went through the transition to higher recycled content (some time ago)…one of the first issues was for mills to create logistics systems to get old newspapers back into the recycle stream, de-ink them and deal with quality issues such as getting the same brightness or whiteness to compete with virgin produced newsprint. The quality of the sheet is a serious issue to both advertisers and readers. Recycled content suppliers that we do business with have done an excellent job in these areas. In most respects…recycled newsprint quality is nearly equivalent to 100% virgin produced paper and cost to the buyer is relative the same. In some cases, we don't buy 100% recycled because of the distances from the mill to our print sites. We have to be sensitive to the shipping costs that suppliers incur as part of our responsibility to them."*

For book publishers however, both the cost and low availability of high (above 30%) post-consumer recycled publishing paper are barriers to increased use. This is particularly since this paper is rarely a "Floor Stock" — i.e., a standard part of paper suppliers or printers inventory. Notwithstanding these barriers, book publishers do seem to be implementing changes to fulfill their commitments.

For high-end absorbent products such as kitchen towels, napkins, diapers and feminine hygiene products, there are concerns about increasing recycled content. For kitchen towels and napkins, the main concern relates to safety and food contact: contaminant materials in post-consumer paper may be released during the food heating process (e.g., in microwaves) and may be transferred to humans. For diapers and feminine hygiene products, the concern is linked less to safety, and more to consumer preference. Consumers prefer the whiteness, purity and absorbency that virgin pulps provide in these products.

Overall Solutions

A wide range of solutions was suggested for increasing use of products with high post-consumer recycled content. Different buyers had very different perspectives but one of the key suggestions was better coordination between various players in the supply chain.

> *"I am unsure of the relationship between printers and mill but the broker as the middleman has a powerful role to play – especially for specialty papers of the highest post-consumer content."*
>
> *"Coordination from various corners – publishers printers, brokers, mills and ENGOs"*
>
> *"Reporting on social responsibility and subsequent benchmarking against their peers in this area."*
>
> *"Should be local targets (for recycled content and recycling targets) based on local issues"*

The role of Customers

Only two customers were able to provide any input on what they can do to increase the percentage of products with high post-consumer content.

> *"Give the printer as much information as they need…to allow them better forward planning"*
>
> *"Educate our own employees about how our purchasing policies can effect the environment, and let them know what we are doing as a company to help the situation. We should probably be more serious about enforcement regarding our suppliers – not work with them if they do not comply with our policy."*

The role of Producers

A few customers made suggestions to producers regarding high post-consumer recycled content. Some ideas provided include:

> *"They need to work with environmental groups. They need to look at business practices and develop a phased-in approach to make it work (overhauling the mills and sourcing differently)."*
>
> *"They should promote their recycled sheets instead of just promoting No. 1 grades (premium sheets)."*

One customer went further than just recycled content.

> *"Need producers who create more TCF. And take raw material of types that are very fast growing that do not influence the lifestyle of the fauna in regions."*

The role of Government

The customers that were able to comment on the role of government regarding high post-consumer recycled content had very different opinions. One was very supportive of legislation and others preferred industry standards and benchmarks.

> *"Continue to set guidelines (not legislate) and should push for industries to benchmark results.*
>
> *"Legislation and education of the public. Enforce laws that are already in place, and apply real penalties for violation of those laws."*
>
> *"The Canadian Federal Government needs to follow the US lead e.g., 30% recycled in all US government policy. The department of Canadian Heritage has a role – provide tax credits and grants for small print runs."*

Appendix 2: Other Issues raised by Customers

At the end of each interview, customers were asked if they had any final comments or questions. The points raised were varied and some had little direct connection to the study objectives. However, a number of these comments provide valuable insight into the current mindset of specific buyers and where their attention is likely to be in the future.

A few of these comments are provided verbatim below.

> *"The Canadian government should play a greater role (not just provincial). The definition of old growth needs to include smaller old growth trees e.g., in Ontario. More attention should be given to the other forests across Canada."*
>
> *"One issue that might become important in the future, is whether the broader public would accept possible developments like genetically-modified trees. The global forest, pulp and paper industry needs to think about this and develop convincing acceptance strategies."*
>
> *"I think CFPC is serving a very important role in this whole debate, and believe they need more funding. They understand the industry and the environment, and they were ground breaking in their efforts in Atlanta…they are a great vehicle for this debate and should be supported by all".*
>
> *"There is no trust between Industry and ENGOs in B.C.…I can see this in the development of FSC standards there – there seems to be no interest in working together."*
>
> *"Industry sees this as affecting their sovereignty…however there are lots of them such as Tembec and Lignum that are changing…we need get the ball to start rolling down the hill. The forestry industry needs to look at themselves and realize what a great product they have and compete with the steels and plastics from an environmental standpoint."*
>
> *"Forest producers should ship and package lumber properly to eliminate mould and fungus."*

