

Forest Investment Council Meeting

Draft Minutes

Meeting Date: January 27, 2006
Location: Ministry of Forests and Range, 1520 Blanshard Street, Victoria

Attendees: Doug Konkin (MoFR, Chair) Alex Ferguson (Canfor)
Mike Lambert (ILMB) Ken Baker (FII)
Bruce MacNichol (West Fraser) Ian de la Roche (Forintek)
Ric Slaco (Interfor)

Ian Brown (PwC) Kevin Bromley (PwC)
Rick Brand (MoFR) Jill Gilbert (MoFR)

Absent: Chris Trumpy (MoE)

1. Minutes of Previous Meeting/Draft Agenda

The Minutes of the September 22, 2006 meeting were accepted, with one clarification. The second bullet under item #4, FIA Allocation Looking Ahead 2006/07, should read:

It may be advisable to discontinue funding tree improvement activities under LBIP. It is being proposed that all TIP funding come from one funding envelope (i.e., the Tree Improvement Program).

2. Action items from the last meeting

FIA Communications:

Rick Brand reported that options for communications have been reviewed by the Council and by the Land Base Steering Committee. It is generally felt that communications should focus on planned projects, rather than on projects that have already been completed. However, this could result in setting up expectations for future projects that may not materialize.

The LBIP Steering Committee felt that informal communications works well. It was suggested that communications material outlining the key messages should be readily available on an on-going basis to provide to Ministers, MLAs or District Managers whenever it is required.

Action: Rick Brand will prepare an outline of what could be available on an on-going basis for key messaging for the next meeting.

LBIP Shift

LBIP Steering Committee (see list of representatives attached) has met twice and held conference calls. The committee is recommending that the allocation of LBIP funds remain within management units to individual licensees and that discretionary funding be allocated by AAC rather than harvest volume billed. Rick Brand explained that the AAC-based formula works well because the data is readily available and it is simple to remove the beetle uplift to make the calculations.

PwC advised that both AAC-based and harvested volume formulae were tested and the resulting numbers only varied by approx. 5%. Under the current allocation process, any funding not being used by September would be reallocated.

Rick confirmed that BCTS will be a LBIP recipient starting in 2006/07 and will be treated like any other licensee. A question was raised about whether the AAC based allocation formula works in the case of BCTS. A point around BCTS and some licensees getting an allocation based on AAC where harvesting has not occurred was also raised.

The LBI Rationale guidelines have been clarified to improve the linkage between activities and landscape/management unit objectives.

Action: Rick Brand to check the allocation formula to determine if there are any significant changes or glaring variations for any group of licensees as a result of which formula is used. *As of Feb 17th some significant variations have been noted with BCTS reallocated volume and some existing smaller companies dropping off the allocation list. The ministry is working with the LBIP Steering committee to mitigate these anomalies.*

Rick distributed a final version of the value for money audit. The report makes some good recommendations, some of which have already been adopted. Mike Lambert noted that ILMB is beefing up its monitoring of FIA funded activities as recommended by the report.

3. Third Quarter Reports

The FIA Programs third quarter reports presented no challenges. A question was raised about the possibility of using paid evaluators to review the Forest Science Program proposals. PwC reported that out of about 60 reviewers, only a small number of paid evaluators were used. PwC now roll up all comments and ratings into one report so that comments cannot be attributed to a particular reviewer.

4. First Nations Involvement in FIA

Doug Konkin outlined the shared decision making process with First Nations on the federal Mountain Pine Beetle funding and Forests for Tomorrow and noted that First Nations involvement could extend to FIA. Between 11% and 15% of FIA land base funding already goes to first nations programs, without any specific targeting. In response to a question about how First Nations are involved in other resource areas, Doug noted that while the New Relationship covers all sectors, forestry is the most active on the land base and therefore is getting more attention.

Doug indicated that one scenario may see a First Nations representative at the FIC table if there is First Nations' support for FIC's mandate to help make investments in the land base.

5. 2006-07 FIA Budget

The total budget for FIA will increase by \$32 million, from \$89m to \$121m for 2006/07. In 07/08, the budget could go to \$126m. The uplift proposals were prioritized based on single year funding. Rick had previously distributed a breakdown of proposed allocations for discussion purposes.

Tree Improvement: The request was based on funding over a 5 year period to address Mountain Pine Beetle. It was felt that MPB projects should come from the federal fund if possible. The commitment for self-sufficiency of Select Seed should be separate from this uplift funding. Expanding genetically improved seed production should not go beyond harvest expectations 10 years from now. The funding should not just go towards MPB, but also towards second growth on the coast. The Council supported the remaining allocation as proposed.

