

Forest Investment Council Meeting

Meeting Date: October, 5, 2006
Location: Ministry of Forests and Range, 1520 Blanshard Street, Victoria

Attendees: Doug Konkin (Chair) Chris Trumpy (MOE)
Walter Matosevic (Canfor) Ric Slaco (Interfor)
Ian de la Roche (Forintek) Mike Lambert (ILMB)
Ken Baker (FII) Kevin Bromley (PwC)
Ian Brown (PwC) Rick Brand (MOFR)
Dave Bodak (MOFR)

Guest Presenters: Bill Bourgeois (FSP)

Absent: Bruce MacNichol (West Fraser)

1. Minutes of Previous Meeting/Draft Agenda

Minutes of the January 27, 2006 meeting were accepted.

Confirm Agenda - Clarification for item #7 2007/08 Budget Outlook on today's meeting agenda is meant as a high level discussion on budget pressures and insights into government direction that may impact the FIA budget for next fiscal year.

FIC membership – Walter Matosevic welcomed and confirmed as a member of the FIC.

Action: Letter will be prepared for the Deputy Minister's signature appointing Walter Matosevic to the Council.

First Nations participation on FIC was raised. Participation by First Nations would be welcomed depending in what capacity (i.e. recipient of FIA funding or First Nation constituent). First Nations are participating in other FIA program governance models and that may be the appropriate level.

Action: Doug Konkin will be meeting with the First Nations Forestry Council within the next few weeks and will seek their guidance on the issue towards providing clearer direction as to participation by First Nations on FIC.

2. Action items from last meeting

LBIP shift in allocation process

Rick Brand / Dave Bodak reported that the LBIP allocation model changed in 2006-07 from being based on volume harvested billed to AAC. No significant issues have resulted from the change and possibly this has been mitigated by the overall increase in LBIP funding and the introduction of FFT funding this fiscal year.

LBIP Communication

Rick Brand distributed a draft of a LBIP brochure that provides an overview of program highlights in 2006-06 and a look forward for 2006-07. The target audience for this brochure is mainly for LBIP recipients and government / industry staff recognizing that through them copies may be available to the public and elected officials. This brochure would be updated annually. Some discussion was had around the need for some recognition that captures the overall value of LBIP expenditures.

Action: FIC members agreed to proceed with the publication of the draft 2005-06 LBIP brochure as presented recognizing that the next brochure iteration will take into account the discussion of demonstrating the value of spending LBIP funding. Ken Baker will circulate to FIC members the FII brochure that has been completed to see if it can be useful towards future improvements for the LBIP brochure.

2006/07 Budget

- Fertilization focused funding - \$3.2 million of LBIP funding directed towards interior management units affected by the Mountain Pine Beetle in an effort to mitigate the mid term timber supply falldown. Any surplus will be directed towards coastal management units to address timber supply issue in the mid term. The allocated funding is based on a strategy prepared by the MoFR.
- EBM proposals – There have been some projects submitted for approval relating to EBM on the coast. Discussion was had on the uniqueness of these projects given the EBM initiative and the challenges to the approval process in discerning what is eligible under LBIP. FIC members agreed that proposals that address EBM should reflect effectiveness and learning. There may potentially be some duplication in effort with the work that the Forest Practices Board is working on.

Action: MoFR and PwC to continue to work together in determining eligibility of EBM proposals.

Doug Konkin is to check with the Forest Practices Board to see what they are doing with respect to EBM.

- Hydrometric Monitoring - \$600,000 was provided to MOE for hydrometric monitoring purposes. To date work has been accomplished in two areas:
 - Identified funding to maintained operations at the current size of 450 hydrometric stations until March 2009; and
 - MoE will complete a network review by March 2007 focusing on better meeting the needs of all the provincial funding partners including improvements necessary for sustainable forest management purposes. They are also evaluating the funding and operational delivery of the network for improvements.
- Contingency Funding – discussion postponed to Agenda item #7 2007/08 FIA Budget Outlook

3. Program Administration

LBIP Administration Agreement

The current LBIP administration agreement with PwC expires March 31, 2007. MoFR has posted a Request for Proposal (RFP) on BC Bid. The RFP closes October 17, 2006. There has been a proponents meeting attended by 2 perspective entities interested in submitting a proposal. An evaluation package is being prepared for the evaluators of the submitted proposals. A shortlist process will be applied to the top 3 submitted proposals for further evaluation. A decision on the successful proponent is expected late November / early December.

