

Minutes

Timber Sales Advisory Council Meeting

June 26, 2008

Location: Radisson Hotel, Richmond

Council Members:

Brian Brown
 Corey Boilard
 Russ Cameron
 Warren Carter
 Duncan Chisholm
 Dennis Cook
 Keith Eslinger
 Shane Garner
 Ken Houlden
 Dave Lewis (alternate TLA rep)
 Steve Kozuki (altenate COFI rep)

BCTS Staff:

Doug Wrean (chair)
 Graham Archdekin
 Mike Falkiner
 Dave Peterson
 Jim Sutherland

Secretariat:

Alison Nicholson

Guests: Doug Kelly, Resource Tenure and Engineering Branch, Ministry of Forests and Range

Regrets: Les Kiss, Bill Markvoort, Barry Simpson

Meeting called to order at 9:05

Topics	Discussion/Actions/Decisions
<p>Introductions and Opening Remarks</p>	<ul style="list-style-type: none"> • Round table introductions; Doug Wrean welcomed everyone and reviewed the agenda. • Introductory comments by Dave Peterson: <ul style="list-style-type: none"> • The Ministry of Forests and Range has a new minister – Minister Pat Bell. Action: Dave Peterson will invite Minister Bell to the next TSAC meeting. • There is much activity in the policy arena at present with the forestry round table and the 90 day regulatory review. Today's meeting, which is devoted to a discussion about policy, is therefore timely. The policy topics on the agenda relate to the regulatory review recommendations. The report on the regulatory review, with specific recommendations on the issues raised, has been submitted to government for consideration.

Topics	Discussion/Actions/Decisions
	<p>The recommendations are grouped into four categories:</p> <ol style="list-style-type: none"> 1. Recommendations considered feasible and able to be implemented immediately to streamline business. The discussion today includes a focus on how to implement three recommendations in this category that pertain to BCTS. 2. Recommendations requiring further discussion/consultation/prioritization. Two will be discussed at today's meeting. 3. First Nations tenure-related recommendations. 4. Recommendations requiring legislative change
<p>Policy Discussion Topics Regulatory Review Category One Topics 1. Waste Assessments</p>	<p>Waste Pilot and Ocular Surveys</p> <ul style="list-style-type: none"> • Graham Archdekin reviewed the waste assessment recommendation which is intended to increase waste survey efficiencies. • Prior to the regulatory review, BCTS had launched a pilot whereby licensees were required to conduct waste surveys. As a result of the regulatory review, the pilot was converted to a cross program initiative. There are no changes to the waste manual standards, however, Revenue Branch will be amending the waste manual so that it reflects this new approach. Licensees will deal directly with the district and not BCTS on waste surveys. There will be a letter sent out to every timber sale licensee (TSL) holder to clarify the change and TSL tender packages will include information about the change. • Members noted that it appears that some districts have misinterpreted the change to mean that a full survey is required every time. BCTS staff responded that this is not the intent; BCTS would like to see ocular estimates used to the full extent possible. • Action: Members requested that BCTS champion the message in the ministry that the implementation of this approach be results based with districts focused on auditing the waste survey information collected to verify accuracy. • BCTS will be developing a list of the qualified waste assessors that BCTS has used. The availability of waste assessors may become an issue in the future.
<p>Likely Impact of Resource Road Act on BCTS</p>	<ul style="list-style-type: none"> • Doug Kelly provided an overview of the Resource Road Act which is intended to standardize requirements, address safety issues, enable cost savings and move to a more results-based model. Bill 30 has been deferred but the Act is still before the House. Doug Kelly has been instructed to continue consulting on the draft implementation instructions although it is not clear if the Act will be passed this fall or not. If it is passed this fall or spring then the next step is drafting the regulations (phase 2).