CLUPE: Alex Ferguson felt that projects on Mountain Caribou should be completed first before further funding goes towards other Caribou projects, such as Northern Caribou.

The request for Mountain Pine Beetle projects should be funded out of Federal MPB dollars. The Council supported the remaining allocation as proposed.

In response to a question, Mike Lambert explained that most of the \$1.37 m FIA funding for land use planning will be spent on EBM.

Small Tenures: Rick noted that allocation for small tenures will be area-based rather than AAC-based, as it results in a fairer distribution of funds between CFAs and WLs. The Council supported the allocation as proposed.

Forest Science: The funding request includes \$1M for First Nations projects and \$800,000 for priority topic gaps. It was felt that funding should not be set aside for specific constituencies. Ian de la Roche noted that the Forest Science program has a 65% success rate, which is very good. It was suggested that the \$800,000 requested to fill knowledge gaps recognized after assessing the 2006/07 proposals should be kept in reserve and allocated based on a good business case and if necessary a second call for proposals could be issued. A 3-year lump sum membership in the SFMN should only be considered if SFMN will still be intact at the end of 3 years. The Council supported the rest of the allocation as proposed. *(Since the meeting we have confirmed that the Federal Gov't will be supporting the SFMN through 2008/09, therefore the prepayment should go ahead.)*

Land Base: Funding for forest inventory has been insufficient at the management unit in the past. Focused funding of approximately \$7M would go towards priority inventories based on criteria discussed with the LBIP Steering Committee. Some additional funding would be used to complete a provincial inventory strategy and commence a second growth strategy. BCTS will get approx. 16% to 18% of the discretionary allocation. The proposed focused funding of \$3M for fertilization would be used to fill in timber supply gaps to mitigate the MPB impact. However, this may be a candidate for federal funding. The Council supported the remaining allocation as proposed.

PwC advised that there are currently no eligibility criteria for EBM program funding. Two EBM proposals have already been submitted. In the absence of criteria and standards, these proposals would be classed as “innovative”. It was suggested that in the absence of criteria or standards every effort should be made to not hold up review of the current proposals.

Action: Rick Brand to follow up to see if the LBIP fertilization could be funded from Federal MPB or Forests for Tomorrow dollars. *(Since this meeting it has been determined that Fertilization does not eligible under the Fed MPB funding and that the FFT funds are fully committed to strategy priorities for the next two years).*

Action: PwC and the ministry to review eligibility criteria for EBM proposals based on the two current proposals as tests to learn how to treat future proposals

Ministry Direct Funding No changes are proposed for this funding.

Mike Lambert asked, on behalf of MoE, whether funding water monitoring record stations would be appropriate for multi-year FIA funding. Record stations are currently funded by the federal government through Water Survey of Canada, but the funding level is being cut back, resulting in possible station closures.

It was pointed out that funding for water monitoring already comes through the FIA watershed restoration activity, and in some areas licensees are carrying out water monitoring projects. Another possible area of funding may be through MPB. It was felt that if the funding was single year or if it was used as bridging funding, it may receive more favourable consideration.

Action: MoE to prepare a business case, for FIC review, to support funding water monitoring stations as an eligible activity under FIA.

Action: PwC will provide a summary of water quality projects that have already been funded under FIA. *(PwC report indicates that LBIP has funded water monitoring through licensee delivery as follows: 2002 - \$606,000; 2003 - \$656,000; 2004 - \$345,000 and \$194,000 to date in 2005).*

MoFR Budget Mitigation: Doug Konkin will review this budget item with a view to reducing the amount if possible, e.g. MPB suppression costs may be moved to the Federal

MPB funding. *(Since the meeting this line item has been deleted with the \$2.488M funding shifted to the LBIP along with an expense of approximately \$1.2M for Budworm suppression and MPB suppression in Parks and Protected Areas).*

International Marketing: Ken Baker gave an overview of the FII funding proposals. BC wood products will be showcased at the 2010 Olympics. Funding for marketing as a result of the Central Coast land use planning decisions will come out of FII's regular base budget. The Council supported the allocation as proposed.

Unallocated funds: The Council supported putting some of the remaining unallocated funds into a contingency fund and adding the rest to discretionary funding under the LBIP. *(Since the meeting of the \$4M that was unallocated \$800,000 went to FSP, approx \$1.6M went to LBIP licensee allocation and \$2M remained as a contingency to be reviewed after the first quarter).*

Meeting adjourned at 12:30 p.m.