Appendix 3: Questionnaires Used

Preamble (Used for all customers once they agreed to be interviewed)

1. Thank you for agreeing to take part in this survey. We are conducting this study on behalf of a Canadian Public Policy Think Tank. We want to determine the extent to which there has been a "shift" in the marketplace towards "greener" procurement. Before we start, I would like to state that nothing you say will be attributable to you or your company. Also, there are no right or wrong answers — I just want to get your perspective.
2. What exactly is your role in your company?
3. Could I ask who the key decision-makers on these issues are in your company? [If clear that someone else may be better interviewee — ask if they should be interviewed instead]
4. Can you estimate how much your organization as a whole spends on wood/pulp products?
5. Can you estimate what percentage of that spend is from B.C.?

Questionnaire for Wood Customers with an Environmental Procurement Policy

1. How involved is your company in the current debate on environmental procurement? Probe: For example, did you attend the Forest Leadership Forum?
2. Do you think you have a strong awareness of the vocabulary and issues in environmental procurement — for example "endangered forests", recycled content, certification, "old-growth" forests, etc.? Are any of these terms particularly confusing?
3. "Who are you listening to help you sort through the issues — can you name the sources that are particularly valuable? Probe: governments, your suppliers, environmental non-governmental organizations (ENGO's), certifying bodies, consultants?
4. What is your policy on environmental procurement of wood products?
5. If time frame in policy: Now considering the policy we just discussed, you stated that the timeframe to achieve your target state was [date] — is this still valid?
6. If no time frame in policy: Now considering the policy we just discussed, what are your intentions in terms of time frame, of achieving your target state under your policy?
7. Are you actively trying to procure more certified forest products and if so, how are you doing this?
8. Are you actively trying to avoid products that could be from "endangered/old growth" forests and if so, how are you doing this?
9. Do you give preference to products that do not come from "endangered/old growth" forests i.e., are you trying to buy more "good wood/pulp" and if so, how? [If already know from policy — skip Q]
10. What would you say are the key challenges you face when trying to buy more products from "good wood" — i.e., from non-"endangered" or certified forests?
11. What if I phrase the question the other way around — are you actively trying to phase out products that could be from "endangered/old growth forests"? i.e., are you trying to buy less "bad wood/pulp"…and if so, how? [If already know from policy — skip Q]
12. (what are the challenges) in avoiding buying "bad wood/pulp" i.e., products derived from "endangered/old growth" forests
13. Which, if any of the certification schemes do you give preference to, and why? Would you give preference to one scheme or another if it had ENGO support?
14. Which of the schemes do you see as the most credible and why?
15. What does "preference" mean to you?
    1. With all things being equal the "greenest" product will be chosen
    2. Supplier must meet a minimum set of environmental criteria after which all other factors (price, quality etc.,) become important
    3. You are willing to "give" a little in terms of price/quality/delivery for "greener products" from any supplier?
    4. Something else

16. I am going to list a series of "stages" in the evolution of an environmental purchasing scheme -as I state the stage — can we identify whether or not your organization has reached this stage or not (the stages are not necessarily sequential)?
    1. Preference in place
    2. Preference announced publicly
    3. Training program for management, staff and buyers completed
    4. Developed a communications plan and education program to explain our objectives and actions to your customers, employees, suppliers, investors, and other stakeholders;
    5. Developed a marketing strategy to increase the profile of environmentally preferable products, (including store displays, Web site content, promotions and packaging)
    6. Worked in close cooperation with suppliers to advise them of the procurement policy, timelines for implementation and to develop appropriate product alternatives
    7. Developed appropriate management systems and performance measures to enable tracking and reporting of progress
    8. Some supply actually refused
    9. Preferred supplier list created
    10. Third-party verified public reporting initiated
17. Approximately what percentage of your current forest product spend is on SFI, FSC, CSA certified products?
18. Can you project what percentage of your spend will be in five years time (SFI, FSC, CSA certified)?
19. What are you planning to do if certified products remain in short supply — From SFI ? From FSC? From CSA ?
20. Do you think the trend towards environmental purchasing is here to stay or is it just a passing fad? Why?
21. Are your environmental purchasing efforts going to focus on specific forest regions or will they be equally applied to other regions? If necessary, probe: Such as B.C. coast/ Canadian old growth
22. Would controversy about B.C. forests concern you enough to actually modify your purchasing practices in the region? If yes, would you actually stop purchasing there if controversy remained?
23. How do you perceive that your spend in B.C. changing over time and what will influence your decisions?
24. Looking back to when this whole issue arose, what originally influenced you towards environmental purchasing policies?
25. Have these driving forces evolved or changed over time?