Topics	Discussion/Actions/Decisions
	<ul style="list-style-type: none"> • The Act is long, complex and results-based, i.e., modeled on the Forest and Range Practices Act and was developed with lots of consultation with industry. It does not apply to private land outside tree farm licenses or woodlots. • The Act encourages road users to work together as a road user group to address safety and costs issues. Existing government resources will provide for a single point of contact “authority” that will manage the permits, deal with conflicting use issues and impose terms and conditions for an area as necessary. • The types of users and responsibilities are outlined in an Information Bulletin in Appendix 1. The regulations will have prescribed user fees that will be the default fee when agreement cannot be reached between the non-maintaining user and the designated maintainer. • WorkSafe BC is proposing changes to Part 26 of their legislation regarding safety issues as they pertain to road engineering and maintenance. This approach may result in increased costs associated with higher standards for road building, however, it is not clear if it will come into effect, or if Worksafe will agree that the Resource Road Act addresses this issue. • Because BCTS is part of government the Act would not apply to BCTS; the question is how BCTS will address the intent of the legislation in its’ policy, e.g., would it be logical for timber sales to come with permits in place? • Action: Bring forward to next meeting a discussion on road maintenance cost sharing mechanisms. • Members raised the concern that the last person holding a permit may face large and unexpected deactivation costs. The regulations will have prescribed timelines for government to make decisions on deactivation. It will be important for BCTS to make costs clear upfront to bidder so there are no surprises. • Action: A representative from BCTS should join the Resource Road Act Steering Committee
<p>Policy Discussion Topics Regulatory Review Category One Topics 2. Upset Rates</p>	<p>VCU (Variable Cost Upset) and other “non-MPS 70” rates</p> <ul style="list-style-type: none"> • Dave Peterson introduced the topic of upset rates and noted that BCTS continues to refine the approach to upset rates; there are regional differences and implications for BCTS’ ability to sell volume. • Mike Falkiner described the March 2008 change to the Interior appraisal manuals which now give the Director of Operations the option of advertising sales between MPS 70% and Variable Cost. It was noted that it is important that this authority be used judiciously, particularly in areas where the potential for no bids is high. The decision requires a balancing act to ensure good information for the market pricing system and to ensure wood

Topics	Discussion/Actions/Decisions
<p data-bbox="235 798 506 861">3. Quarterly Sales Volume Targets</p> <p data-bbox="186 1438 487 1501">Regulatory Review Category Two Topics</p> <p data-bbox="235 1501 522 1533">4. Lump Sum Sales</p>	<p data-bbox="609 231 820 262">gets to the mills.</p> <ul style="list-style-type: none"> <li data-bbox="560 262 1429 388">• On the coast old growth is advertised for the lesser of variable cost or the MPS 70% rate. As of March 1, 2008, the Director of Operations can approve variable cost rates for second growth timber. <li data-bbox="560 399 1356 493">• Overall the goal is to sell 20% of the timber that is representative of the profile being harvested by the forest sector. <li data-bbox="560 504 1429 766">• A member raised the issue of transparency. It was noted that it is desirable to have a tracking system that would provide a more complete picture of what is selling and what is not at different upset rates, i.e., a tracking system to trace whether a sale has been repackaged and/or retendered. This process is underway. Action: BCTS to update TSAC on progress towards implementing a system to track information on upset rates and sales that do not sell/are repackaged. <li data-bbox="560 798 1421 1029">• Mike Falkiner noted that BCTS is focused on getting a reliable supply of timber to market. The measure used is per cent volume planned to be sold in a quarter actually advertised. He reported that the business areas have been working to coordinate their sales schedules, stick to their schedules and provide more lead time when weather may be a factor in safe viewing of sales. <li data-bbox="560 1039 1429 1197">• Members pointed out that in practice the timing of volume being advertised is not yet a smooth curve (predictable). There are still spikes in the number of sales advertised in each quarter. Action: BCTS will bring more detailed information on this issue to TSAC for discussion. <li data-bbox="560 1207 1429 1470">• A member raised the issue of access to hardwood volume. It is particularly difficult on Vancouver Island to acquire hardwoods. On the coast there are hardwood licenses whose holders have priority access to any hardwoods that become available. BCTS has little hardwood to sell and the majors tend not to harvest hardwoods as it is counted against their AAC. In the interior the MPS manual does include hardwoods and it is not as big an issue. <li data-bbox="560 1501 1421 1701">• Dave Peterson reported that lump sum sales (cruise based sales) are in the process of being defined by government. It is useful to discuss the intent of these sales which is to provide more opportunity to sell the bottom of the profile and to sell pulpwood. The complicating factor is that any wood sold this way cannot currently be used in the market pricing system. <li data-bbox="560 1711 1421 1837">• Mike Falkiner noted that lump sum sales are the start of a new thought process which could decrease costs and increase value generated from these types of stands that are a low revenue risk. <li data-bbox="560 1848 1429 1900">• A member noted that this approach should drive innovation and utilization.

