

Forest Investment Council Recommendations

February 25, 2004 Meeting

Forestry Innovation Investment (FII) Programs

Fifty proposals have been submitted for 2004-05 projects seeking \$30.7 million in funding. FII Ltd. staff, consultants, and representatives of the federal government and the provincial Purchasing Commission are screening the proposals. Funding announcements are to be made in the first week of April. A conference call will be scheduled for the FIC members who wish to discuss FII Ltd. programs in the coming year.

Construction of the Dream Home China presentation centre *is expected to* begin in mid-March, taking five to six months to complete.

The members were reminded that they had previously discussed the possibility of licensees being entitled to direct some of their Land Base Investment Program funding into FII Ltd. programs. There was also a request to have an update on the plans to promote BC wood products in the context of the 2010 Winter Olympics at the next FIC meeting.

Land Base Investment Program (LBIP)

A document of issues raised by licensees throughout the year and discussed in three regional workshops in January was circulated and the following points were discussed:

- Some licensees continue to argue that tendering requirements are too restrictive and costs for tendered work do not seem to differ significantly from the costs of non-tendered work. Mr. Konkin noted that even if costs are comparable, there remains a desire to ensure that work is openly available rather than tied up in direct awards.
- PwC and Ministry staff agreed with licensees that the "holdback" policy would be changed next year. Instead of advancing 80 percent of the anticipated cost of a project each Quarter, PwC holdback 20 percent of the total project cost only in the last Quarter. PwC will continue to pay out the balance within 10 days of receiving completion reports.

The Council discussed the 15 percent cap on innovative project spending for 2003-04. The cap amounted to about roughly \$7 million but licensees have received approvals for only \$4.6 million of such projects. The FIC members concluded that they disfavoured a call-for-proposals approach to this kind of work. Industry members of the Council agreed to consider the merits of requiring that innovative projects be endorsed by all recipients in a given management unit, rather than on a licensee-by-licensee basis.

A preliminary review of the innovative projects completed in 2003/04 suggested that the projects were worthy. However, a more in-depth assessment will be conducted to confirm the projects constitute sound investments prior to considering any changes to innovative project funding policies.

Program Allocations for 2004-05

The Council discussed FIA program-level allocations for 2004/05 recently approved by Minister de Jong. Industry members suggested that at some point, reductions in the amount available to licensees would call into question the logic of the LBIP administrative framework and process. Members agreed to meet again on April 8th, at which time the three industry members will table their ideas concerning a new model. Mr. Konkin noted that any evaluation should be done in the

context of New Era promises, the government's Heartland Strategy, and the recent Budget Day communications.

The discussion then turned to a tentative change in the LBIP allocation model for 2004-05. The change involves imposing a rule of not allocating anything less than \$30 thousand to an individual licensee in a given management unit. The implications of this change would be a reduction to the number of recipients. The FIC members recommended that the existing \$10 thousand floor level be retained, and that the Ministry signal early on that a change may be made for 2005-06.

Forest Investment Council Membership

Members briefly discussed the possibility of members being replaced in the near future. It was agreed that some turnover is desirable in order to give others a chance to participate, but at the same time, continuity is necessary. Mr. Konkin agreed that a member could bring forward the name of a recommended replacement, and Mr. Konkin would seek the Minister's decision in that regard.

Funding Requests

A proposal to undertake a two-year project to craft a common set of indicators for sustainable forest management was tabled. Members were reminded that third-party certification schemes typically require public advisory groups to sanction indicators, and that it might make sense to offer such groups a set of commonly accepted indicators. There is a need to discuss the broad issues in this context. It was also noted that a bigger issue has to do with ensuring that AAC being taken back by the Province does not inadvertently lose its certification status when it comes under the purview of BC Timber Sales.

Members were reminded of the earlier proposal to direct LBIP funding to the "forestry consortium", whereby ministries and licensees would collaborate on the management of certain land management data. The FIC members concluded that they would like to see the consultant's pending report on this, because it may have links to the proposal to create a common set of SFM indicators. *It was agreed that the report would be circulate before the next FIC meeting*

Next Meeting

The next meeting is scheduled to take place on April 8th