26. Will environmental procurement become a standard business practice? Why or why not?
27. What needs to happen to make it a "standard" business practice?
28. What can you as a buyer do to make it a standard business practice in your organization?
29. What about forest product producers — what should they do?
30. What about certification bodies — what should they do?
31. What about ENGOs — what should they do?
32. Which of the ENGOs do you most respect?
33. Are you willing to partner with any ENGO's if so how?
34. What about governments — what should they do?
35. How do you feel about the recent change in B.C. Forestry Laws — I.e the shift from the Forest Practices Code to the Results Based Code?
37. What about the Great Bear Agreement?
38. Do you think the B.C. Government's regulatory regime is sufficient to satisfy your demands as a buyer?
39. Do you have any final comments before we close?
40. We'd like to be able to say we spoke to your company in our report — can we list your company in the report? Again, your comments will be anonymous.

Questionnaire for Pulp/Paper Customers with an Environmental Procurement Policy

1. How involved is your company in the current debate on environmental procurement? Probe: For example, did you attend the Forest Leadership Forum?
2. Do you think you have a strong awareness of the vocabulary and issues in environmental procurement — for example "endangered forests", recycled content, certification, "old-growth" forests, etc.? Are any of these terms particularly confusing?
3. Who are you listening to help you sort through the issues — can you name the sources that are particularly valuable? Probe: governments, your suppliers, environmental non-governmental organizations (ENGO's), certifying bodies, consultants?
4. What is your policy on environmental procurement of pulp products?
5. If time frame in policy: Now considering the policy we just discussed, you stated that the timeframe to achieve your target state was [date] — is this still valid?
6. If no time frame in policy: Now considering the policy we just discussed, what are your intentions in terms of time frame, of achieving your target state under your policy?
7. What is your perspective on increasing use of post consumer recycled content in more of your products?
8. Do you give preference to pulp/paper products with greater recycled content and if so, how? [If already know from policy — skip Q]
9. Do you give preference to products that do not come from "endangered /old-growth" forests i.e., are you trying to buy more "good wood/pulp" and if so, how? [If already know from policy — skip Q]
10. What if I phrase the question the other way around — are you actively trying to phase out products that could be from "endangered/old growth forests"? i.e., are you trying to buy less "bad wood/pulp"… and if so, how? [If already know from policy — skip Q]
11. "Which, if any of the certification schemes do you give preference to, and why? Would you give preference to one scheme or another if it had ENGO support?
12. Which of the schemes do you see as the most credible and why?
13. What does "preference" mean to you?
    1. With all things being equal the "greenest" product will be chosen
    2. Supplier must meet a minimum set of environmental criteria after which all other factors (price, quality etc.,) become important
    3. You are willing to "give" a little in terms of price/quality/delivery for "greener products" from any supplier?
    4. Something else"
14. I am going to list a series of "stages" in the evolution of an environmental purchasing scheme -as I state the stage — can we identify whether or not your organization has reached this stage or not (the stages are not necessarily sequential)?

1. Preference in place
2. Preference announced publicly
3. Training program for management, staff and buyers completed
4. Developed a communications plan and education program to explain our objectives and actions to our customers, employees, suppliers, investors, and other stakeholders;
5. Developed a marketing strategy to increase the profile of environmentally preferable products, (including store displays, Web site content, promotions and packaging)
6. Worked in close cooperation with suppliers to advise them of the procurement policy, timelines for implementation and to develop appropriate product alternatives
7. Developed appropriate management systems and performance measures to enable tracking and reporting of progress
8. Some supply actually refused
9. Preferred supplier list created
10. Third-party verified public reporting initiated

15. Approximately what percentage of your current forest product spend is on SFI, FSC, CSA certified products?
16. Can you project what percentage of your spend will be in five years time (SFI, FSC, CSA certified)?
17. What are you planning to do if certified products remain in short supply — From SFI ? From FSC? From CSA ?
18. Do you think the trend towards environmental purchasing is here to stay or is it just a passing fad? Why?
19. Are your environmental purchasing efforts going to focus on specific forest regions or will they be equally applied to other regions? If necessary, probe: Such as B.C. coast/ Canadian old growth
20. Would controversy about B.C. forests concern you enough to actually modify your purchasing practices in the region? If yes, would you actually stop purchasing there if controversy remained?
21. How do you perceive that your spend in B.C. changing over time and what will influence your decisions?
22. Looking back to when this whole issue arose, what originally influenced you towards environmental purchasing policies?
23. Have these driving forces evolved or changed over time?
24. What are the challenges in avoiding buying “bad wood/pulp” I.e., products derived from “endangered/old growth” forests
25. What are the challenges in trying to purchase more pulp/paper with high post-consumer recycled content?