Topics	Discussion/Actions/Decisions
<p data-bbox="240 835 490 898">5. BCTS Costs in MPS</p> <p data-bbox="191 1234 451 1297"><i>Issue Arising from legislative Debate</i></p> <p data-bbox="240 1306 506 1369">6. Cat 2 (protected pool)</p>	<ul style="list-style-type: none"> <li data-bbox="565 235 1425 394">• BCTS will approach lump sum sales on an experimental basis with the ultimate goal that it can feed into the market pricing system. If there are enough sales with cruise information about species and grade it could provide sufficient value information for the market pricing system. <li data-bbox="565 403 1425 592">• The idea of lump sum sales is to target non sawlog fibre in homogeneous stands, putting a sale out at an upset stumpage rate based on costs. The offering would apply to all the wood in the stand. The buyer may want to do their own cruise. The buyer would pay for it as it was cut (installment basis); there would be no waste or residue process. <li data-bbox="565 600 1425 789">• Members noted that to really get the cost down it would be necessary to eliminate scaling and cruising as well as cut control issues. It was also noted that layout has a large bearing on silviculture decisions and with too much flexibility in layout there will not be the incentive to think about the next crop. <li data-bbox="565 835 1425 1024">• Dave Peterson noted that at one time the premise was that BCTS costs would be used to determine tenure obligations of licensees. This approach evolved to where a blend of licensee and BCTS costs would be used in the market pricing system. The current proposal is to go back to the original idea whereby BCTS costs alone would determine tenure obligations. <li data-bbox="565 1033 1425 1264">• Doug Wrean noted that this could require BCTS to change how it reports its costs and what it spends money on to be more aligned with the major licensees. BCTS has cost information but it currently is not comparable to the major licensees in all categories. As a result it is not clear how the proposed changes will affect BCTS costs such as administrative costs, but clearly they will all be under much more scrutiny. <li data-bbox="565 1306 1425 1495">• Dave Peterson explained that the Minister of Forests and Range made a commitment in the legislature that a recommendation would come forward about unfreezing the Cat 2 program. Unfreezing the program is interpreted to mean opening-up the registration which was the part of the program that was frozen. <li data-bbox="565 1503 1425 1894">• Graham Archdekin described three options for unfreezing the registration: <ol style="list-style-type: none"> <li data-bbox="613 1570 1425 1663">1. Open Cat 2 registration to any company or individual with a timber processing facility in B.C. and maintain the program at the current volume. <li data-bbox="613 1671 1425 1797">2. Open Cat 2 registration to any company or individual with a timber processing facility in BC, remove the processing requirement for Interior Cat 2 TSLs and maintain the program at the current volume. <li data-bbox="613 1806 1425 1894">3. Open Cat 2 registration to any company or individual with a timber processing facility in BC who does not hold a major license, remove the processing requirement for Interior Cat

Topics	Discussion/Actions/Decisions
<p>9. Scaling and Abuse of System</p>	<p>this case they are.</p> <ul style="list-style-type: none"> • Members pointed out the need to for BCTS staff to keep in touch with scalers so that they can identify individuals who abuse the scaling system and disqualify them from BCTS sales.
<p>Standing Items</p>	<p>Waste billing exemptions/ extension fee & deposit forfeiture relief requests</p> <ul style="list-style-type: none"> • Graham Archdekin reported that the listing of TSLs affected by extension fee waivers, deposit forfeiture relief and waste assessment relief has been updated this week and can be found at http://www.for.gov.bc.ca/bcts/about/tsac.htm. <p>Certification update</p> <ul style="list-style-type: none"> • Jim Sutherland provided a certification report. See Attachment 2.

Next Meeting Dates: Thursday, September 25th and Thursday, November 6th, 2008

Attachment 1 – BCTS Regulation and ADDE Regulation Changes**Proposed Amendments to the BCTS Regulation and ADDE Regulation that BCTS will be taking forward:**

- Amalgamate BCTS Reg and BCTS provisions of the ADDE Reg
- Eliminate the \$250 Registration fee and convert the 2 year registration term to evergreen
- Repeal logging experience and mill requirements from Category 1
- Add a requirement that registrants keep their registration information up to date.
- Add a minimum 6 month disqualification for refusal to enter into a TSL or cancellation of a TSL
- Clarify registration transfer requirements
- Add a requirement enabling TSMs to refuse to register a person who has an overdue account or who is not at arm's length with a person who has an overdue account

Proposed Amendments that have been withdrawn:

- ***Add a requirement to automatically suspend registration if there is a non-arm's length relationship with a person disqualified for refusing to enter into a TSL***

Exclude payment of stumpage and waste as triggers for mandatory deposit forfeiture

Attachment 2 – Certification Update

ISO14001 Environmental Management System (EMS) Certification

- BCTS continues to retain EMS certification in all 12 Business Areas and cycle through re-registration audits for second - 3 year ISO14001 certification term's.
- Audits and inspections continue to show a trend of improvement in Licensee compliance and greater EMS awareness among workers. We conclude the BCTS EMS continues to provide good due diligence, particularly with our smaller operators.
- EMS efficiency BCTS is embarking on a project that includes improving the alignment of our EMS with our safety initiative. Strengthening performance and eliminating unnecessary burden on Licensee's while retaining an arms length relationship will be a main focus.