FIC members were satisfied with the process and will have no involvement in the evaluation process.

Small Tenures Program

As with the LBIP, the current Small Tenures Program administration agreement with the Federation of BC Woodlot Associations (FBCWA) expires March 31, 2007. Towards looking for efficiencies in FIA and considering the potential expansion of community forest agreements (possibly an additional 31 over the next two years), agreement has been reached with the FBCWA to include woodlots and community forest agreements under the LBIP in 2007-08 as recipients and be able to keep their autonomy. Further discussions with the FBCWA and Community Forest Association will occur to work on details and issues associated with this transition.

FIC members recognized the distinctiveness of these tenures and the need for adequate funding.

First Nation Information Sharing & Consultation

Rick Slaco raised the matter around delays in project approvals this fiscal year due to information sharing and consultation issues that arose during the summer. Discussion ensued around the background of what transpired and that an interim process is now in place that appears to have mitigated the concerns. A new strategic approach to First Nations information sharing and consultation is being developed that will utilize the Land Base Investment Rationale and ensure sufficient time to ensure projects can begin as early as possible in the fiscal year.

Action: Rick Brand is to report out at the next FIC meeting regarding the First Nations information sharing and consultation process ensuring clarity and consistency has been achieved.

4. Second Quarter Updates

LBIP

PwC provided FIC members with a draft 2nd quarter report. Based on the financial guidelines implemented this year towards ensuring maximum utilization of LBIP funds, there is currently \$2.2 million identified in excess funds (approximately half of which is from BCTS). The process now is to determine where the excess funds should be applied based on a list of projects submitted by LBIP recipients that requires more funding this fiscal year (currently about \$4.3 million being asked for).

First Nations information sharing and consultation was an issue this year towards ensuring approval of projects in a timely manner (see issue under agenda item 3 above). However, the number of project approvals is higher at this time this year than last year.

Forestry Innovation Investments (FII)

Ken Baker handed out copies to FIC members of the FII 2005-06 Annual Plan Report.

Action: FIC members are to provide any comments on the Annual Plan Report to Ken.

Ken Baker handed out and spoke to a slide presentation on the 2nd quarter update for FII providing an overview of the 2006-07 budget allocation by FII administration, China Operations, BC Market Outreach Network, Market Development Programs and Recipient Agreements. The report out also discussed 2006-07 priorities led by industry and others as well as FII. Discussion involved promoting the use of wood at the 2010 Olympics and other opportunities.

Small Tenures Program

Rick Brand provided the 2nd quarter report for the Small Tenures Program. 80 per cent of the Woodlot Lead Associations work plans have been submitted and approved. Lead Associations are now actively working on contacts.

LBIP Ministries Admin / CLUPE / TIP

Rick Brand provided a handout for FIC members outlining progress to the 2nd quarter on expenditures and key accomplishments. Mike Lambert provided additional information regarding the development of a more strategic approach to CLUPE and data management issues overseen by ILMB.

A question was raised about the potential for over expenditures in these programs and the consequences. Over expenditures are not allowed in the programs. As such they are carefully monitored to ensure that it does not occur.

5. Forest Science Program Update

Bill Bourgeois spoke to a slide presentation on the key activities being undertaken by the FSP in 2006-07 and as well as an update on the integration of First Nations interests and culture into the program.

Leveraged funding for forest research as identified in slide 11 of the presentation does not include funding from the Sustainable Forest Management Network (SFMN). Inclusion of that funding would increase the amount of leveraged funds shown estimated to be around 6X.

Note: Bill has subsequently provided a report (see attached document) showing the amount of funding provided by the SFMN and advises the amount of leveraged funds is 10X rather than his estimate of 6X.

The experience to date with First Nations involvement in the FSP has been positive, although it is recognized that the process around information sharing and consultation of FSP projects is yet to be figured out in detail.

Work is underway with UBC (Sue Watts) to identify the total amount of dollars from all funding sources that is being directed to forest research in the Province of British Columbia.

Ray Addison completed a report that is on the FSP website ([FSP - Publications](#)) that indicated the benefits of research provided 7-20 times the investment made.

The FSP would like an estimate by the end of October of the amount of FIA funding to be provided to FSP for 2007-08 in order to effectively and efficiently manage the Letter of Intent and Request for Proposal process associated with the program.