26. Will environmental procurement become a standard business practice? Why or why not?
27. What needs to happen to make it a "standard" business practice?
28. What can you as a buyer do to make it a standard business practice in your organization?
29. What about forest product producers — what should they do?
30. What about certification bodies — what should they do?
31. What about ENGOs — what should they do?
32. Which of the ENGOs do you most respect?
33. Are you willing to partner with any ENGO's if so how?
34. What about governments — what should they do?
35. How do you feel about the recent change in B.C. Forestry Laws — i.e the shift from the Forest Practices Code to the Results Based Code?
36. What about the Great Bear Agreement?
37. Do you think the B.C. Government's regulatory regime is sufficient to satisfy your demands as a buyer?
38. Do you have any final comments before we close?
39. We'd like to be able to say we spoke to your company in our report — can we list your company in the report? Again, your comments will be anonymous.

Questionnaire for Wood Customers without an Environmental Procurement Policy

1. How involved is your company in the current debate on environmental procurement? Probe: For example. did you attend the Forest Leadership Forum?
2. Do you think you have a strong awareness of the vocabulary and issues in environmental procurement — for example "endangered forests", recycled content, certification, "old-growth" forests, etc.? Are any of these terms particularly confusing?
3. Is there a push for you to add environmental criteria into your procurement policies and if so, from which directions?
4. Do you think your organization may start including more environmental criteria into your procurement and if so when? 2 years, 5, 10 years?
5. Are you actively trying to procure more certified forest products and if so, how are you doing this?
6. Are you actively trying to avoid products that could be from "endangered/old growth" forests and if so, how are you doing this?
7. Will environmental procurement become a standard business practice? Why or why not?
8. What needs to happen to make it a "standard" business practice?
9. What can you as a buyer do to make it a standard business practice in your organization?
10. What about forest product producers — what should they do?
11. What about certification bodies — what should they do?
12. What about ENGOs — what should they do?
13. Which of the ENGOs do you most respect?
14. Are you willing to partner with any ENGO's if so how?
15. What about governments — what should they do?
16. How do you feel about the recent change in B.C. Forestry Laws — i.e the shift from the Forest Practices Code to the Results Based Code?
17. What about the Great Bear Agreement?
18. Do you think the B.C. Government's regulatory regime is sufficient to satisfy your needs as a buyer?
19. Do you have any final comments before we close?
20. We'd like to be able to say we spoke to your company in our report — can we list your company in the report? Again, your comments will be anonymous.

Questionnaire for Pulp/Paper Customers without an Environmental Procurement Policy

1. How involved is your company in the current debate on environmental procurement? Probe: For example, did you attend the Forest Leadership Forum?
2. Do you think you have a strong awareness of the vocabulary and issues in environmental procurement — for example "endangered forests", recycled content, certification, "old-growth" forests, etc.? Are any of these terms particularly confusing?
3. Is there a push for you to add environmental criteria into your procurement policies and if so, from which directions?
4. Do you think your organization may start including more environmental criteria into your procurement and if so when? 2 years, 5, 10 years?
5. Are you actively trying to procure more certified forest products and if so, how are you doing this?
6. Are you actively trying to avoid products that could be from "endangered /old growth" forests and if so, how are you doing this?
7. Are you actively trying to procure/produce more pulp/paper products with greater post-consumer-recycled content — and if so how are you doing this?
8. What is your perspective on increasing use of post-consumer recycled content in more of your products?
9. Will environmental procurement become a standard business practice? Why or why not?
10. What needs to happen to make it a "standard" business practice?
11. What can you as a buyer do to make it a standard business practice in your organization?
12. What about forest product producers — what should they do?
13. What about certification bodies — what should they do?
14. What about ENGOs — what should they do?
15. Which of the ENGOs do you most respect?
16. Are you willing to partner with any ENGO's if so how?
17. What about governments — what should they do?
18. How do you feel about the recent change in B.C. Forestry Laws — i.e the shift from the Forest Practices Code to the Results Based Code?
19. What about the Great Bear Agreement?
20. Do you think the B.C. Government's regulatory regime is sufficient to satisfy your demands as a buyer?
21. Do you have any final comments before we close?
22. We'd like to be able to say we spoke to your company in our report — can we list your company in the report? Again, your comments will be anonymous.

The Institute for Media, Policy and Civil Society (IMPACS) is a registered not-for-profit charitable organization committed to the expansion and protection of democracy and the strengthening of civil society. IMPACS understands civil society to be the space between the state and the market where people join together to share ideas and take collective action.

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