Sustainable Forest Management (SFM) Certification

- **Current Status:** Yellow highlight indicates achievement since last TSAC Update

Business Area	Management Unit	Volume m3	Standard	Certification Date		
Babine	Morice TSA	339,410	CSA	25/01/2006		
	Lakes TSA	714,837	CSA	06/11/2006		
Cariboo-Chilcotin	Williams Lake TSA	1,048,154	SFI	13/12/2007		
	Quesnel TSA	979,029	SFI	13/12/2007		
	TFL 52	117,178	SFI	13/12/2007		
Kamloops	Kamloops TSA	774,976	CSA	04/01/2006		
	Merrit TSA	421,870	CSA	04/01/2006		
Kootenay	Arrow TSA	789,757	SFI	28/02/2007		
	TFL 03 Little Slocan					
	TFL 23 Arrow Lake					
	Boundary TSA					
	TFL 08 Boundary					
Okanagan-Columbia	Okanagan TSA	647,243	CSA	08/04/2008		
	Columbia TSA	215,700	SFI	08/04/2008		
Peace-Liard	Fort Saint John TSA	622,059	CSA	17/10/2003		
	Fort Nelson TSA	203,668	CSA	08/04/2005		
	TFL 48	55,350	CSA	02/11/2006		
Prince George	Prince George TSA	1,168,104	CSA	25/01/06		
	TFL 30	21,312	CSA	22/06/06		
	Mackenzie TSA	718,886	CSA	08/08/2007		
Skeena	North Coast TSA	1,014,191	SFI	25/10/07		
	TFL 41					
	Kalum TSA					
	Nass TSA					
	TFL 1					
	Kispiox TSA					
	Cranberry TSA					
Cassiar TSA						
Stuart-Nechako	PG TSA Vanderhoof	1,076,040	CSA	19/12/2006		
	PG TSA Fort S James	914,637	CSA	19/12/2006		
Subtotal & % of all SFM Vol.	CSA	8,468,149 = 72%	SFI	3,374,252 = 28%	FSC	0

Total BCTS SFM Volume	11,842,401	Total BCTS Allocation	≈16,000,000	% Allocation Under SFM	74%
------------------------------	-------------------	------------------------------	--------------------	-------------------------------	------------

- BCTS met its Business plan goals for certification in 2007/08 and remains on track to meet or exceed Service Plan SFM targets Current plans going forward we expect about 54% of our SFM volume will be under CSA, 45% under SFI and 1% FSC.
- BCTS has finalized our approach for supporting Chain of Custody (CofC);
 - A SFM certification confirmation statement in the TSL document,
 - Declaration letters included with tender packages verifying certified source and copy of SFM certificate on request,
 - SFM certification information in Business Area Sales Plans and corporate data base information for reporting purposes.

BCTS will not be pursuing CofC certification or provide a CofC system. BCTS will verify SFM certified source of timber.

- BCTS participates in the CSA User Group and the CSA Technical Committee.
- BCTS participates in the Western Canada SFI Implementation Committee.
- CSA, SFI and PEFC (Programme for Endorsement of Forest Certification Standards) have been active in increasing market recognition and acceptance of their respective standards.
- In cooperation with other CFCI operating businesses, BCTS is currently pursuing FSC certification within the Mid-Coast TSA (part of the Mid and North Coast Land and Resource Management Plan (LRMP) areas aka 'Great Bear Rainforest'. It is expected this will result in over 700,000 m³ of FSC certified wood of which about 101,448 m³ will be BCTS.
- Other SFM Certification Plans for 2008/09: Straight of Georgia – SFI (1.5 million m³); Peace-Liard - SFI, Dawson TSA (400 k m³) - Seaward Tslasta - CSA, Van Island (90 k m³); and Kamloops - SFI, 100 Mile TSA (456 k m³)
- Certification Officer Greg Cawston retired end of March – Rein Kahlke, RPF is Greg's replacement. Rein will be working out the Vernon TSO and commences July 21, 2008.