Action: Rick Brand to acknowledge to FSP an estimate for the budget for 2007-08 should be considered as status quo from 2006-07.

6. VRI Review Update

In response to a finding from the LBIP Review conducted by Ministry of Finance Internal Audit and Advisory Services, \$7.0 million has been focussed from LBIP in 2006-07 towards undertaking Vegetation Resource Inventories in the province. This funding has been allocated towards projects underway from previous years, priority VRI required in management units, and aerial photography of management units towards implementing VRI. To support future focussed funding for VRI, MoFR Forest Analysis and Inventory Branch is leading the development of a provincial VRI strategy in cooperation with other government agencies and industry. A Vision/Purpose and a Governance group have been formed to put in place a framework for VRI. A VRI strategy and business plan will be available for the next FIC meeting.

Action: VRI Strategy and Business Plan to be tabled at Jan meeting.

7. 2007-08 FIA Budget Outlook

In 2006-07, a FIA contingency fund of \$2.0 million is available to address priorities that come to light during the year that cannot be addressed through other ministry avenues. To date this funding has been applied to:

- \$600,000 for Hydrometric Monitoring
- \$50,000 for a second growth strategy on the coast
- \$130,000 for reforestation liabilities in the Northwest
- \$400,000 for Gypsy Moth spraying
- \$200,000 for invasive plants
- \$300,000 for grassland ecosystem restoration

Identified potential priorities / opportunities that may require funding from FIA in 2007-08

Doug Konkin:

1. Northwest Strategy – the Northwest is a potential fibre source as the mountain pine beetle continues its devastation. Activities can be implemented now that will ensure better and

more fibre in the mid term towards mitigating the mountain pine beetle. A Treasury Board submission is being prepared and if successful FIA funding may not be required.

2. Grasslands Ecosystem Restoration - \$300,000 has been provided from FIA this year. It is expected that \$2.0 million will be required next year to continue the program. The Kootenay area is considered to be the number one priority in the province. There may be an opportunity to access some of the Mountain Pine Beetle funding to cover this.
3. Build with Wood Strategy – Minister’s initiative towards promoting building with wood. Not sure of the cost associated with this initiative. Doug Konkin to lead the development of a concept paper for building with wood for the MoFR Minister.
Action: Doug Konkin to work with Chris Trumpy, Ken Baker and some of the FIC members on the development of the concept paper.
4. Bridge Infrastructure – some of the existing bridge infrastructure needs to be replaced especially in areas where that provide access to communities.
5. Hydrometric Monitoring – continue to fund \$600,000 for hydrometric monitoring in 2007-08.
6. Product development – more funding could be devoted towards product development.

Mike Lambert:

1. CLUPE – ILMB is looking at more rigour on CLUPE issues. There are some budget pressures regarding the planned implementation of CLUPE.
2. Information Management – there are forest industry data / information issues related to the Land and Resource Data Warehouse (LRDW) and the development of Forest Stewardship Plans. Have support from COFI towards the development of a workplan to address these issues (see attached letter from COFI).

Action: Mike Lambert to present a business case at the next FIC meeting to address this issue.

3. TRIM data issues need to be addressed

Chris Trumpy:

1. Species at Risk implementation plans.
2. Air quality issues around burning more efficiently.
3. Opportunities for a more coordinated effort regarding research.

Industry perspective:

1. Eligibility of the MPB funding is still uncertain and there may be some pressures that arise when clarity is provided that will require the potential use of FIA funds.

PwC:

1. LBIP funding allocated to recipients is not sufficient to address some high cost road deactivation requirements for non-status roads on the coast.

2007/08 Budget

Anticipated FIA budget for 2007-08 is \$126 million. Proposal being considered to allocate approximately \$5 million of the budget towards long term government activities (e.g. invasive plant control, gypsy moth, forest health provincial overview survey) currently being administered within the MoFR and funded by FIA, leaving \$121 million to be allocated to FIA programs and funding pressures. Assuming a status quo budget for all FIA programs in 2007-08 recognizing a \$1.675 million (one time allocation in 2006-07 only) decrease to FII, there would be approximately \$8 to \$9 million (this includes the \$2 million contingency allocation this year) available to address priorities and issues in 2007-08.

8. Meeting Wrap Up

Next meeting will be January 24th, 2007 to be held in Victoria, 1520 Blanshard, Executive Boardroom 3rd floor.

Meeting adjourned at 1:55 p.m.